



Building Trust, Creating Value

Illustrative Annual Report 2012



About PricewaterhouseCoopers

Building relationships that create value

PwC is one of the world's largest providers of assurance, tax, and business consulting services. We believe that the best outcomes are achieved through close collaboration with our clients and the many stakeholder communities we serve. So every day, 169,000 PwC people in 158 countries work hard to build strong relationships with others and understand the issues and aspirations that drive them.

PwC Singapore operates on a collaborative basis with PwC China, Taiwan and Hong Kong, subject to local applicable laws. Collectively, we have around 690 partners and a strength of 16,000 people. As a leading professional services firm, we count among our clients, top-tier companies listed on the stock exchanges in the respective cities, including the Singapore Exchange, multinationals and emerging local companies.

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Publication Guide

Scope

This publication, Illustrative Annual Report 2012, provides a sample annual report of a fictitious group of companies for the financial year ending 31 December 2012. PwC Holdings Ltd is a company incorporated in Singapore and its shares are listed on the Main Board of the Singapore Exchange Limited (“SGX”).

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

Effective date

This illustrative annual report includes sample disclosures under the requirements of the Singapore Companies Act, SGX Securities Trading Listing Manual, Singapore Financial Reporting Standards (including its Interpretations) that are effective for financial year commencing on 1 January 2012.

Illustrative in nature

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

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

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

Guidance notes

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

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(Left) **Yeoh Oon Jin**, Executive Chairman (Designate) and *(right)* **Sim Hwee Cher**, Singapore Assurance Leader.

Foreword

We celebrate the 10th edition of our “PwC Illustrative Annual Report” amidst unsettling times.

The past few years have been full of upheavals in the global economy. Just as it seems that the world has emerged from the financial crisis of yesteryear, the sovereign debt crises and slow down in certain key Asian regions, notably in India and China, has certainly taken no time in reminding us that the state of the global economy remains fragile.


The next big wave of developments in the financial reporting arena is also fast approaching with promises on somewhat major changes to the corporate financial reporting landscape. Financial performance and key financial ratios are two significant areas that will be impacted, with financial reporting being subject to closer scrutiny by stakeholders and regulators.

It is imperative then, that companies strive to build trust and create value in their businesses and continue to produce robust and reliable financial reporting that reflects this.

We continue to strive to be your trusted advisor, commit to deliver value to you and assist you in meeting these higher expectations.

- **Sustainability Reporting.** We are pleased to share with you that we have included an additional Report on Sustainability in this 2012 edition. Challenges facing the world, from the present financial crisis to the looming threat of climate change, have a greater impact on a small island such as ours. Sustainable reporting is therefore, a vital step for managing change towards a sustainable global economy and one that combines long term profitability with social justice and environmental care. This reporting is strongly encouraged by the regulators and will also allow stakeholders to have the confidence that your business is here to stay for the long run.
- **Corporate governance.** We have revised the Corporate Governance report in this 2012 edition, to be in line with the revised Code, that is effective from 1 November 2012, and to address the regulatory focus on directors’ responsibilities over controls and governance. This will enable you to continue to demonstrate good corporate governance and accountability.
- **Five new and revised standards.** In this 2012 edition, we have included guidance and illustration on the adoption of a group of five new and revised standards that are effective from 2014. These standards will have a significant impact on your group reporting, with changes in definition of control and the removal of proportionate consolidation for joint ventures. Consequently, key financial ratios will change and may impact debt covenants and how financing arrangements are negotiated.
- **New Media.** In keeping up to date with rapid changes in the social media landscape, we will also be bringing to you an interactive electronic version of the PwC Illustrative Annual Report. There are many features that are offered by digitising the publication, including search function and enhanced navigation tools, and we hope to offer you a different but interesting experience.

We trust that you will find this publication an excellent resource to assist you in the preparation of your companies’ annual reports for the coming financial year-end. We also encourage you to consult your regular PwC contact should you have any questions or comments regarding this publication or the implementation of the new accounting standards.



Yeoh Oon Jin
Executive Chairman (Designate)
August 2012



Sim Hwee Cher
Singapore Assurance Leader
August 2012

PwC Holdings Ltd and its Subsidiaries

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Abbreviations used

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

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

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

DV	Disclosure is voluntary
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PwC Holdings Ltd and its Subsidiaries

Board of Directors

As at 19 March 2013

Reference

Mr Tan Cheng Eng

Independent, Non-executive Director

Aged 58, Singaporean

SGX 1207(4)(b)(iii),
CG Guideline 4.7

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

Mr Tan Cheng Eng was appointed to the Board on 1 February 2003 and appointed as the Chairman of the Board and of the Remuneration Committee on 13 September 2008. He is also a non-executive Chairman of Data Bank Holding Ltd and an Executive Director of Homegrown Securities Ltd, both of which are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr Tan was last re-elected as a director of the Company on 29 April 2012.

Mr Tan holds a Master degree in Financial Engineering from Harvard University, USA and a Bachelor of Arts (Mathematics) degree from University College London. He has 30 years of experience in the finance industry, of which 17 years were in the securities industry. He also serves on the council of the Society of Financial Advisory Consultants and on the boards of the National Symposium Council and the Singapore Music Conservatory.

Mr David Grey

Non-independent, Non-executive Director

Aged 61, English

- Member of Board of Directors
- Member of Audit Committee

Mr David Grey joined the Board on 15 May 2004 and was last re-elected on 17 May 2011. He is also an Executive Director of PwC Global Ltd, the ultimate holding corporation of PwC Holdings Ltd.

Mr Grey holds a Master of Science from London School of Business, United Kingdom and PhD in Bioinformatics from Imperial College London. He has more than 20 years of experience in the pharmaceutical industry. He has served as the Chairman of the European Union Biotechnology Board, a company listed on the London Stock Exchange since 2000 and was a Council Member of the Institute of Biomedical Practitioners, United Kingdom between 2005 and 2009.

PwC Holdings Ltd and its Subsidiaries

Reference

Board of Directors

As at 19 March 2013

Mr Ang Boon Chew

Chief Executive Officer

Aged 47, Singaporean

- Member of Board of Directors

Mr Ang Boon Chew was appointed to the Board on 18 February 2004 and was last re-elected on 17 May 2011. He joined PwC Components (Singapore) Pte Ltd, a subsidiary of PwC Holdings Ltd, in 1992 and became its Chief Executive Officer on 1 October 2002. He was subsequently appointed as the General Manager of PwC Holdings Ltd on 2 November 2007 and became its Chief Executive Officer on 18 February 2010.

Mr Ang graduated from the National University of Singapore with a Bachelor of Engineering (Electrical and Electronics) degree. He is a Fellow of the Institute of Engineers, Singapore and a Board member of the National Fire Prevention Council. He has more than 20 years of experience in the electrical component parts industry.

Dr Ran Jedwin Gervasio

Executive Director

Aged 44, American

- Member of Board of Directors
- Member of Risk Committee

Dr Ran Jedwin Gervasio joined the Board on 26 February 2013. He is the founding member of Visionary Component Inc. (now known as PwC Components (Philippines) Pte Ltd), a subsidiary of PwC Holdings Ltd.

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

Mr Lee Chee Wai

Independent, Non-executive Director

Aged 56, Singaporean

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

Mr Lee Chee Wai joined the Board on 1 May 2012. He graduated with a Bachelor of Law (Hons) degree from National University of Singapore.

He began his career with an international law firm in 1985, and was subsequently employed as the Company Secretary and Legal Advisor of a multinational group of companies in Singapore in 1982. He commenced his professional practice in 1987 and is currently an Advocate & Solicitor of Lee, Lim & Tan, a legal firm, where he has been a partner for the past 20 years.

PwC Holdings Ltd and its Subsidiaries

Reference

Board of Directors

As at 19 March 2013

Mr Michael Philip White

Independent, Non-executive Director

Aged 52, Norwegian

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

Mr Michael Philip White joined the Board on 1 July 2005. He was re-elected as a Director and appointed as the Chairman to the Nomination Committee on 1 May 2011.

Mr White graduated from Stavanger University College, Norway with a Master of Commerce degree. He subsequently obtained a Master in Management of Technology from University of Helsinki, Finland. He is also a Fellow of the Singapore Computer Society.

He started his career with a multinational group of telecommunication companies in Norway. He was subsequently employed to head the Asia Pacific operations of Datacom, a company listed on the Norway-Oslo Stock Exchange in 1989. In 2004, he became the Managing Director of Moonstar Ltd, a telecommunication company listed on the Singapore Stock Exchange.

Madam Wan Oon Kee

Independent, Non-executive Director

Aged 48, Singaporean

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

Madam Wan Oon Kee was appointed to the Board on 31 July 2006 and was last re-elected on 31 July 2011.

Madam Wan holds a Bachelor of Science (Building Control) degree from the University of London and a Master of Business Administration from Harvard Business School, USA. She is currently a member of the Royal Institution of Chartered Surveyors, United Kingdom and a Council Member of the Singapore Institute of Surveyors and Valuers.

She has more than 20 years of experience in the real estate industry. Beginning her career at Singapore Land Authority, she joined Leading Real Estate Marketing Pte Ltd as a Chief Operating Officer in 1996. She has been the Managing Director of Leading Real Estate Marketing Pte Ltd since 2005.

PwC Holdings Ltd and its Subsidiaries

Reference

Board of Directors

As at 19 March 2013

Mr Balachandran Nair

Independent, Non-executive Director

Aged 62, Singaporean

- Member of Board of Directors
- Lead Independent Director
- Chairman of Audit Committee
- Member of Remuneration Committee

Mr Balachandran Nair joined the Board on 1 July 2005 and was last re-elected on 30 June 2011. He is also the Chairman of the Audit Committee.

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

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

PwC Holdings Ltd and its Subsidiaries

Reference

Corporate Governance Report

For the financial year ended 31 December 2012

The corporate governance report is prepared for illustrative purposes and describes the Group's corporate governance practices and structures, with specific reference to the principles and guidelines of the 2012 Code. Listed companies are required to describe their corporate governance practices with specific reference to the principles of the Code and to explain any deviations from any guideline in the 2012 Code in their annual reports.

SGX 710

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

SGX 710

The Corporate Governance Council conducted a comprehensive review of the Code and submitted its recommendations to the Monetary Authority of Singapore ("MAS") in November 2011. MAS issued a revised Code of Corporate Governance on 2 May 2012, (the "2012 Code") which replaces the Code of Corporate Governance issued in July 2005 (the "2005 Code"). The 2012 Code has taken effect in respect of annual reports relating to financial years commencing from 1 November 2012. The 2012 Code is not mandatory, but listed Companies are required under the Singapore Exchange Listing Rules to disclose their corporate governance practices and give explanations for deviations from the 2012 Code in their annual reports.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2012, with specific reference to the principles and guidelines of the 2012 Code, and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Singapore Companies Act and the Audit Committee Guidance Committee ("ACGC") Guidebook which was issued on 30 October 2008, focusing on areas such as internal controls, risk management, financial reporting, internal and external audits.

The Board has adhered to all principles and guidelines set out in the 2012 Code as set out below.

The 2012 Code

The 2012 Code is divided into four main sections, namely:

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

PwC Holdings Ltd and its Subsidiaries

Reference

Corporate Governance Report

For the financial year ended 31 December 2012

(A) BOARD MATTERS

The Board of Directors as at 19 March 2013 comprises:

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

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

CG Guideline 4.7

Principle 1: The Board’s Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

CG Guideline 1.1

The Board’s role is to:

- (a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders’ interests and the company’s assets;
- (c) review management performance;
- (d) identify the key stakeholder groups and recognise that their perceptions affect the company’s reputation;
- (e) set the company’s values and standards (including ethical standards), and ensure that obligations to shareholders and others are understood and met; and
- (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Board’s Conduct of Affairs

The Board regularly reviews the Group’s strategic business plans, the assessment of key risks by management and the financial performance of the Group to enable the Group to meet its objectives. The Board has overall responsibility for establishing and maintaining a framework of good corporate governance in the Group, including the risk management systems and internal controls to safeguard shareholders’ interests and the Group’s assets. All Board members bring their independent judgment, diversified knowledge and experience to bear on issues of strategy (including social and environmental issues), performance, resources and standards of conduct and ethics.

PwC Holdings Ltd and its Subsidiaries

Reference

Corporate Governance Report

For the financial year ended 31 December 2012

CG Guideline 1.2

All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.

CG Guideline 1.3

The Board may delegate the authority to make decisions to any board committee but without abdicating its responsibility. Any such delegation should be disclosed.

CG Guideline 1.5

Every Company should prepare a document with guidelines setting forth:

- (a) the matters reserved for the Board's decision
- (b) clear directions to Management on matters that must be approved by the Board

The types of material transactions that require board approval under such guidelines should be disclosed in the company's Annual Report.

The Board objectively takes decisions in the interests of the Group. The Board has delegated specific responsibilities to four Committees, namely the Audit, Nomination, Remuneration and Risk Committees. Information on each of the four Committees is set out below. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board. Matters requiring the Board's decision and endorsement are defined in the Board Terms of Reference.

CG Guidelines 1.2, 1.3 and 1.5

CG Guideline 1.4

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

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

CG Guideline 1.4

PwC Holdings Ltd and its Subsidiaries

Reference

Corporate Governance Report

For the financial year ended 31 December 2012

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

CG Guideline 1.4

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

Denotes:

C – Chairman as at 19 March 2013

M – Member as at 19 March 2013

⁽¹⁾ Number of meetings held/attended during the financial year/period from 1 January 2012 (or from date of appointment of Director, where applicable) to 31 December 2012

⁽²⁾ Resigned on 5 January 2012

⁽³⁾ Appointed on 26 February 2013

⁽⁴⁾ Appointed on 1 May 2012

⁽⁵⁾ Resigned on 1 May 2012

CG Guideline 1.6

Incoming directors should receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties, and an orientation programme to ensure that they are familiar with the company's business and governance practices. The company should provide training for first-time Director¹ in areas such as accounting, legal and industry-specific knowledge as appropriate.

It is equally important that all directors should receive regular training particularly on relevant new laws, regulations and changing commercial risks, from time to time. The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's Annual Report the induction, orientation and training provided to new and existing directors.

CG Guideline 1.7

Upon appointment of each director, companies should provide a formal letter to the director, setting out the director's duties and obligations¹.

¹ A first-time director is a director who has no prior experience as a director of a listed company.

PwC Holdings Ltd and its Subsidiaries

Reference

Corporate Governance Report

For the financial year ended 31 December 2012

A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations. The Group also conducts an orientation programme for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. A manual containing the Group's policies and procedures relating to its business, corporate governance, risk management, interests in securities, and price-sensitive information, is updated yearly and provided to each director.

CG Guidelines 1.6 and 1.7

To keep pace with new laws, regulations, changing commercial risks and accounting standards, all directors attend specifically tailored training conducted by professionals at least annually. Directors are also encouraged to attend, at the Group's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations. The Company Secretary will bring to directors' attention, information on seminars that may be of relevance or use to them.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders². No individual or small group of individuals should be allowed to dominate the Board's decision making.

CG Guideline 2.1

There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.

CG Guideline 2.2

The independent directors should make up at least half of the Board where:

- (a) the Chairman of the Board (the "Chairman") and the Chief Executive Officer (or equivalent) (the "CEO") is the same person
- (b) the Chairman and the CEO are immediate family³ members;
- (c) the Chairman is part of the management team; or
- (d) the Chairman is not an independent director.

² The term 10% shareholder shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares.

³ The term "immediate family" shall have the same meaning as currently defined in the Listing Manual of the Singapore Exchange (the "Listing Manual"), i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent.

Board Composition and Independent Directors

The Board comprises eight members, six of whom are non-executive directors (including the Chairman). All non-executive directors, except for Mr David Grey who is an Executive Director of PwC Global Limited, the ultimate holding company of the Group, are independent i.e., they have no relationship with the Company, its related companies, its 10% shareholders, or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Group, and they are able to exercise objective judgment on corporate affairs independently from management and its 10% shareholders.

Principle 2,
CG Guidelines 2.1, 2.2

PwC Holdings Ltd and its Subsidiaries

Reference

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All directors are required to disclose any relationships or appointments which would impair their independence to the Board timely. Based on the evaluations and results of a review conducted by the Nominating Committee, the Board views all the non-executive directors of the Company, except for Mr David Grey, as independent in character, judgment and that there are no relationships which are likely to affect or could appear to affect the director's judgment.

CG Guideline 2.3

An "independent" director is one who has no relationship with the company, its related corporations⁴, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the company. The Board should identify in the company's Annual Report each director it considers to be independent. The Board should determine, taking into account the views of the Nominating Committee ("NC"), whether the director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. Directors should disclose to the Board any such relationship as and when it arises. The Board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination including the following:

- (a) a director being employed by the company or any of its related corporations for the current or any of the past three financial years;
- (b) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the remuneration committee;
- (c) a director, or an immediate family member, accepting any significant compensation from the company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for board service;
- (d) a director:
 - (i) who, in the current or immediate past financial year, is or was; or
 - (ii) whose immediate family member, in the current or immediate past financial year, is or was,
 - a 10% shareholder of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organisation to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments⁵ aggregated over any financial year in excess of S\$200,000 should generally be deemed significant;
- (e) a director who is a 10% shareholder or an immediate family member of a 10% shareholder of the company; or
- (f) a director who is or has been directly associated with a 10% shareholder of the company, in the current or immediate past financial year.

⁴ Related company in relation to a company includes its subsidiary, fellow subsidiary, or parent company.

⁵ Payments for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance credit card or bank or brokerage or mortgage or insurance accounts or transactions) will not be taken into account, unless special or favourable treatment is accorded.

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Reference

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CG Guideline 2.4

The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

None of the directors have served the Company for a period exceeding nine years. As and when directors serve beyond nine years, the Nominating Committee performs a particularly rigorous review to assess the independence of the relevant directors.

CG Guidelines 2.3 and 2.4

CG Guideline 2.5

The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees. The Board should not be so large as to be unwieldy.

Board Size

The Board reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations. As independent and non-executive directors make up almost two-thirds of the Board, no individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of independent and non-executive directors of the calibre necessary to carry sufficient weight in Board decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these independent and non-executive directors is particularly important in ensuring that the strategies proposed by management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.

CG Guidelines 2.5

CG Guideline 2.6

The Board and its board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

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Board Experience

As a group, the directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, business and management, strategic planning and customer service relevant to the direction of a large, expanding group. Mr Tan Cheng Eng and Mr Balachandran Nair are trained in finance and management. In addition, Mr Ang Boon Chew has experience, specifically in the electrical component parts industry, the core business of the Group. The Risk Committee comprises of Madam Wan Oon Kee, Dr Ran Jedwin Gervasio and Mr Lee Chee Wai whom are all experienced in risk governance and enterprise risk management. A brief description of the background of each director is presented in the “Board of Directors” section of this annual report.

CG Guidelines 2.6

CG Guideline 2.7

Non-executive directors should:

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

CG Guideline 2.8

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

Role of the Non-executive Directors

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

CG Guidelines 2.7 and 2.8

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

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company’s business. No individual should represent a considerable concentration of power.

CG Guideline 3.1

The Chairman and CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. In addition, Board should disclose the relationship between the Chairman and the CEO if they are immediate family members.

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Chairman

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

Principle 3 and
CG Guideline 3.1

CG Guideline 3.2

The Chairman should:

- (a) lead the Board to ensure its effectiveness on all aspects of its role;
- (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promote a culture of openness and debate at the Board;
- (d) ensure that the directors receive complete, adequate and timely information;
- (e) ensure effective communication with shareholders;
- (f) encourage constructive relations within the Board and between the Board and management;
- (g) facilitate the effective contribution of non-executive directors in particular; and
- (h) promote high standards of corporate governance.

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

Role of the Chairman

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

CG Guideline 3.2

PwC Holdings Ltd and its Subsidiaries

Reference

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CG Guideline 3.3

Every company should appoint an independent director to be the lead independent director where:

- (a) the Chairman and the CEO is the same person;
- (b) the Chairman and the CEO are immediate family members;
- (c) the Chairman is part of the management team; or
- (d) the Chairman is not an independent director.

The lead independent director (if appointed) should be available to shareholders where they have concerns which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer (or equivalent) has failed to resolve or is inappropriate.

CG Guideline 3.4

Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the Chairman after such meetings.

Lead Independent Director

The Board appointed Mr Balachandran Nair to act as the Lead Independent Director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, Chief Executive Officer ("CEO") or Chief Finance Officer ("CFO") has failed to provide satisfactory resolution, or when such contact is inappropriate. All the Independent Directors including the Lead Independent Director, meet at least annually without the presence of the other executive and non independent directors to discuss matters of significance which are thereon reported to the Chairman accordingly.

CG Guidelines 3.3 and 3.4

Principle 4

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

CG Guideline 4.1

The Board should establish a Nomination Committee ("NC") to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's Annual Report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.

PwC Holdings Ltd and its Subsidiaries

Reference

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Nomination Committee

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

Mr Michael Philip White (Chairman)
 Madam Wan Oon Kee
 Mr Balachandran Nair

The Nomination Committee was set up on 1 April 2005. The Committee held three meetings during the financial year. All members of this Committee are independent and non-executive directors.

CG Guidelines 4.1

CG Guideline 4.2

The NC should make recommendations to the Board on relevant matters relating to:

- (a) the review of board succession plans for directors, in particular, the Chairman and for the CEO;
- (b) the development of a process for evaluation of the performance of the Board, its board committees and directors;
- (c) the review of training and professional development programs for the Board; and
- (d) the appointment and re-appointment of directors (including alternate directors, if applicable).

Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years.

The Nomination Committee has a written Charter endorsed by the Board that sets out its duties and responsibilities. Amongst them, the Nomination Committee is responsible for making recommendations to the Board on all board appointments, evaluation of performance of the Board, its committees, members and directors, adequacy of the Board's training and professional development programmes and review the Board's succession plans for directors, in particular the Chairman and CEO.

CG Guidelines 4.2

CG Guideline 4.3

The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he does not fall under the circumstances set forth in Guideline 2.3 or Guideline 2.4, and should similarly provide its views to the Board for the Board's consideration.

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Independence of Directors

The Nomination Committee is also responsible for determining annually, the independence of directors. In doing so, the Nomination Committee takes into account the circumstances set forth in the 2012 Code and any other salient factors. Following its annual review, the Nomination Committee has endorsed the following independence status of the directors:

CG Guideline 4.3

Independent

Mr Balachandran Nair
Mr Tan Cheng Eng
Mr Michael Philip White
Madam Wan Oon Kee
Mr Lee Chee Wai

Non-independent

Mr Ang Boon Chew
Mr David Grey
Dr Ran Jedwin Gervasio

CG Guideline 4.4

When a director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each company. The NC should decide if a director is able to and has been adequately carrying out his duties as a director of the company, taking into consideration the director's number of listed company board representations and other principal commitments⁶. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.

CG Guideline 4.4

⁶ The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

Sufficient Time and Attention by Directors

The Nomination Committee is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, taking into consideration the director's number of listed company board representations and other principal commitments. The Group has guidelines in place to address the competing time commitments faced by directors serving on multiple boards. The Board has determined that the maximum number of listed company board representations which any director may hold is five.

CG Guideline 4.5

Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a director.

PwC Holdings Ltd and its Subsidiaries

Reference

Corporate Governance Report

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The Nominating Committee does not have a practice of appointing alternate directors.

CG Guideline 4.6

A description of the process for the selection, appointment and re-appointment of new directors to the Board should be disclosed in the company's Annual Report. This should include disclosure on the search and nomination process.

Selection, Appointment and Re-appointment of Directors

In the search, nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for Nomination Committee members to assess them, before a decision is reached. The NC also oversees the re-appointment of directors as and when their tenure of appointment is due. In assessing the directors for reappointment, the NC evaluates several criteria including, qualifications, contributions and independence of the directors.

CG Guideline 4.7

Key information regarding directors, such as academic and professional qualifications, shareholding in the company and its related corporations, board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, should be disclosed in the company's Annual Report. In addition, the company's annual disclosure on corporate governance should indicate which directors are executive, non-executive or considered by the NC to be independent. The names of the directors submitted for appointment or re-appointment should also be accompanied by details and information to enable shareholders to make informed decisions. Such information, which should also accompany the relevant resolution, would include:

- (a) any relationships including immediate family relationships between the candidate and the directors, the company or its 10% shareholders;
- (b) a separate list of all current directorships in other listed companies; and
- (c) details of other principal commitments.

The information on each director's qualifications, shareholdings, relationships (if any), directorship and other principal commitments is presented in the "Board of Directors" and "Directors' Report" section of this annual report.

Principle 5: Board Performance

There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

PwC Holdings Ltd and its Subsidiaries

Reference

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CG Guideline 5.1

Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Board should state in the company's Annual Report how the assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.

CG Guideline 5.2

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

Assessing Board Performance

The Board has implemented a process for assessing its effectiveness as a whole and for assessing the contribution by each director to the effectiveness of the Board. A consulting firm specialising in board evaluation and human resources was appointed by the Nomination Committee to help to design and implement the process. This is the sixth year in which this board evaluation process has been performed. The consulting firm is not related to the Group or any of its directors. The Board assessment considered the following key performance criteria:

CG Guidelines 5.1, 5.2

- Board size and composition;
- Board independence;
- Board processes;
- Board information and accountability;
- Board performance in discharging principle functions;
- Board committee performance;
- Interactive skills;
- Knowledge;
- Directors duties;
- Availability at meetings; and
- Overall contribution.

CG Guideline 5.3

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

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Reference

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

CG Guideline 5.3

Principle 6: Access to Information

In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

CG Guideline 6.1

Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his duties properly. Hence, the Board should have separate and independent access to the management. Directors are entitled to request from management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.

CG Guideline 6.2

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

Board Access to Information

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

CG Guideline 6.1

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

CG Guideline 6.2

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Reference

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CG Guideline 10.3

Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.

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

CG Guideline 10.3

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

CG Guideline 10.3

CG Guideline 6.3

Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its board committees and between management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.

Role of the Company Secretary

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

CG Guidelin 6.3

CG Guideline 6.4

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

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Reference

Corporate Governance Report

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

CG Guideline 6.4

CG Guideline 6.5

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

Professional Advice taken by the Board

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

CG Guideline 6.5

(B) REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

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

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

Principle 7

CG Guideline 7.1

The Board should set up a Remuneration Committee ("RC") with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC Chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest. The Board should disclose in the company's Annual Report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.

Remuneration Committee

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

CG Guidelines 7.1

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

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Reference

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CG Guideline 7.2

The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel⁷. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind.

⁷ The term "key management personnel" shall mean the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

The principal responsibilities of the Remuneration Committee are:

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

CG Guideline 7.2

Commentary 7.3

If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.

In determining the Group's remuneration policy above, the Remuneration Committee from time to time seeks advice from external remuneration consultants, who are unrelated to the directors or any organisation they are associated with, as well as confidentially from selected senior management, including the Director (Human Resource), at its discretion. The remuneration policy recommended by the Remuneration Committee is submitted for approval by the Board.

CG Guidelines 7.2, 7.3

CG Guideline 7.4

The RC should review the company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance.

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Reference

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The Remuneration Committee reviews the reasonableness of the contracts of service of executive directors and key management personnel. Where necessary the RC obtains advice from external remuneration consultants for the Group's benchmarking of such contracts.

CG Guideline 7.4

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

CG Guideline 8.1

A significant and appropriate proportion of executive directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors' and key management personnel's performance.

CG Guideline 9.6

For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.

Remuneration of Executive Directors and Key Management Personnel

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

(a) Fixed and Variable Components

The fixed component comprises of basic salary, Central Provident Fund ("CPF") contribution and annual wage supplement. To ensure that key executives' remuneration is consistent and comparable with market practice, the Remuneration Committee regularly benchmarks remuneration components against those of comparable companies, while continuing to be mindful that there is a general correlation between increased remuneration and performance improvements.

CG Guideline 8.1

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

CG Guideline 8.1

PwC Holdings Ltd and its Subsidiaries

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(b) Benefits

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

CG Guideline 8.2

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

CG Guideline 9.5

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

(c) Share Options

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

CG Guidelines 8.2 and 9.5

CG Guideline 8.3

The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.

PwC Holdings Ltd and its Subsidiaries

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Non-executive directors are also encouraged to acquire shares of the Company in order to align their interests with that of shareholders. Through the PwC Directors Share Option Scheme, directors are encouraged to acquire shares of the Company each year until they hold the equivalent of one year's fees in shares. Directors are encouraged to hold these shares as long as they remain on the Board.

CG Guideline 8.3

CG Guideline 8.4

Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.

Remuneration of Non-Executive Directors

The RC reviews the scheme put in place by the Company for rewarding the non-executive directors to ensure the compensation is commensurate with effort, time and role of the non-executive directors. Contracts with Directors and senior management contain "claw back" termination clauses to safeguard the Group's interests in the event of exceptional circumstances of misstatement of financial statements, misconduct resulting in financial loss or fraud by executive directors and key management personnel.

CG Guideline 8.4

The fees and allowances proposed to be paid to directors for the current financial year are determined based on the same formula applied in the previous year as follows:

TYPE OF APPOINTMENT	PROPOSED FEE
Board of directors	\$
Basic Fee	50,000
Board Chairman's Allowance	32,000
Audit committee	
Committee Chairman's Allowance	27,000
Member's Allowance	13,500
Risk committee	
Committee Chairman's Allowance	20,000
Member's Allowance	11,000
Other board committees	
Committee Chairman's Allowance	13,500
Member's Allowance	9,000
Attendance fee	
Per Board meeting in Singapore	1,000
Per Audit Committee meeting in Singapore	800
Per Other Board Committee meeting in Singapore	600
Per Board meeting overseas	3,000
Per Audit Committee meeting overseas	2,000
Per Other Board Committee meeting overseas	1,500

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Besides the basic fee, every director will receive:

CG Guidelines 8.2

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

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

DISCLOSURE ON REMUNERATION

Principle 9: Disclosure on Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

CG Guideline 9.1

The company should report to the shareholders each year on the remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters.

The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO).

CG Guideline 9.2

The company should fully disclose the remuneration of each individual director and the CEO on a named basis. For administrative convenience, the company may round off the disclosed figures to the nearest thousand dollars. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

CG Guideline 9.3

The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. Companies need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

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CG Guideline 9.3 (continued)

In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO).

As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.

The Annual Remuneration Report

Principle 9,
CG Guidelines 9.1, 9.2
and 9.3

	Basic salary ⁽¹⁾ \$'000	Fees ⁽¹⁾ \$'000	Bonus \$'000	Benefits- in-kind \$'000	Termi- nation benefit \$'000	Fair value of share options granted ⁽²⁾ \$'000	Total 2012 \$'000	Total 2011 \$'000	Total fair value of options granted in ⁽¹⁰⁾ 2012 \$'000	2011 \$'000
Executive Directors										
Ang Boon Chew	286	32 ⁽³⁾	420	36	-	86	860	855	100	100
Andrew Lloyd ⁽⁴⁾	276	32 ⁽³⁾	357	15	-	-	680	674	-	-
Ran Jedwin Gervasio ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-
Non-executive Directors										
Tan Cheng Eng	-	95 ⁽³⁾	-	-	-	-	95	95	-	-
David Grey	-	70 ^{(3),(6)}	-	-	-	-	70	70	-	-
Balachandran Nair	-	65 ⁽³⁾	-	-	-	-	65	65	-	-
Michael Philip White	-	56	-	-	-	-	56	56	-	-
Wan Oon Kee	-	44	-	-	-	-	44	44	-	-
Lee Chee Wai ⁽⁷⁾	-	41	-	-	-	-	41	41	-	-
Selamat Baharuddin	-	30	-	-	100 ⁽⁸⁾	-	130	130	-	-
Francis Wong	-	-	-	-	-	-	-	-	-	-
	562	465	777	51	100	86	2,041	2,030	100	100
Key Management Personnel										
Ran Jedwin Gervasio ⁽⁵⁾	218	-	235	18	-	59	523	523	65	65
Henry Heng	180	-	225	13	-	52	470	460	45	45
Raju Samy	183	-	196	10	-	41	430	427	40	40
Abdul Rahmat	211	-	178	9	-	32	430	419	35	35
Tracy Phung ⁽⁹⁾	231	-	132	7	-	30	400	397	32	32
	1,023	-	966	57	-	214	2,260	2,226	217	217

Denotes:

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

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

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

⁽⁴⁾ Resigned as a director on 5 January 2012.

⁽⁵⁾ Joined the Group as a key executive on 1 March 2012 (upon the acquisition of PwC Components (Philippines) Pte Ltd) and was appointed as a director of PwC Holdings Ltd on 26 February 2013.

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

⁽⁷⁾ Appointed as a director on 1 May 2012.

⁽⁸⁾ In appreciation of Mr Selamat Baharuddin's service to the Group for the past 15 years, the Board approved the payment of \$100,000 as termination benefits to him. He resigned on 1 May 2012.

⁽⁹⁾ Joined the Group as a key executive on 1 January 2012.

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

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Reference

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CG Guideline 9.4

For transparency, the report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. The company needs to show only the applicable bands.

Ms Ang Sue-Anne, the daughter of Mr Ang Boon Chew, the CEO and an Executive Director of PwC Holdings Ltd, was employed by PwC Property (Singapore) Pte Ltd, a subsidiary of the Group, as a Financial Controller and has received remuneration comprising salary and annual bonus amounting to \$152,000 in that capacity during this financial year.

CG Guideline 9.4

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

CG Guideline 10.1

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

CG Guideline 10.2

The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.

CG Guideline 10.3

Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.

Accountability

The Board understands its responsibility and provides a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports, and reports to regulators (if required).

CG Guideline 10.1

The Board (through the Risk Committee) also reviews operational and regulatory compliance reports from management to ensure compliance with all of the Group's operational practices and procedures and relevant regulatory requirements.

CG Guideline 10.2

PwC Holdings Ltd and its Subsidiaries

Corporate Governance Report

For the financial year ended 31 December 2012

Reference

Board members receive monthly financial, operational and other reports from management containing analysis and explanations of variances against budget to understand the Group's financial and operational performance and prospects.

CG Guideline 10.3

Risk Management and Internal Controls

Principle 11

The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

CG Guideline 11.1

The Board should determine the company's levels of risk tolerance and risk policies, and oversee management in the design, implementation and monitoring of the risk management and internal control systems.

CG Guideline 11.4

The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk. The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.

CG Code Principle 11, CG Guideline 11.1

Risk Committee

The Risk Committee consists of the following three Directors:

CG Guideline 11.4

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

The Risk Committee assists the Board in its oversight of risk management. The Risk Committee is independent from management.

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Controls Integrated Framework.

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Corporate Governance Report

For the financial year ended 31 December 2012

Reference

Roles and Responsibilities of the Risk Committee

CG Guidelines
11.1, 11.2 and 11.4

The Risk Committee:

- proposes the risk governance approach and risk policies for the Group to the Board;
- reviews the risk management methodology adopted by the Group;
- reviews the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Group identified by management;
- reviews management's assessment of risks and management's action plans to mitigate such risks;
- proposes risk tolerance settings to the Board;
- reviews reports of any material breaches of risk limits;
- reviews the Group's procedures for detecting fraud including the whistle blowing policy and ensures appropriate follow up actions;
- reports to the Board and the Audit Committee on matters, findings and recommendations relating to risk management; and
- reviews the adequacy and effectiveness of the Group's risk management systems; and co-ordinates with the Audit Committee on its oversight over financial, operational, compliance and information technology controls.

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

CG Guideline 11.2

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

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

Risk Tolerance Limits

Management has established risk tolerance limits for each key risk by considering the relative importance of the related objectives. On an annual basis, management tests and evaluates the tolerance limits by comparing tolerance calculations with risk retention capacity limits and the level of materiality to assess the Group's resilience to risk.

CG Guideline 11.1

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

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Reference

“Near-Miss” Programme

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

ACGC Guidebook
Page 30, Para 1.2.12

Business Continuity Plan

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

ACGC Guidebook
Page 35, Para 1.2.27

- identification of critical business functions and its operational arrangement;
- impact on the closure of business operation sites and availability of alternate offices;
- communication with business partners on revised operational protocols;
- measures to reduce spread of a pandemic outbreak;
- crisis management procedures; and
- operational continuity plans.

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

Management’s Responsibility in Risk Management

Management is responsible for designing, implementing and monitoring the risk management and internal control systems in accordance with the policies on risk management and internal controls. The Group has a Risk Manager who co-ordinates the Group’s risk management efforts.

ACGC Guidebook
Page 29, Para
1.2.10

As part of management’s efforts in promoting a “risk-aware” culture, risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle conducted at the beginning of each financial year. Having identified the risks arising from strategic business objectives, each business unit is required to document the mitigating actions to manage each significant risk. New areas are introduced for assessment as the business risk profile changes. Information such as the types of risks, the controls and processes for managing risks is subsequently summarised in a risk map, which is reviewed by management, Internal Audit and the Audit Committee.

Management also conducted an annual training on risk management and a risk discussion forum to heighten risk awareness for staff at middle management level. Management is responsible for day to day monitoring of these risks and highlighting significant events arising thereon to the Board.

CG Guideline 11.2

The Board should, at least annually, review the adequacy and effectiveness of the company’s risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.

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Reference

Corporate Governance Report

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CG Guideline 11.3

The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems.

The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) regarding the effectiveness of the company's risk management and internal control systems.

Annual Review of the Group's Risk Management and Internal Control Systems

The Board with the assistance of the Risk Committee and the Audit Committee, has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems. The assessment considered issues dealt with in reports reviewed by the Risk Committee and the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for the financial year ended 31 December 2012.

CG Guidelines 11.2 and 11.3

The Board's annual assessment in particular considered:

- the changes since the last annual assessment in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the system of internal controls and the work of its internal audit function and other providers of assurance;
- the extent and frequency of the communication of the results of the monitoring to the Risk Committee; and
- the incidence of significant internal controls weaknesses that were identified during the financial year.

In order to obtain assurance that the Group's risks are managed adequately and effectively, the Board had reviewed an overview of the risks which the Group is exposed to, as well as an understanding of what countermeasures and internal controls are in place to manage them.

The Board has obtained a written confirmation from the CEO and CFO:

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) regarding the effectiveness of the Group's risk management systems.

CG Guideline 11.3

Opinion on Adequacy of the Group's Internal Controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls are adequate as at 31 December 2012.

SGX Listing Rule 1207 (10)

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Reference

Corporate Governance Report

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Audit Committee

Principle 12: Audit Committee

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties⁸.

CG Guideline 12.1

The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors. The Board should disclose in the company's Annual Report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.

CG Guideline 12.2

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

CG Guideline 12.8

The Board should disclose a summary of all the AC's activities in the company's Annual Report. The Board should also disclose in the company's Annual Report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.

⁸ The Board may wish to refer to the sample terms of reference contained in the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee which was established on 15 January 2008 by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and Singapore Exchange Limited to develop practical guidance for audit committees of listed companies.

The Audit Committee comprises the following Directors:

CG Guidelines 12.1, 12.8

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

All the members of the Audit Committee including the Chairman are non-executive and independent. As a sub-committee of the Board, the Audit Committee is responsible for assisting the Board in discharging its statutory and other responsibilities relating to internal controls, financial and other accounting matters as well as matters pertaining to regulatory compliance.

The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. Two members of the Audit Committee, namely Mr Michael Philip White and Mr Tan Cheng Eng, as well as the Audit Committee Chairman Mr Balachandran Nair, have recent and relevant financial management expertise and experience. One of the Audit Committee members, Mr Michael Philip White is knowledgeable about Information Technology ("IT") systems and controls.

CG Guideline 12.2

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Reference

Corporate Governance Report

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During the year, the Audit Committee also attended at least five hours of trainings organised by management and also attended external seminars on financial, corporate governance, regulatory and other business related topics.

CG Guideline 12.8

CG Guideline 12.3

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

CG Guideline 12.4

The duties of the AC should include:

- (a) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- (b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- (c) reviewing the effectiveness of the company's internal audit function;
- (d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and
- (e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

Roles and Responsibilities of the Audit Committee

The Audit Committee has written the Terms of Reference which is endorsed by the Board and sets out the Committee's duties and responsibilities. The Audit Committee is authorised by the Board to investigate any matter within its Terms of Reference and has full access to, and cooperation of management, with full discretion to invite any director or executive officer to attend its meetings. The Audit Committee has adequate resources to enable it to discharge its functions properly.

CG Guideline 12.3

During the meetings of the Audit Committee held during the financial year, the Committee performed its functions and responsibilities as set out in its Terms of Reference, which include the following:

CG Guideline 12.4

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- reviewing the adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls at least annually;
- reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;
- reviewing the scope, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditor;

PwC Holdings Ltd and its Subsidiaries

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Reference

- reviewing the external auditor's audit plan, audit report and the external auditor's evaluation of the system of internal accounting controls with the external auditor, as well as the assistance given by management to the external auditor;
- reviewing the nature and extent of the external auditor's non-audit services to the Group as well as the extent of reliance placed by the external auditor on the internal auditor's work, seeking to balance the maintenance of objectivity and value for money;
- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- reviewing the quarterly, half-yearly and full-year financial reports of the Group, prior to their submission to the Board; and
- coordinate with the Risk Committee on its oversight on risk management matters

ACGC Guidebook
Page 125, Appendix
A2

Interested Person Transactions

The Audit Committee reviewed the Group's Interested Person Transactions ("IPT") to ensure that the transactions were executed at normal commercial terms and did not prejudice the interests of the Group and its minority shareholders. The Audit Committee is satisfied that there were no material contracts involving the interests of the CEO, Directors or the controlling shareholders and their subsidiaries. Management reported that the internal control procedures for determining the transaction prices of IPT had not changed since the date of the last Annual General Meeting, at which time the shareholders' mandate for IPT was last renewed. The Audit Committee is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPT was effective. Management accordingly recommended that the Company not appoint an independent financial advisor to review the IPT methods and procedures in the current financial year. Pursuant to the provisions under SGX-ST Listing Rule 920(1), the Audit Committee concurred with management's recommendations.

ACGC Guidebook
Page 91, Para 1.2.1

CG Guideline 12.5

The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management, at least annually.

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

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

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

CG Guideline 12.5,
ACGC Guidebook
Page 13, Para 12.16,
Page 102, Para
1.2.4, Page 76, Para
1.2.7, Page 56, Para
1.2.1 and Page 78,
Para 1.2.8.2

PwC Holdings Ltd and its Subsidiaries

Reference

Corporate Governance Report

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CG Guideline 12.6

The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity.

The AC assesses the independence of the external auditors annually. The aggregate amount of fees paid for the external auditors for the financial year ended 31 December 2012 was:

CG Guidelines 12.6

	\$'000
Audit fees	850
Non-audit fees	335
Total fees	<u>1,185</u>

The Audit Committee has reviewed the non-audit services rendered by the external auditors for the financial year ended 31 December 2012 as well as the fees paid, and is satisfied that the independence of the external auditors has not been impaired.

CG Guideline 12.7

The AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The existence of a whistle-blowing policy should be disclosed in the company's Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate.

ACGC Guidebook Page 17,
Para 1.2.24 and
CG Guideline 12.7

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group has a whistle blowing policy in place which encourages the reporting of matters of fraud, corruption or dishonest and unethical practices. The whistle blowing policy is communicated to all staff and covered during staff trainings. The whistle blowing policy also extends to the public who wish to report similar matters to a hotline and the Group's website that is independently managed by an external service provider.

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

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CG Guideline 12.9

A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.

None of the members nor the Chairman of the Audit Committee are former partners or directors of the Group's auditing firm.

CG Guideline 12.9

Principle 13: Internal Audit

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

CG Guideline 13.1

The Internal Auditor's primary line of reporting should be to the AC Chairman although the Internal Auditor would also report administratively to the CEO. The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The Internal Auditor should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.

CG Guideline 13.2

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

CG Guideline 13.3

The internal audit function should be staffed with persons with the relevant qualifications and experience.

CG Guideline 13.4

The Internal Auditor should carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

CG Guideline 13.5

The AC should, at least annually, review the adequacy and effectiveness of the internal audit function.

Internal Audit Department ("IAD")

IAD is a department independent of management. The Head of IAD has a direct and primary reporting line to the Chairman of the Audit Committee, with administrative reporting to the CEO. The appointment, assessment and compensation of the Head of IAD are approved by the Audit Committee. The IAD assists the Board in monitoring risks and internal controls of the Group.

CG Guideline 13.1

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Reference

The Group recruits and employs qualified professional staff in the IAD. The IAD staff are provided regular training and development opportunities to ensure that technical knowledge and internal audit skills are maintained.

CG Guideline 13.2

Where outsourced internal audit services are required to supplement the internal audit work for the financial year, the appointment of the auditing firm to perform such services is approved by the Audit Committee. The internal audit charter ensures IAD has full access to all documents, records, properties and personnel of the Group.

The IAD is a corporate member of the Singapore Chapter of the Institute of Internal Auditors (“IIA”) and adopts the International Standards for the Professional Practice of Internal Auditing laid down by the IIA.

CG Guideline 13.4

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

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

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

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The Audit Committee approves the internal audit plan and budget and ensures the adequacy of internal audit resources during the first Audit Committee meeting each year. The scope of IAD covers all business and support functions within the Group. Associated companies and joint ventures are also subject to internal audit on a regular basis, either by IAD or by their own internal audit departments (the adequacy of which is reviewed regularly by IAD).

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

ACGC Guidebook
Page 50, Para 1.2.30

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

CG Guideline 14.1

Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares.

CG Guideline 14.2

Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.

CG Guideline 14.3

Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

CG Guideline 16.5

Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.

Shareholder Rights

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the share price or value.

CG Guidelines 14.1,
14.2, 14.3 and 16.5

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The Group strongly encourages shareholder participation during the Annual General Meeting (“AGM”) which is held in a central location in Singapore. Shareholders are able to proactively engage the Board and management on the Group’s business activities, financial performance and other business related matters. Resolutions are passed through a process of voting by electronic polling and shareholders are entitled to vote in accordance with established voting rules and procedures. The poll results for each resolution put forth are presented during the AGM.

Registered shareholders including corporations, who are unable to attend the AGM are provided the option to appoint a nominee or custodial services to appoint more than two proxies. This allows shareholders who hold shares through corporations to attend and participate in the AGM as proxies.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

CG Guideline 15.1

Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.

CG Guideline 15.2

Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a selected group, companies should make the same disclosure publicly to all others as soon as practicable.

Communication with Shareholders

The Group values dialogue with its shareholders and believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders’ views and addressing their concerns where possible.

CG Guideline 15.1

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

CG Guideline 15.2

CG Guideline 15.3

The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders’ concerns.

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CG Guideline 15.4

The Board should state in the company's Annual Report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor road shows or Investors' Day briefings.

CG Guideline 15.5

Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons.

The Group has a dedicated investor relations team which communicates with its shareholders and analysts on a regular basis and attends to their queries or concerns. The team also manages the dissemination of corporate information to the media, public, institutional investors and public shareholders, and acts as a liaison point for such entities and parties. Shareholders can avail themselves of a telephone or email feedback line that goes directly to the Group's investor relations team. Material information is published on SGXNET and on the Company's website www.pwcholdings.com.sg, and where appropriate, through media releases on a timely basis.

CG Guideline 15.3

In addition, the Group proactively engages shareholders through one-on-one meetings, conference calls, investor conferences and road shows. Over the past financial year, the Group met with investors in over ten meetings. In these meetings, matters pertaining to business strategy, operational and financial performance and business prospects were shared by the senior management team.

CG Guideline 15.4

Dividend Policy

The Group has a policy which governs how much to pay out to shareholders in dividends. The Group declares annual dividends at the rate of approximately 30-60% of the net profit after tax in accordance with the consolidated financial statements. This is provided that the amount of dividend declared does not exceed the Group's retained earnings. In the event that the financial statements show a retained loss, a dividend will not be declared.

CG Guideline 15.5

Principle 16: Conduct of shareholder meetings

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

CG Guideline 16.1

Shareholders should have the opportunity to participate effectively and to vote in general meetings of shareholders and allow the shareholders' the opportunity to communicate their views on various matters affecting the company.

CG Guideline 16.5

Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.

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Reference

The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or appoint a nominee or custodial services to appoint more than two proxies.

CG Guideline 16.1

For shareholders present in person, the company has introduced the system of voting by poll and results of each resolution put to vote at the Annual General Meeting (“AGM”) is announced with details of percentages in favour and against.

CG Guideline 16.5

CG Guideline 16.2

There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid “bundling” resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

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

CG Guideline 16.2

CG Guideline 16.3

All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective chairperson of the AC, NC and RC should be present and available to address shareholders’ queries at these meetings. The external auditors should also be present to address the shareholders’ queries about the conduct of audit and the preparation and content of the auditors’ report.

At each AGM, the Chairman of the Board presents the progress and performance of the Group and encourages shareholders to participate in the Question and Answer session. The external auditor is present to address shareholders’ queries on the conduct of the audit and the preparation and content of the auditor’s report.

CG Guideline 16.3

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

CG Guideline 16.3

CG Guideline 16.4

Companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and management, and to make these minutes available to shareholders upon their request.

Minutes of the discussion at the AGM will be made available on the Group’s website at www.pwcholdings.com.sg.

CG Guideline 16.4

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All sustainability guidelines are taken from the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines and Indicator Protocols. However, note that the guidelines listed do not represent the full set of GRI guidelines but merely the ones that are relevant to the environmental and social reporting for PwC Holdings Ltd and its subsidiaries (the "Group") in this financial year.

Mission statement and goals

It has become increasingly clear to the Group in recent times that success and longevity of the Group's business relies on more than what the annual financial data reveals. The realisation of the Group's long term business model is only achievable through consideration of three essential elements: Our people, our products, and the places in which we operate. The Group has therefore committed to enshrining working practices which:

- Embed sustainable values in the workplace
- Maintain exceptional ethical standards
- Ensure a healthy and safe work environment
- Minimise our ecological footprint

Monitoring mechanisms have been implemented within the Group to better understand the impact of the Group's operations. While there are already some programmes in place to reduce water use, waste and electricity, the Group has not set any short, medium or long-term targets – this will be the Group's challenge for 2013.

Approach to environmental and social reporting

The Group has adopted the relevant best practice standards and international guidelines including the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines have been adopted by the Group in compiling the environmental and social performance covered in this report. Materiality considerations were also taken into account in reporting Group's environmental and social data and therefore only include that data related to the Group's operations in Singapore, the Philippines and China.

Environmental performance

Despite net increases in all of the Group's environmental metrics for 2012 as compared with 2011, overall increases in energy consumption, water use and waste were driven by the acquisition of XYZ Electronics Group (now known as PwC Components (China) Group) in China and a 100% increase in production across the Philippines operations. The Group realised energy efficiency and water conservation reductions in line with its sustainability objectives for its Singapore operations. The Group also achieved a substantial reduction in greenhouse gas emissions of 15% as a result of the disposal of the Group's logistics operations in China.

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Sustainability guideline 1

Guidance for defining report content

1.1 Defining report content

In order to ensure a balanced and reasonable presentation of the organization's performance, a decision needs to be made on the content that the report should cover. This determination should be made by considering both the organization's purpose and experience, and the reasonable expectations and interests of the organization's stakeholders. (GRI sustainability reporting guidelines 1.1)

1.2 Materiality

The information in a report should cover topics and indicators that reflect the organization's significant economic, environmental and social impacts or that would substantively influence the assessments and decisions of stakeholders. (GRI sustainability reporting guidelines 1.1)

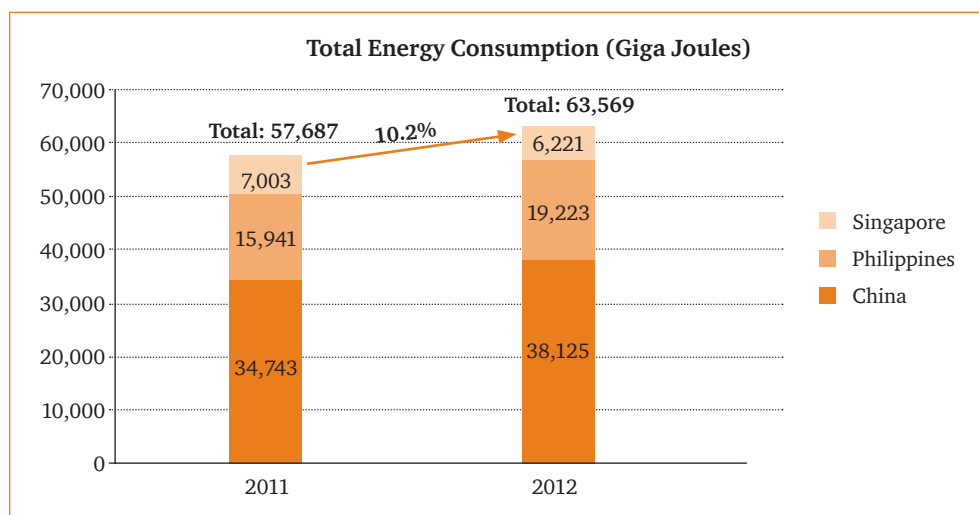
1.3 Reporting principles for defining quality

The report should reflect positive and negative aspects of the organization's performance to enable a reasonable assessment of overall performance. (GRI sustainability reporting guidelines 1.2)

Environmental performance

1.1 Energy consumption

Total energy consumption in 2012 increased by 10.2% as compared to 2011 consumption, due to the acquisition of XYZ Electronics Group in China and increased production in the Philippines. The Singapore operations saw a year-on-year reduction of 11.2% as a result of the deployment of a comprehensive energy management programme.



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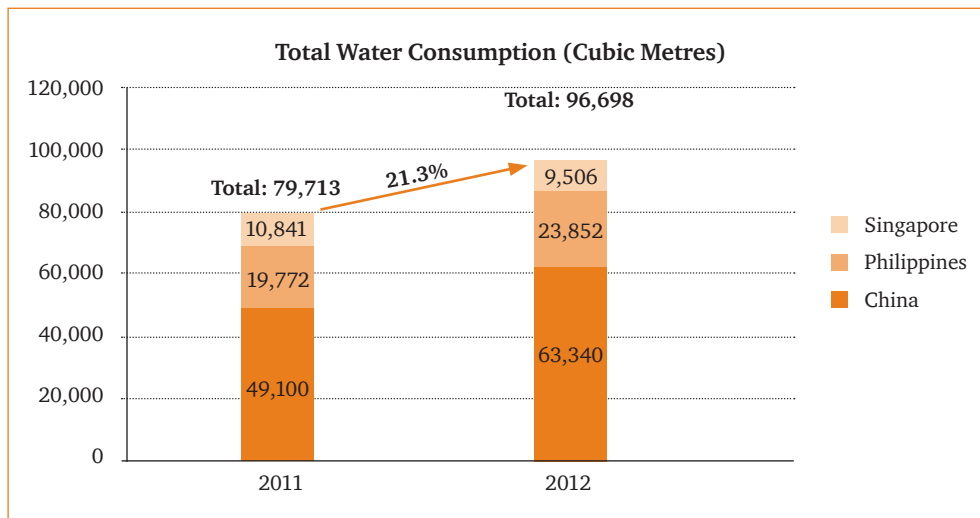
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Environmental performance (continued)

1.2 Water consumption

Total water consumption increased by 21.3% in 2012 as compared to 2011 in all locations due to the acquisition of XYZ Electronics Group in China and increased production in the Philippines. The Singapore operations recorded a decrease in water consumption due to the introduction of water saving programmes across all facilities.



1.3 Waste management

Total waste increased by 21.8% due to the acquisition of XYZ Electronics Group in China and increased operations in the Philippines.

Types		2012	2011
		(Tonnes)	(Tonnes)
Singapore	Hazardous	2.26	3.82
	Non-Hazardous	115.99	123.58
China	Hazardous	52.29	30.11
	Non-Hazardous	788.22	617.89
The Philippines	Hazardous	20.71	15.29
	Non-Hazardous	220.54	194.31
Total		1,200.01	985.00

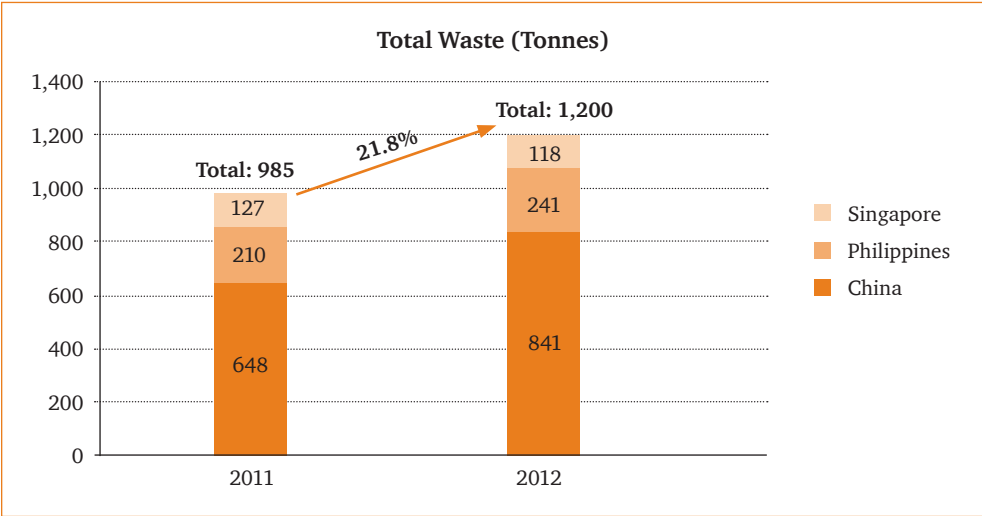
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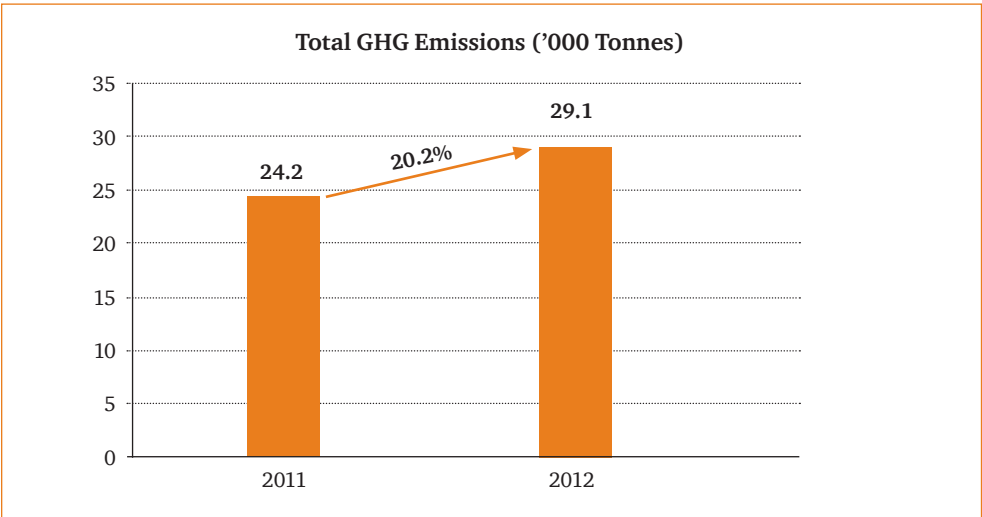
Environmental performance (continued)

1.3 Waste management (continued)



1.4 Greenhouse gas (GHG) emissions

Total GHG emissions from energy consumption increased mainly due to the higher levels of production in the Philippines and the acquisition of XYZ Electronics Group in China. This is offset by the disposal of the Group’s logistics operations in China. The Singapore operations achieved a reduction in GHG emissions of 2.7% for 2012 as compared to 2011, arising from the energy efficiency improvements in all commercial buildings and manufacturing facilities.



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Sustainability guideline 2

Guidance for reporting on environmental indicators

A brief introduction to the environmental performance of the company during the reporting year, and a note of any significant changes experienced. It is useful to include references on how performance indicators are linked to the company's overall strategy or sustainability vision.

2.1 Indirect energy consumption

Relevance: The amount and primary source of energy the reporting organization uses indirectly through the purchase of electricity, heat and steam can indicate efforts to manage environmental impacts and reduce its contribution to climate change. (GRI indicator protocols set: EN4 1)

Compilation: Identify the amount of intermediate energy purchased and consumed from sources external to the reporting organisation in joules or multiples such as gigajoules. (GRI indicator protocols set: EN4 2.1)

2.2 Water consumption

Relevance: Reporting the total volume of water withdrawn contributes to an understanding of the overall scale of potential impacts and risks associated with the reporting organization's water use. The total volume withdrawn provides an indication of the organization's relative size and importance as a user of water, and provides a baseline figure for other calculations relating to efficiency and use. (GRI indicator protocols set: EN8 1)

Compilation: Identify the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities. (GRI indicator protocols set: EN8 2.1)

2.3 Waste management

Relevance: Data on waste generation figures over several years can indicate the level of progress the organization has made toward waste reduction efforts. It can also indicate potential improvements in process efficiency and productivity. From a financial perspective, the reduction of waste contributes directly to lower costs for materials, processing and disposal. (GRI indicator protocols set: EN22 1)

Compilation: Identify the amount of waste created by the organisation's operations by:

- Hazardous waste (as defined by national legislation at the point of generation) and;
- Non-hazardous waste (all other forms of solid or liquid waste excluding wastewater) (GRI indicator protocols set: EN22 2.1)

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Sustainability guideline 2 (continued)

Guidance for reporting on environmental indicators (continued)

2.4 Greenhouse gas emissions

Relevance: Greenhouse gas (GHG) emissions are the main cause of climate change and are governed by the United Nations Framework Convention on Climate Change (UNFCCC) and the subsequent Kyoto Protocol. As a result, different national and international regulations and incentives systems aim to control the volume and reward the reductions of GHG emissions. (GRI indicator protocols set: EN16 1)

Compilation: Different conversion methodologies are available to calculate the amount of GHG emissions per source. Indicate the standard used and the methodology associated with the data. (GRI indicator protocols set: EN16 2.1)

Social performance

The Group showed improvement in all social categories measured for 2012 compared with 2011. This reflected rigorous efforts to increase workforce diversity at the management and executive level, as well as the implementation of new training programmes to fully educate employees on workplace accident mitigation.

2 Labour rights and practices

2.1 Employees

The total number of employees increased by 9.33% from 2011 and the increase is mainly due to 98 employees who joined the Group as a result of the acquisition of XYZ Electronics Group in China. Of the 1,242 people employed in 2012, 381 were employed in Singapore and 602 in China. This represented 79.1% of the Group's total workforce.

Employee turnover increased marginally by 0.3%.

	2012	2011
No. of Employees	1,242	1,136
Turnover (%)	15	14.7
Average training hours per employee	40.4	24.5
No. of Occupational Injuries	15	20

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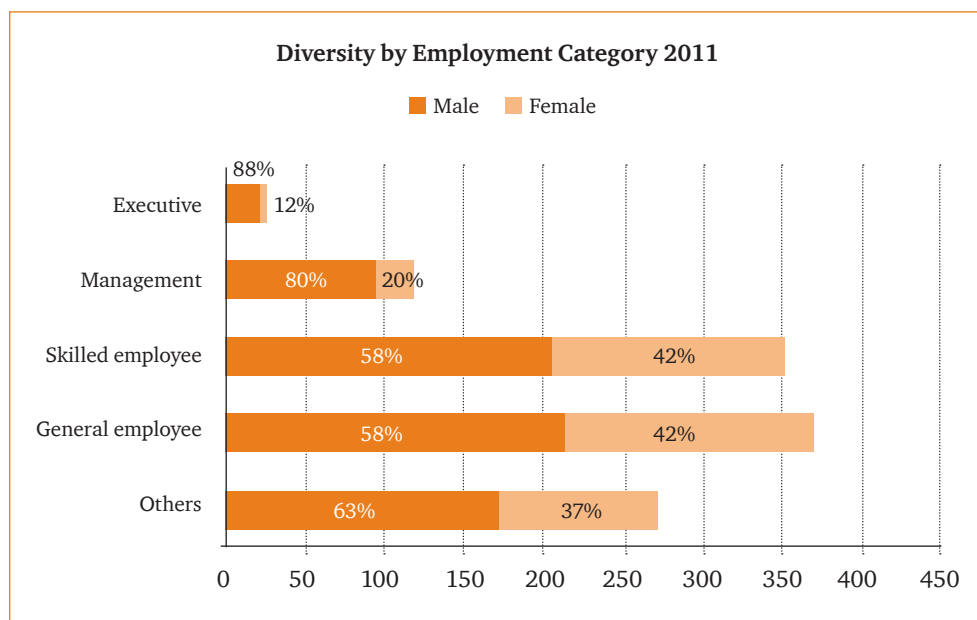
For the financial year ended 31 December 2012

2 Labour rights and practices (continued)

2.1.1 Workforce diversity – employment category and gender

Diversity across the Group with respect to gender (percentage of female employed) in each of the respective employment categories increased. The percentage of female employed at the management level increased from 19.7% in 2011 to 25.6% in 2012 while that at the executive level and from 12.0% in 2011 to 14.3% in 2012.

	<u>Others</u>	<u>General employee</u>	<u>Skilled employee</u>	<u>Management</u>	<u>Executive</u>
<u>2012</u>					
Male	169	234	204	99	24
Female	112	193	169	34	4
<u>2011</u>					
Male	172	213	205	94	22
Female	100	157	147	23	3

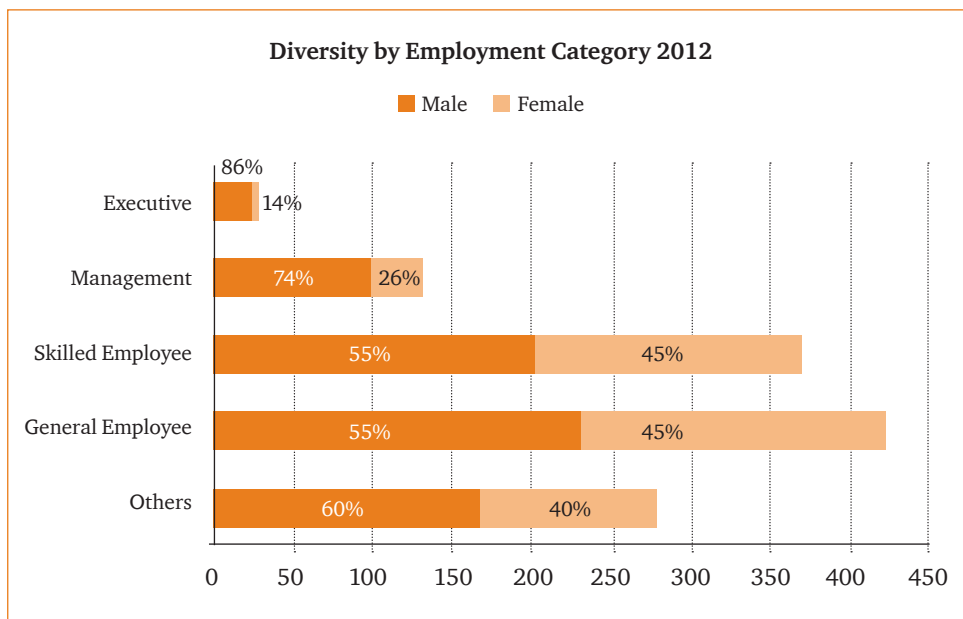


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2 Labour rights and practices (continued)

2.1.1 Workforce diversity – employment category and gender (continued)

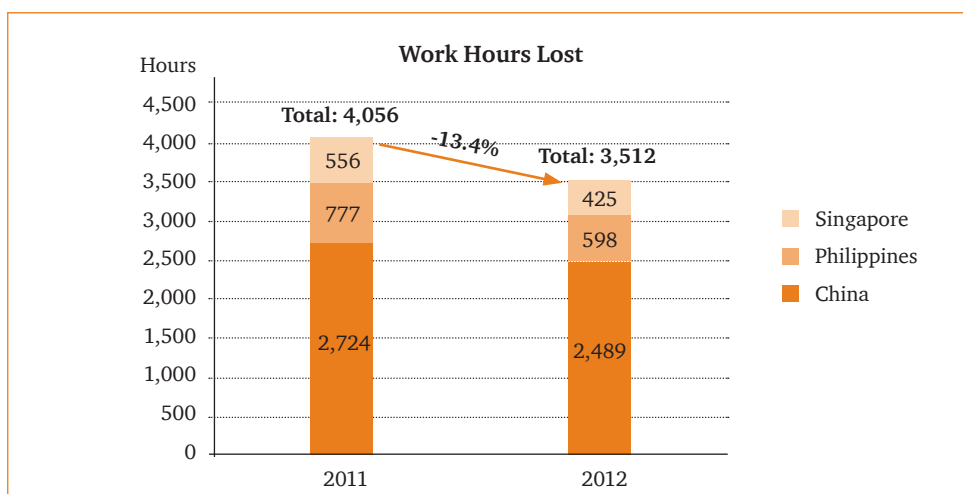


2.2 Occupational Health and Safety (“OHS”)

2.2.1 Frequency of occupational injuries

There were no fatal occupational injuries sustained at the Group’s work premises during the financial year.

During the year, the work hours lost as a result of occupational accidents decreased by 13.4% compared with 2011. The decrease can be attributed to a continuous programme of OHS awareness and education which has been rolled out in all of the Group’s manufacturing plants during the past year.



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2 Labour rights and practices (continued)

2.3 Training and education

Average number of hours of training per employee increased from 24.5 hours in 2011 to 40.4 hours in 2012. This was due to the roll out of a more substantial “safety in the workplace” training programme for all general and skilled employees.

Sustainability guideline 3

Guidance for reporting on social indicators

A brief introduction to the social performance of the company during the reporting year, and a note of any significant changes experienced. It is useful to include references to how performance indicators are linked to the Company’s overall strategy or sustainability vision.

3.1 Employees

Total workforce by employment type, employment contract and region

Relevance: The size of a workforce provides insight into the scale of impacts created by labour issues. Breaking down the workforce by employment type, employment contract, and region demonstrates how the organization structures its human resources to implement its overall strategy. It also provides insight into the organization’s business model, and offers an indication of job stability and the level of benefits the organization offers. As a basis for calculations in several other indicators, the size of the workforce is a standard normalizing factor for many integrated indicators. A rise or fall in net employment, evidenced by data reported over the course of three or more years, is an important element of the organization’s contribution to the overall economic development and sustainability of the workforce. (GRI indicator protocols set: LA1 1)

Compilation: Identify the total workforce (employees and supervised workers) working for the reporting organization at the end of the reporting period. Supply chain workers are not included in this indicator. (GRI indicator protocols set: LA1 2.1)

Total number and rate of employee turnover by age group, gender and region

Relevance: A high turnover rate can indicate levels of uncertainty and dissatisfaction among employees, or may signal a fundamental change in the structure of the organization’s core operations. Turnover results in changes to the human and intellectual capital of the organization and can impact productivity. Turnover has direct cost implications either in terms of reduced payroll or greater expenses for recruitment of workers. (GRI indicator protocols set: LA2 1)

Compilation: Identify the total number of employees leaving employment during the reporting period. (GRI indicator protocols set: LA2 2.1)

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Sustainability guideline 3 (continued)

Guidance for reporting on social indicators (continued)

3.2 Rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities by region

Relevance: Health and safety performance is a key measure of an organization's duty of care. Low injury and absentee rates are generally linked to positive trends in staff morale and productivity. This indicator will show whether health and safety management practices are resulting in fewer occupational health and safety incidents. (GRI indicator protocols set: LA7 1)

Compilation: Report injury, occupational diseases, lost days and absentee rates in the reporting period using the following formulas by region:

- Injury rate (IR)
- Occupational diseases rate (ODR)
- Lost day rate (LDR)
- Absentee rate (AR) (GRI indicator protocols set: LA7 2.4)

Report fatalities in the reporting period using an absolute number, not a rate. (GRI indicator protocols set: LA7 2.5)

3.3 Training and education

Average hours of training per year per employee by employee category

Relevance: Maintaining and improving human capital, particularly through training that expands the knowledge base of employees, is a key element in organizational development. This indicator provides insight into the scale of the organization's investment in this area and the degree to which the investment is made across the entire employee base. (GRI indicator protocols set: LA10 1)

Compilation: Report the average number of hours of training per year per employee by employee category using the following formula:

Total hours per employee category / Total employees per employee (GRI indicator protocols set: LA10 2.3)

Notes to the Consolidated Statement of Environmental and Social Performance

Defining materiality

It is the Group's responsibility to ensure that those areas in which the Group has significant impact are addressed. Issues for the social and environmental reporting are prioritised to be reported either in the annual report (most material) or not reported (not material).

In assessing which information to include in the annual report, legal requirements and disclosure commitments made by the Group are considered. Furthermore, it is assessed whether information is tied directly or indirectly to the Group's ability to create value. Short-term and long-term value creation is taken into consideration.

PwC Holdings Ltd and its Subsidiaries

Consolidated Statement of Environmental and Social Performance

For the financial year ended 31 December 2012

The outcomes of formal reviews, research, stakeholder engagement and internal materiality discussions are presented as a proposal for annual reporting to the management and Board of Directors. In addition, the Group's external assurance provider assures whether the social and environmental performance data included in the annual report cover the material aspects.

Employees (total)

The number of employees is recorded as all employees except externals, employees on unpaid leave and substitutes.

Employee turnover

The rate of turnover is measured as the number of employees, excluding temporary employees who left the Group during the financial year, compared with the average number of employees, excluding temporary employees.

Diversity

Employee diversity is measured by the percentage of total employees that are diverse in terms of employment category and gender across the whole organisation.

Average annual training hours per employee

Training covers internal and external training courses carried out during the complete period covered by this report.

Number of occupational injuries

The number of occupational injuries is measured as the number of injuries reported for all full time employees. An occupational injury is any work-related injury causing at least one day of absence from the workplace.

Energy consumption

Energy consumption is measured as the supply of externally produced energy. Consumption is based on meter readings and invoices.

Water consumption

Water consumption is measured based on meter readings and invoices. It includes drinking water and water for industrial use.

CO₂ emissions from energy consumption

The amount of CO₂ emissions from energy consumption covers consumption related to production measured in metric tonnes. The CO₂ emissions from energy consumption are calculated according to the GHG Protocol. Emissions of CO₂ from energy consumption are based on standard factors for energy supplied from external energy suppliers.

Total waste

Total waste is measured as the sum of non-hazardous and hazardous waste disposed of based on weight receipts.

Non-hazardous waste (of total waste)

Non-hazardous waste is calculated as the waste disposed of as non-hazardous as a percentage of the total amount of waste disposed.

Directors' Report

For the financial year ended 31 December 2012

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2012 and the balance sheet of the Company as at 31 December 2012.

CA 201(5)
CA 201(6A)

Directors

The directors of the Company in office at the date of this report¹ are as follows:

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

Mr Tan Cheng Eng
Mr David Grey
Mr Ang Boon Chew
Mr Michael Philip White
Mr Balachandran Nair
Madam Wan Oon Kee
Mr Lee Chee Wai (appointed on 1 May 2012)¹
Dr Ran Jedwin Gervasio (appointed on 26 February 2013)¹

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" on pages 65 and 66 of this report.

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

Directors' interests in shares or debentures²

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations³, except as follows:

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

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2012	At 1.1.2012 or date of appointment if later	At 31.12.2012	At 1.1.2012 or date of appointment if later
Company (No. of ordinary shares)				
Mr David Grey	1,270,000	500,000	1,500,000	1,000,000
Mr Ang Boon Chew	97,000	65,000	—	—
Mr Lee Chee Wai	2,000	2,000	—	—
Ultimate Holding Corporation - PwC Global Limited (No. of ordinary shares)				
Mr David Grey	1,000,000	1,000,000	—	—
Immediate Holding Company - PwC Corporate Limited (No. of ordinary shares)				
Mr Andrew Lloyd (resigned on 5 January 2013) ²	200,000	200,000	—	—

Directors' Report

For the financial year ended 31 December 2012

Directors' interests in shares or debentures² (continued)

- (b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the PwC Employee Share Option Scheme as set out below and under "Share options" on pages 65 and 66 of this report.

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

	<u>No. of unissued ordinary shares under option</u>	
	<u>At 31.12.2012</u>	<u>At 1.1.2012 or date of appointment, if later</u>
<u>Mr Ang Boon Chew</u>		
2009 Options	–	30,000
2011 Options	50,000	50,000
2012 Options	50,000	–

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

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

	<u>At 31.12.2012</u>	<u>At 1.1.2012 or date of appointment, if later</u>
PwC Furniture (PRC) Co., Ltd		
- Registered and issued share capital	RMB 8,500,000	RMB 8,500,000
PwC Components (Singapore) Pte Ltd		
- No. of ordinary shares	1,300,000	1,300,000
PwC Components (China) Pte Ltd		
- No. of ordinary shares	2,000,000	–

- (d) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2013 were the same as those as at 31 December 2012.

SGX 1207(7)

Directors' contractual benefits

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

CA 201(8)
SGX 1207(8)

Directors' Report

For the financial year ended 31 December 2012

Reference**Share options****(a) PwC Employee Share Option Scheme⁴**CA 201(11B)
SGX 1207(15)

The PwC Employee Share Option Scheme (the "Scheme") for key management personnel and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 6 December 2008.

SGX 853

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

Under the Scheme, options to subscribe for the ordinary shares of the Company are granted to key management personnel and employees with more than three years of service with the Group. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. No options are granted at a discount to the prevailing market price of the shares. The vesting of the options is conditional on the key management personnel or employees completing another two years of service to the Group and the Group achieving its targets of profitability and sales growth. Once the options are vested, they are exercisable for a period of four years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

CA 201(11B,12(b))

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

CA 201(11B,11(d))

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

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

SGX 845(1)

The Scheme became operative upon the Company granting options to subscribe for 2,050,000 ordinary shares of the Company on 1 January 2009 ("2009 Options"). The Company also granted options to subscribe for 1,965,000 ordinary shares of the Company on 1 January 2011 ("2011 Options"). Particulars of the 2009 Options and 2011 Options were set out in the Directors' Report for the financial years ended 31 December 2009 and 31 December 2011 respectively⁵.

CA 201(11A)

On 1 January 2012, the Company granted options to subscribe for 964,000 ordinary shares of the Company at exercise price of \$2.95 per share ("2012 Options"). The 2012 Options are exercisable from 1 January 2014 and expire on 31 December 2017. The total fair value of the 2012 Options granted was estimated to be \$600,000 using the Binomial Option Pricing Model. Details of the options granted to an executive director of the Company are as follows:

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

CA 201(11B,11(c))

Name of director	No. of unissued ordinary shares of the Company under option			
	Granted in financial year ended 31.12.2012	Aggregate granted since commencement of scheme to 31.12.2012	Aggregate exercised since commencement of scheme to 31.12.2012	Aggregate outstanding as at 31.12.2012
Mr Ang Boon Chew	50,000	130,000	30,000	100,000

SGX 852(1)(b)(i)

Directors' Report

For the financial year ended 31 December 2012

Share options (continued)

(a) PwC Employee Share Option Scheme⁴ (continued)

No options have been granted to controlling shareholders of the Company or their associates⁶ (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited).

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

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

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

During the financial year, 750,000 treasury shares of the Company were re-issued at the exercise price of \$1.31 per share, upon the exercise of the 2009 Options.

CA 201(11B,12(a))

(b) Share options outstanding

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

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

	No. of unissued ordinary shares under option at 31.12.2012	Exercise price	Exercise period
2009 Options	1,000,000	\$1.31	1.1.2011 - 31.12.2014
2011 Options	1,532,000	\$1.28	1.1.2013 - 31.12.2016
2012 Options	964,000	\$2.95	1.1.2014 - 31.12.2017
	<u>3,496,000</u>		

Audit Committee⁷

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

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

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

Directors' Report

For the financial year ended 31 December 2012

Audit Committee⁷ (continued)

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

CA 201B(9)

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2012 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

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


Independent Auditor

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

DV

On behalf of the directors⁸


Tan Cheng Eng
Director


Ang Boon Chew
Director

19 March 2013^{9,10}

Directors' Report

For the financial year ended 31 December 2012

Guidance notes

Directors' Report

Directors in office at the date of the report

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

CA 201(6,6A)

Directors' interests in shares or debentures

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

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

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

CA 201(11)
CA 201(11B)

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

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

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

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

CA 6

Share options

4. The disclosures required by Section 201(11) of the Companies Act relate to share options granted by the Company. If the share options are granted by the parent of the Company or by another related entity directly to the employees of the Company and/or its subsidiaries, the Company is not required to make those disclosures required by Section 201(11) in the Directors' Report. The share options shall however be accounted for in accordance with FRS 102 *Share-Based Payment* in the financial statements.
5. Where such disclosures have been made in a previous report, reference may be made to that report.

CA 201(11,11B)

CA 201(11A)

Directors' Report

For the financial year ended 31 December 2012

Guidance notes (continued)

Directors' Report (continued)

Definition of associates

6. The SGX Listing Manual defines associates differently to that in paragraph 2 of FRS 28 *Investment in Associates*. An associate is defined in the SGX Listing Manual as:

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

SGX (General – Definitions)

Audit Committee

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

CA 201B(9)

CA 203(1)
SGX 707(2)

CA 201(5)
CA 201(15)

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

Statement by Directors

For the financial year ended 31 December 2012

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 75 to 242 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended^{1,2,3}; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

CA 201(15)(a)

CA 201(15)(b)

CA 201(15)(c)

On behalf of the directors⁴



Tan Cheng Eng
Director



Ang Boon Chew
Director

19 March 2013⁴

Statement by Directors

For the financial year ended 31 December 2012

Guidance notes

Statement by Directors

Compliance with Singapore Financial Reporting Standards (“FRS”)

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

CA 201(1A,3)

CA 201(3A)

CA 201(14)

CA 201(14A)

SGX 1207(5)(e)

CA 201(14B)

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

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

CA 201(14C)

CA Order 2003

S2/2003

SGX 220(1)

Inclusion of Company’s statement of changes in equity

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

“the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages [] to [] are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and”

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

Dating and signing of Statement by Directors

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

Independent Auditor's Report to the Members of PwC Holdings Ltd

Reference

CA 201(4)

CA 207

Report on the Financial Statements

SSA 700

We have audited the accompanying financial statements of PwC Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 242, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2012, the consolidated statement of comprehensive income², statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards³, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards³ so as to give a true and fair view of the state of affairs of the Group and of the Company¹ as at 31 December 2012, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

CA 207(2)(a)

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

CA 207(2)(b)



PricewaterhouseCoopers LLP

Public Accountants and Certified Public Accountants

Singapore, 19 March 2013⁴

Independent Auditor's Report

For the financial year ended 31 December 2012

Guidance notes

Independent Auditor's Report

Inclusion of Company's statement of changes in equity

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

"We have audited the accompanying consolidated financial statements of PwC Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages [] to [], which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2012, the consolidated statement of changes in equity of the Group and the statement of changes in equity of the Company, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the financial year then ended...

... in our opinion, the consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date."

SSA 700
AGS 1
(Guidance to
Example 1C)

Presentation of a consolidated income statement in addition to the consolidated statement of comprehensive income

2. If the group chooses to present a consolidated income statement in addition to the consolidated statement of comprehensive income, as permitted by FRS 1 (revised) ("Two statements approach"), the Independent Auditor's Report will need to refer to both the consolidated income statement and the consolidated statement of comprehensive income.

SSA 700(60)

Compliance with Singapore Financial Reporting Standards

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

Date of Independent Auditor's Report

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

CA 201(4A)

SSA 700(41)

PwC Holdings Ltd and its Subsidiaries

Consolidated Statement of Comprehensive Income^{1, 2}

For the financial year ended 31 December 2012

Reference

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

	Note	2012 ³ \$'000	2011 ³ (restated) \$'000	
Continuing operations⁴				
Sales	4	210,214	112,360	FRS 1(82)(a)
Cost of sales		(77,366)	(46,682)	FRS 1(103)
Gross profit		132,848	65,678	FRS 1(103)
Other income	7	3,898	1,166	FRS 1(103)
Other losses - net	8	(1,383)	(1,611)	
Expenses				
- Distribution and marketing		(52,140)	(19,993)	FRS 1(103)
- Administrative		(29,179)	(10,107)	FRS 1(103)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(b)
Share of (loss)/profit of associated companies ⁵	23	(174)	145	FRS 1(82)(c)
Profit before income tax		46,797	26,218	
Income tax expense	10(a)	(14,902)	(7,724)	FRS 1(82)(d)
Profit from continuing operations⁴		31,895	18,494	
Discontinued operations⁴				
Profit/(loss) from discontinued operations	11	100	(480)	FRS 1(82)(e) FRS 105(33)(a)
Total profit⁴		31,995	18,014	FRS 1(82)(f)
Other comprehensive income⁷:				FRS 1(82)(g)
Items that may be reclassified subsequently to profit or loss ⁹ :				FRS 1(82A)
Available-for-sale financial assets				
- Fair value gains		582	72	
- Reclassification ⁸		(164)	-	
Cash flow hedges				
- Fair value gains		342	331	
- Reclassification ⁸		(279)	(315)	
Share of other comprehensive income of associated companies	23	27	-	FRS 1(82)(h)
Currency translation differences arising from consolidation				
- Gains/(losses)		2,334	(118)	
- Reclassification ⁸		(1,200)	-	
		1,642	(60)	
Items that will not be reclassified subsequently to profit or loss ⁹ :				FRS 1(82A)
Revaluation gains on property, plant and equipment ¹⁰		207	894	
Other comprehensive income, net of tax	10(c)	1,849	864	
Total comprehensive income		33,844	18,878	FRS 1(82)(i)

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

Consolidated Statement of Comprehensive Income^{1, 2}

For the financial year ended 31 December 2012

	Note	2012 ³ \$'000	2011 ³ (restated) \$'000	
Profit attributable to:				
Equity holders of the Company		29,446	17,085	FRS 1(83)(a)
Non-controlling interests		2,549	929	
		<u>31,995</u>	<u>18,014</u>	
Total comprehensive income attributable to:				
Equity holders of the Company		30,738	17,836	FRS 1(83)(b)
Non-controlling interests		3,106	1,042	
		<u>33,844</u>	<u>18,878</u>	
Earnings per share⁶ for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)				FRS 33(66)
Basic earnings per share	12(a)			
From continuing operations		1.31	0.89	FRS 33(68)
From discontinued operations		*	(0.02)	
Diluted earnings per share	12(b)			
From continuing operations		1.16	0.87	
From discontinued operations		*	(0.02)	

* Less than \$0.01

Consolidated Statement of Comprehensive Income^{1, 2}

For the financial year ended 31 December 2012

Guidance notes

Consolidated statement of comprehensive income

Statement of comprehensive income, statement of cash flows and statement of changes in equity of the parent

1. If consolidated financial statements are presented, the statement of comprehensive income, statement of cash flows and statement of changes in equity of the parent need not be presented. If consolidated financial statements are not presented (e.g. exempted under FRS 27), the statement of comprehensive income, statement of cash flows, balance sheet and statement of changes in equity of the parent, forming a set of financial statements of the parent, should be presented.

CA 201(3A)
SGX 1207(5)

CA 201(3BA)

Alternative format

2. An entity shall present an analysis of expenses using a classification based on either the function or the nature of the expenses, whichever provides information that is reliable and more relevant. In addition, an entity has the choice of presenting the statement of comprehensive income using a one-statement or a two-statement approach. These alternative presentations have been illustrated in Appendix 1 Example 1.

FRS 1(99)

FRS 1(81)

FRS 1(104)

FRS 1(36)

If the expenses are presented by function, additional disclosures on the nature of expenses are required (as illustrated in [Note 5](#) of the financial statements).

Financial years/periods of different length

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

Continuing/Discontinued operations

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

FRS 105 AppA

Share of results of associated companies

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

FRS 1(82)(c)
FRS 1 IG6

Earnings per share

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

FRS 33(66,69)

Consolidated Statement of Comprehensive Income^{1, 2}

For the financial year ended 31 December 2012

Guidance notes (continued)

Consolidated Statement of Comprehensive Income (continued)

Tax effects – Other comprehensive income

7. This publication illustrates the presentation of these items individually net of tax and disclosure of the gross amounts and their tax effects in **Note 10(c)** to the financial statements. Alternatively, an entity can present these items individually gross of tax and their total tax effects as a separate line item.

FRS 1(91)

Reclassification adjustments

8. Reclassification adjustments are adjustments for amounts previously recognised in other comprehensive income now reclassified to profit or loss.

FRS 1(93)

FRS 1(95)

For example, gains realised on the disposal of available-for-sale financial assets are included in profit or loss of the current period. These amounts may have been recognised in other comprehensive income as unrealised gains in the current or previous periods. Those unrealised gains must be deducted from other comprehensive income in the period in which the realised gains are reclassified to profit or loss to avoid including them in total comprehensive income twice.

Reclassification adjustments also arise, e.g. on disposal of a foreign operation, on impairment of an available-for-sale financial asset and when a hedged forecast transaction affects profit or loss.

9. This publication illustrates the early adoption of amendment to FRS 1 *Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after 1 July 2012). See **Note 2.1** for the amendment.
10. Reclassification adjustments do not arise on changes in revaluation surplus recognised in accordance with FRS 16 or FRS 38 or on actuarial gains and losses on defined benefit plans recognised in accordance with paragraph 93A of FRS 19. These components are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Changes in revaluation surplus may be transferred to retained profits in subsequent periods as the asset is used or when it is derecognised (see FRS 16 and FRS 38). Actuarial gains and losses are reported in retained earnings in the period that they are recognised as other comprehensive income (see FRS 19).

FRS 1(96)

Additional disclosures

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

FRS 1(55)

Balance Sheet – Group¹

As at 31 December 2012

	Note	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	FRS 1(54,77) SGX 1207(5)(a) SGX 1207(5)(b)
ASSETS					
Current assets					
Cash and cash equivalents	13	22,010	36,212	31,221	FRS 1(60) FRS 1(54)(i)
Financial assets, at fair value through profit or loss	14	10,785	8,326	9,571	FRS 1(54)(d)
Derivative financial instruments	15	1,069	452	410	FRS 1(54)(d)
Available-for-sale financial assets	16	1,950	646	1,000	FRS 1(54)(d)
Trade and other receivables	17	19,510	16,399	17,305	FRS 1(54)(h)
Inventories	18	24,258	17,094	19,250	FRS 1(54)(g)
Construction contract work-in-progress	19	262	147	347	
		79,844	79,276	79,104	
Disposal group classified as held-for-sale	11	3,333	–	–	FRS 105(38) FRS 1(54)(j)
		83,177	79,276	79,104	
Non-current assets					
Derivative financial instruments	15	395	112	215	FRS 1(60) FRS 1(54)(d)
Available-for-sale financial assets	16	15,298	12,291	10,958	FRS 1(54)(d)
Trade and other receivables	20	3,322	1,990	2,512	FRS 1(54)(h)
Investments in associated companies	23	8,208	8,569	8,133	FRS 1(54)(e)
Investment properties	26	5,550	5,455	3,365	FRS 1(54)(b)
Held-to-maturity financial assets	27	2,122	1,593	–	FRS 1(54)(d)
Property, plant and equipment	28	153,611	97,890	104,328	FRS 1(54)(a)
Intangible assets	29	24,930	19,600	19,966	FRS 1(54)(c)
Deferred income tax assets	36	3,319	3,228	1,578	FRS 1(54)(o)
		216,755	150,728	151,055	
Total assets		299,932	230,004	230,159	
LIABILITIES					
Current liabilities					
Trade and other payables	30	16,441	10,556	5,767	FRS 1(60) FRS 1(54)(k)
Current income tax liabilities	10	2,942	3,833	9,595	FRS 1(54)(n)
Derivative financial instruments	15	440	240	300	FRS 1(54)(m)
Borrowings	31	9,524	15,670	12,131	FRS 1(54)(m)
Provisions	35	2,126	2,295	2,120	FRS 1(54)(l)
		31,473	32,594	29,913	
Liabilities directly associated with disposal group classified as held-for-sale	11	220	–	–	FRS 105(38) FRS 1(54)(p)
		31,693	32,594	29,913	
Non-current liabilities					
Trade and other payables	30	350	–	91	FRS 1(60) FRS 1(54)(k)
Derivative financial instruments	15	135	44	2,320	FRS 1(54)(m)
Borrowings	31	118,300	89,214	95,606	FRS 1(54)(m)
Deferred income tax liabilities	36	11,646	8,406	5,040	FRS 1(54)(o)
Provisions	35	1,655	1,585	1,342	FRS 1(54)(l)
		132,086	99,249	104,399	
Total liabilities		163,779	131,843	134,312	
NET ASSETS		136,153	98,161	95,847	
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	37	41,495	32,024	32,024	FRS 1(78)(e)
Treasury shares	37	(1,418)	(900)	–	FRS 1(78)(e)
Other reserves	38	9,628	6,419	5,046	FRS 1(78)(e)
Retained profits	39	78,196	58,852	57,503	FRS 1(78)(e)
		127,901	96,395	94,573	FRS 1(54)(r)
Non-controlling interests		8,252	1,766	1,274	FRS 1(54)(q)
Total equity		136,153	98,161	95,847	

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

Balance Sheet – Company¹

As at 31 December 2012

	Note	2012 \$'000	2011 \$'000	FRS 1(54,77) SGX 1207(5)(a) SGX 1207(5)(b)
ASSETS				
Current assets				
Cash and cash equivalents	13	16,252	2,977	FRS 1(60) FRS 1(54)(i)
Derivative financial instruments	15	232	78	FRS 1(54)(d)
Trade and other receivables	17	7,612	2,166	FRS 1(54)(h)
Inventories	18	2,200	335	FRS 1(54)(g)
		26,296	5,556	
Non-current assets				
Derivative financial instruments	15	34	6	FRS 1(60) FRS 1(54)(d)
Available-for-sale financial assets	16	1,500	1,218	FRS 1(54)(d)
Trade and other receivables	20	3,136	3,200	FRS 1(54)(h)
Investments in associated companies	23	1,000	1,000	FRS 1(54)(e)
Investment in a joint venture	24	880	880	FRS 1(55)
Investments in subsidiaries	25	96,160	96,460	FRS 1(55)
Property, plant and equipment	28	855	400	FRS 1(54)(a)
Intangible assets	29	1,200	1,100	FRS 1(54)(c)
		104,765	104,264	
Total assets		131,061	109,820	
LIABILITIES				
Current liabilities				
Trade and other payables	30	707	549	FRS 1(60) FRS 1(54)(k)
Current income tax liabilities	10	235	325	FRS 1(54)(n)
Derivative financial instruments	15	35	45	FRS 1(54)(m)
Borrowings	31	3,500	10,200	FRS 1(54)(m)
Provisions	35	100	210	FRS 1(54)(l)
		4,577	11,329	
Non-current liabilities				
Derivative financial instruments	15	12	2	FRS 1(60) FRS 1(54)(m)
Borrowings	31	78,267	61,751	FRS 1(54)(m)
Deferred income tax liabilities	36	2,779	2,051	FRS 1(54)(o)
Provisions	35	200	95	FRS 1(54)(l)
		81,258	63,899	
Total liabilities		85,835	75,228	
NET ASSETS		45,226	34,592	
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	37	41,495	32,024	FRS 1(78)(e)
Treasury shares	37	(1,418)	(900)	FRS 1(78)(e)
Other reserves	38	3,873	2,034	FRS 1(78)(e)
Retained profits	39	1,276	1,434	FRS 1(78)(e)
Total equity		45,226	34,592	

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

Balance Sheet – Company¹

As at 31 December 2012

Guidance notes

Statement of financial position/balance sheet

Comparative information

1. When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three statements of financial position (or balance sheets), two of each of the other statements, and related notes. An entity presents three statements of financial position (or balance sheets) as at:
 - (a) the end of the current period;
 - (b) the end of the previous period (which is the same as the beginning of the current period); and
 - (c) the beginning of the earliest comparative period.

Refer to Appendix 1 Example 8 for additional illustrative disclosure.

FRS 1(39)

PwC Holdings Ltd and its Subsidiaries

Reference

Consolidated Statement of Changes in Equity^{1,2}

For the financial year ended 31 December 2012

← Attributable to equity holders of the Company →

		Share capital	Treasury shares	Share option reserve	Share reserve	Fair value reserve	Hedging reserve	Currency translation reserve	Equity component of convertible bonds	Asset revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012														
Beginning of financial year		32,024	(900)	1,892	-	127	24	2,376	-	2,000	58,852	96,395	1,766	98,161
Purchase of treasury shares	37	-	(2,072)	-	-	-	-	-	-	-	-	(2,072)	-	(2,072)
Employee share option scheme														
- Value of employee services	38(b)(i)	-	-	690	-	-	-	-	-	-	-	690	-	690
- Treasury shares re-issued	37	-	1,554	(946)	374	-	-	-	-	-	-	982	-	982
- Excess tax	38	-	-	-	114	-	-	-	-	-	-	114	-	114
Issue of new shares	37	9,884	-	-	-	-	-	-	-	-	-	9,884	-	9,884
Share issue expenses	37	(413)	-	-	-	-	-	-	-	-	-	(413)	-	(413)
Convertible bond														
- equity component	38(b)(vi)	-	-	-	-	-	-	-	1,685	-	-	1,685	-	1,685
Dividend relating to 2011 paid	40	-	-	-	-	-	-	-	-	-	(10,102)	(10,102)	(1,920)	(12,022)
Disposal of subsidiary	13	-	-	-	-	-	-	-	-	-	-	-	(300)	(300)
Acquisition of a subsidiary	47	-	-	-	-	-	-	-	-	-	-	-	5,600	5,600
Total comprehensive income for the year ²		-	-	-	-	445	63	582	-	202	29,446	30,738	3,106	33,844
End of financial year		41,495	(1,418)	1,636	488	572	87	2,958	1,685	2,202	78,196	127,901	8,252	136,153

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

Consolidated Statement of Changes in Equity^{1,2}

For the financial year ended 31 December 2012

		Attributable to equity holders of the Company										
		Share capital	Treasury shares	Share option reserve	Fair value reserve	Hedging reserve	Currency translation reserve	Asset revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2011												
	Beginning of financial year	32,024	-	1,270	55	8	2,454	1,259	57,503	94,573	1,274	95,847
	Purchase of treasury shares	-	(900)	-	-	-	-	-	-	(900)	-	(900)
	Employee share option scheme	-	-	622	-	-	-	-	-	622	-	622
	- Value of employee services	-	-	-	-	-	-	-	-	-	-	-
	Dividend relating to 2010 paid	-	-	-	-	-	-	-	(15,736)	(15,736)	(550)	(16,286)
	Total comprehensive income for the year ²	-	-	-	72	16	(78)	741	17,085	17,836	1,042	18,878
	End of financial year	32,024	(900)	1,892	127	24	2,376	2,000	58,852	96,395	1,766	98,161

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

Guidance notes

Consolidated Statement of Changes in Equity ("SoCE")

Presentation of each component of equity in the SoCE

- FRS 1 requires an entity to show in the SoCE, for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period.
Components of equity include, e.g. each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained profits.
- The reconciliation of changes in each component of equity shall show separately each item of comprehensive income. However, this reconciliation may be presented either in the notes or in the SoCE. This presentation illustrates the latter.

FRS 1(106)(d)

FRS 1(108)

FRS 1(106A)

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	2012 \$'000	2011 \$'000	FRS 7(1) SGX 1207(5)(c)
Cash flows from operating activities¹				FRS 7(10,18(b))
Total profit		31,995	18,014	FRS 7(20)(b,c)
Adjustments for:				
- Income tax expense		14,939	7,537	
- Employee share option expense		690	622	
- Amortisation, depreciation and impairment ²		23,204	10,097	
- Gain on disposal of property, plant and equipment		(17)	(8)	
- Impairment loss on available-for-sale financial assets		575	–	
- Net gain on disposal of available-for-sale financial assets		(200)	–	
- Reclassification adjustments from hedging reserve to profit or loss		(230)	(354)	
- Loss on disposal of a subsidiary		945	–	
- Fair value loss/(gain) on investment property		123	(50)	
- Interest income ³		(1,180)	(620)	FRS 7(31-34)
- Dividend income ³		(2,230)	(400)	FRS 7(31-34)
- Finance expenses ³		9,812	7,884	FRS 7(31-34)
- Share of loss/(profit) of associated companies		174	(145)	
- Unrealised currency translation losses ^{6,7}		970	1,001	FRS 7(25,26)
		79,570	43,578	
Change in working capital, net of effects from acquisition and disposal of subsidiaries:				FRS 7(20)(a)
- Inventories and construction work-in-progress		(7,887)	1,031	
- Trade and other receivables		(6,986)	1,117	
- Financial assets, at fair value through profit or loss		(2,651)	(500)	
- Trade and other payables		(8,527)	526	
- Provisions for liabilities and other charges		(308)	39	
Cash generated from operations ⁵		53,211	45,791	
Interest received ³		35	13	FRS 7(31)
Interest paid ³		(5,789)	(9,574)	FRS 7(31)
Income tax paid		(15,504)	(10,974)	FRS 7(35)
Net cash provided by operating activities		31,953	25,256	
Cash flows from investing activities				FRS 7(21)
Acquisition of a subsidiary, net of cash acquired	47	(13,400)	–	FRS 7(39,42)
Additions to property, plant and equipment ⁴		(9,565)	(6,042)	FRS 7(16)(a),43)
Additions to investment property		(288)	(2,040)	
Additions of intangible assets		(2,813)	(700)	FRS 7(16)(a)
Purchases of available-for-sale financial assets		(3,956)	(691)	FRS 7(16)(c)
Purchases of held-to-maturity financial assets		(472)	(372)	FRS 7(16)(c)
Disposal of a subsidiary, net of cash disposed of	13	179	–	FRS 7(39,42)
Disposal of property, plant and equipment		4,974	2,995	FRS 7(16)(b)
Disposal of investment property		70	–	
Disposal of available-for-sale financial assets		300	–	FRS 7(16)(d)
Loans to an associated company		(1,455)	(547)	FRS 7(16)(e)
Repayment of loans by an associated company		63	98	FRS 7(16)(f)
Dividends received ³		2,230	396	FRS 7(31)
Interest received ³		2,290	346	FRS 7(31)
Net cash used in investing activities		(21,843)	(6,557)	

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	2012 \$'000	2011 \$'000	
Cash flows from financing activities				FRS 7(21)
Proceeds from issuance of ordinary shares		9,884	–	FRS 7(17)(a)
Proceeds from re-issuance of treasury shares		983	–	FRS 7(17)(a)
Share issue expense ⁶		(414)	–	
Proceeds from issuance of convertible bond		50,000	–	FRS 7(17)(a,c)
Proceeds from issuance of redeemable preference shares to immediate holding corporation		–	30,000	FRS 7(17)(c)
Proceeds from borrowings		8,500	18,000	FRS 7(17)(c)
Purchase of treasury shares		(2,072)	(900)	FRS 7(17)(b)
Repayment of borrowings		(71,434)	(36,745)	FRS 7(17)(d)
Repayment of lease liabilities		(165)	(93)	FRS 7(17)(e)
Interest ³		(3,180)	(450)	FRS 7(31)
Dividends paid to equity holders of the Company		(10,102)	(15,736)	FRS 7(31)
Dividends paid to non-controlling interests		(1,920)	(550)	FRS 7(31)
Net cash used in financing activities		(19,920)	(6,474)	
Net (decrease)/increase in cash and cash equivalents		(9,810)	12,225	
Cash and cash equivalents				
Beginning of financial year	13	29,548	17,387	FRS 7(45)
Effects of currency translation on cash and cash equivalents ⁷		(578)	(64)	FRS 7(28)
End of financial year	13	19,160	29,548	FRS 7(45)

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

Guidance notes

Consolidated statement of cash flows

Direct method

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

FRS 7(18)(a)

	2012 \$'000	2011 \$'000
Cash flows from operating activities		
Cash receipts from customers	205,483	143,507
Cash paid to suppliers and employees	(152,272)	(97,716)
Cash generated from operations	53,211	45,791
Interest received	35	13
Interest paid	(5,789)	(9,574)
Income taxes paid	(15,504)	(10,974)
Net cash provided by operating activities	31,953	25,256

FRS 7 AppA

FRS 7(19)

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

Discontinued operations

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

Dividends and interest

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

FRS 7(31-34)

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

Additions to property, plant and equipment

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

Reconciliation from profit after tax to cash generated from operations

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

Guidance notes (continued)

Consolidated statement of cash flows (continued)

Currency translation differences

6. The adjustment of total profit for unrealised currency translation losses/(gains) usually includes currency translation differences on monetary items that form part of investing or financing activities such as long-term loans. This is because these currency translation differences are included as part of profit or loss for the financial year and need to be eliminated in arriving at the net cash flows from operating activities, as they do not relate to operating activities.

On the other hand, unrealised currency translation differences on monetary items that form part of operating activities, such as trade receivables or payables, do not usually require such adjustments, as they are already adjusted through the change in working capital lines.

7. Currency translation differences that arise on the translation of foreign currency cash and cash equivalents should be reported in the statement of cash flows in order to reconcile opening and closing balances of cash and cash equivalents, separately from operating, financing and investing cash flows.

FRS 7(28)

Cash flows reported on a gross or net basis

8. Major classes of cash receipts and cash payments arising from investing and financing activities should be reported on a gross basis, except for the cash flows described in FRS 7(22) and FRS 7(24) which are reported on a net basis.

FRS 7(21)

Under FRS 7(22), cash flows arising from the following operating, investing or financing activities may be reported on a net basis:

FRS 7(22)

- (a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity; and
- (b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and maturities are short.

Under FRS 7(24), cash flows arising from the following activities of a financial institution may be reported on a net basis:

FRS 7(24)

- (a) cash receipts and payments for the acceptance and repayment of deposits within a fixed maturity date;
- (b) the placement of deposits with and withdrawal of deposits from other financial institutions; and
- (c) cash advances and loans made to customers and the repayment of those advances and loans.

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

1. General information

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

FRS 1(138)(a)

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

FRS 1(138)(b)

The Group acquired control of XYZ Electronics Group (now known as PwC Components (China) Group), an electronics components manufacturing group operating in China during the financial year (Note 47).

DV

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

DV

Guidance notes

General information

1. The following items shall be disclosed in the financial statements unless they are disclosed elsewhere in information published with the financial statements (e.g. in the other sections of the Annual Report):
 - (a) the domicile and legal form of the reporting entity, its country of incorporation and the address of the registered office (or principal place of business, if different from the registered office);
 - (b) a description of the nature of the entity’s operations and its principal activities; and
 - (c) the name of the parent company and the ultimate parent company of the group (disclosed in Note 44 of these financial statements).
2. If the Company changes its name during the financial year, the change shall be disclosed. A suggested disclosure is as follows:

FRS 1(138)

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

FRS 1(51)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

FRS 1(112)(a)

Guidance notes

Significant accounting policies

Disclosure of accounting policies

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

FRS 1(119)

FRS 1(119)

FRS 1(121)

FRS 1(17)

2.1 Basis of preparation

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

FRS 1(16)
SGX 1207(5)(d)
FRS 1(117)(a)

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

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Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Basis of preparation

Compliance with FRS

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

Going concern assumption

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

FRS 1(25)

FRS 10(14)

FRS 1(25)

FRS 1(25)

Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the adoption of the amendment to FRS 12, the effects of which are disclosed below².

FRS 8(28)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2012 (continued)

The Group has adopted the amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets* on 1 January 2012. The amended FRS 12 has introduced a presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

FRS 12(51c)

Previously, the Group accounted for deferred tax on fair value gains on investment property on the basis that the asset would be recovered through use. Upon adoption of the amendment, such deferred tax is measured on the basis of recovery through sale.

FRS 8(21)

The effects on adoption are as follows¹:

FRS 8(22)

	Consolidated balance sheet		
	At 31 December 2012	At 31 December 2011 Increase/(Decrease)	At 1 January 2011
	\$'000	\$'000	\$'000
Deferred income tax liabilities	(3)	(24)	(15)
Retained profits	3	21	13

	Consolidated income statement for year ended 31 December	
	Increase/(Decrease)	
	2012	2011
	\$'000	\$'000
Income tax expense	(21)	(9)
Profit attributable to:		
Equity holders of the Company	19	8
Non-controlling interests	2	1

The adoption of amended FRS 12 does not have any material impact on the basic and fully diluted EPS of the Group.

The Company has also early adopted the amendment to FRS 1 *Presentation of Items of Other Comprehensive Income* on 1 January 2012. The amendment is applicable retrospectively to annual periods beginning on or after 1 July 2012 with early adoption permitted. It requires items presented in other comprehensive income ("OCI") to be separated into two groups, based on whether or not they may be recycled to profit or loss in the future.

FRS 1(82A)

An additional balance sheet and related notes at the beginning of the earliest comparative period is not presented as there is no impact on the balance sheet.

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Basis of preparation

Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*

1. Capital allowances may have been claimed for certain qualifying assets which are part of the investment property. Deferred taxes relating to these assets as a result of the capital allowance claim are still required, and should not be written-back as a result of this amendment.

FRS 8(28)

Basis of preparation – New or amended Standards and Interpretations effective for 2012 calendar year-ends

2. The following are **the other new or amended Standards and Interpretations** that should be disclosed in the Basis of preparation note if the change in accounting policy had a material effect on the current or prior periods, or may have a material effect on future periods:
 - Amendments to FRS 101 *Severe Hyperinflation and Removal of Fixed Dates for 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)
3. The following are the new or amended Standards and Interpretations (issued up to 31 August 2012) that are not yet applicable, but may be early adopted for the current financial year.

Annual periods commencing on

Description

1 July 2012	Amendments to FRS 1 <i>Presentation of Items at other Comprehensive Income</i>
1 January 2013	FRS 19 (revised 2011) <i>Employee Benefits</i> FRS 113 <i>Fair Value Measurement</i> Amendments to FRS 107 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i> INT FRS 120 <i>Stripping Costs in the Production Phase of a Surface Mine</i>
1 January 2014	FRS 27 (revised 2011) <i>Separate Financial Statements</i> FRS 28 (revised 2011) <i>Investments in Associates and Joint Ventures</i> FRS 110 <i>Consolidated Financial Statements</i> FRS 111 <i>Joint Arrangements</i> FRS 112 <i>Disclosure of Interests in Other Entities</i> Amendments to FRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.2 Revenue recognition^{1,2}

FRS 18(35)(a)

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax³, rebates and discounts, and after eliminating sales within the Group.

FRS 18(9)

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

FRS 18(14)(c-e)

(a) Sale of goods – Electronic component parts

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

FRS 18(14)(a,b)

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

FRS 18(9)

(b) Sale of goods – Furniture

The Group sells furniture through retail stores and wholesalers.

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

FRS 18(14)(a,b)

The Group does not operate any customer loyalty programme.

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

FRS 18(14)(a,b)

(c) Rendering of service – Logistics services

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

FRS 18(20)

FRS 18(35)(a)

(d) Construction of specialised equipment

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.2 Revenue recognition (continued)

(e) Interest income⁴

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

FRS 18(30)(a)

(f) Dividend income⁵

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

FRS 18(30)(c)

(g) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term⁶.

FRS 17(50)
INT FRS 15(4)

Guidance notes

Revenue recognition

1. Revenue recognition policy for each principal activity is required to be disclosed and the disclosure should be tailored to the entity's specific revenue sources and terms of business so as to provide the readers with information for a proper understanding of the policies. For example, the following disclosure can be considered if the Group operates a customer loyalty programme:

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

For transactions where the Group is acting as an agent:

"The Group assesses its role as an agent or principal for each transaction and in a transaction where the Group acts as an agent, revenue would exclude amounts collected on behalf of the principal."

FRS 18(8)

2. Please refer to Appendix 1 Example 2 for an illustrative disclosure example on a contract with multiple-element arrangements.
3. If the Group operates predominantly in Singapore, the term "value-added tax" may be replaced by "goods and services tax".

FRS 18(13)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes (continued)

Revenue recognition (continued)

4. When unpaid interest has accrued before the acquisition of an interest-bearing investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition periods; only the post-acquisition portion is recognised as revenue.

FRS 18(32)

Where such interest is material, the following disclosure can be considered:

“Where the Group receives interest that has accrued before its acquisition of an interest bearing investment, such interest received is accounted for as a reduction of the carrying amounts of those investments.”

5. From 1 January 2009, dividends on equity securities are recognised in income. The previous requirement in FRS 18 to deduct pre-acquisition dividends from the cost of the securities has been removed.
6. When there is a fixed increase in lease payments stipulated in a lease agreement, such as a quasi-compensation for inflation-related increases, the fixed increases in lease payments are part of the minimal lease payments and are spread on a straight-line basis over the lease term.

FRS 18(32)

2.3 Government grants

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

FRS 20(7)

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

FRS 20(12)

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

FRS 20(24)

Guidance notes

Government grants

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

FRS 20(29)

FRS 20(24)

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.4 Group accounting¹

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

FRS 27(13)
INT FRS 12(8)

FRS 27(14)

FRS 27(26)

In preparing the consolidated financial statements², transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

FRS 27(21)

FRS 27(24)

FRS 27(27)

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

FRS 27(28)

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

FRS 103(4)

The consideration transferred for the acquisition of a subsidiary or business comprises of the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

FRS 103(37)

FRS 103(39)

FRS 103(42)

Acquisition-related costs are expensed as incurred.

FRS 103(53)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

FRS 103(18)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

FRS 103(19)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill³. Please refer to the paragraph “Intangible assets – Goodwill” for the subsequent accounting policy on goodwill.

FRS 103(32)

(iii) Disposals

When a change in the Group ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

FRS 27(34)

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

FRS 27(34)(d)

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

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Guidance notes

Group accounting – (a) Subsidiaries

Exemption from preparing consolidated financial statements

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

FRS 27(42)(a)

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

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

FRS 27(42)(b,c)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes (continued)

Group accounting – (a) Subsidiaries (continued)

Reporting dates of parent and its subsidiaries

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

FRS 27(22,23)

FRS 27(41)(c)

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

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

Bargain purchase

3. When the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference – often referred to as “negative goodwill” – is recognised in profit or loss. The following is an illustrative disclosure when “negative goodwill” arises on an acquisition of business (to be inserted after the sentence describing the computation of goodwill):

FRS 103(34)

“If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.”

2.4 Group accounting (continued)

(b) Transactions with non-controlling interests

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company^{1,2}. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

FRS 27(30)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Group accounting – (b) Transactions with non-controlling interests

- FRS 27(revised) requires a reporting group to treat transactions with non-controlling interests as transactions with equity holders, with the difference between the consideration paid or received and the relevant share of the carrying value of net assets of the subsidiary acquired or disposed of being recognised directly in equity. The residual difference is then recognised in retained profits or as a separate reserve within equity.

FRS 27(30,31)

Effects of changes in ownership interest without loss of control

- When a transaction gives rise to a change in a parent's ownership interest in a subsidiary that does not result in a loss of control, FRS 27 (revised) requires disclosure of the effect of such change on the equity attributable to the owners of the parent. A suggested disclosure is as follows:

FRS 27(41)(e)

FRS 21(48)(e)

	2012 \$'000	2011 \$'000
Carrying amount of non-controlling interest ("NCI") acquired	xx	xx
Adjustments attributable to NCI:		
- Currency translation reserves	xx	xx
- Fair value reserves	xx	xx
xx	xx	
Less: Consideration paid to NCI, net of transaction costs	xx	xx
Difference recognised in retained profits	xx	xx

(c) Associated companies

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

FRS 28(2)

FRS 28(6)

FRS 28(13)

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments⁴.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.4 Group accounting (continued)

(ii) Equity method of accounting

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

FRS 28(11)

FRS 28(29)
FRS 28(30)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

FRS 28(22)

FRS 28(26)
FRS 28(27)

(c) Associated companies (continued)

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. Any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in profit or loss.

FRS 28(18)

Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in profit or loss³.

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

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Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Group accounting – (c) Associated companies

Reporting dates of investor and its associated companies

1. Please refer to guidance note 2 under Group accounting – (a) Subsidiaries.

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

Exemption from applying equity accounting

2. Exemption from applying equity accounting to its investments in associates is available to an entity when it meets the same conditions as those required under FRS 27 to be exempted from preparing consolidated financial statements. Please refer to guidance note 1 under Group accounting – (a) Subsidiaries.

FRS 28(13)(b)

Decrease in interest in associated companies

3. When significant influence is not lost, only a proportionate share of the amounts previously recognised in other comprehensive income relating to that associate are reclassified to profit or loss and form part of the gain or loss on partial disposal. On the other hand, when significant influence is lost, the entire amounts previously recognised in other comprehensive income relating to that associate are reclassified to profit or loss.

FRS 28(19A)

Bargain purchase

4. When the Group's share of the fair value of the identifiable net assets of the associate exceeds the cost of acquisition paid by the Group, the excess is recognised in profit and loss as part of the share of profit from associated companies.

FRS 28(23)(b)

2.4 Group accounting (continued)

(d) Joint ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using proportionate consolidation^{1,2}.

FRS 31(3)

FRS 31(57)

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

FRS 31(30,34)

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

FRS 31(48)

When the Group purchases assets from a joint venture, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

FRS 31(49)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.4 Group accounting (continued)

(d) Joint ventures

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

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

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Guidance notes

Group accounting – (d) Joint ventures

Method of accounting

1. Jointly controlled entities may also be consistently accounted for using the equity method and when so, the policy described in Note 2.4(c) can be considered. However, when Singapore adopts IFRS 11 *Joint Arrangements* (effective 1 January 2013), the proportionate consolidation method of accounting will be eliminated.
2. Joint ventures may also take the form of jointly controlled operations or jointly controlled assets, which do not involve the establishment of a separate entity from the venturers themselves. In that case, the venturer will recognise, in relation to its interest in the jointly controlled operations or assets:
 - the assets it controls, or its share of the jointly controlled assets;
 - the liabilities it incurs;
 - the expenses it incurs, and/or its share of the expenses incurred; and
 - its share of the income that it earns.

FRS 31(38)

Exemption from applying proportionate consolidation and equity accounting

3. Exemption from applying proportionate consolidation and equity accounting to its investments in joint ventures is available to an entity when it meets the same conditions as those required under FRS 27 to be exempted from preparing consolidated financial statements. Please refer to guidance note 1 under Group accounting – (a) Subsidiaries.

FRS 31(2)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.5 Property, plant and equipment

(a) Measurement¹

(i) Land and buildings

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

FRS 16(15)
FRS 16(31)

Land and buildings are revalued by independent professional valuers on a triennial basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

FRS 16(32-34)

FRS 16(35)(b)

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

FRS 16(39)
FRS 21(30)

FRS 16(40)

(ii) Other property, plant and equipment

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

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

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable⁵ to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to [Note 2.7](#) on borrowing costs) and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve.

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Property, plant and equipment (“PPE”) – (a) Measurement

Method of accounting

1. An item of PPE shall be initially measured at cost, but can be subsequently measured using either the cost model (as illustrated in [Note 2.5\(a\)\(ii\)](#)) or the revaluation model (as illustrated in [Note 2.5\(a\)\(i\)](#)).

FRS 16(29)

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

FRS 16(37)

Provision for dismantlement, removal or restoration

2. The projected cost of dismantlement, removal or restoration is recognised as part of the cost of PPE if such obligation is incurred either when the item is acquired or as a consequence of using the asset during a particular period for purposes other than to produce inventories during that period. For an illustration of the accounting policy and other disclosures, please refer to Appendix 1 Example 3.

FRS 16(16)(c)

Computer software licence and development costs

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

FRS 38(4)

Spare parts and servicing equipment

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

FRS 16(8)

Directly attributable costs – Self-constructed assets

5. The initial cost of an item of PPE shall include any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. While this may be relatively straightforward for items of PPE that are acquired, determining the production cost of a self-constructed asset may be more complex. Such production cost would normally comprise costs associated with material, labour and other inputs used in the construction. It would exclude other costs such as start-up costs, administrative and other general overhead costs, advertising and training costs that should be recognised as an expense when incurred.

FRS 16(16)(b)

FRS 16(17,19)

FRS 16(21,22)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.5 Property, plant and equipment (continued)

(b) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives¹ as follows:

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

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

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

FRS 16(51,61)

(c) Subsequent expenditure

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

FRS 16(7)
FRS 16(12)

(d) Disposal

FRS 16(67)

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “Other losses – net”. Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

FRS 16(68)
FRS 16(71)

FRS 16(41)

Guidance notes

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

Component approach to depreciation

- Parts of some items of PPE may require replacements or major overhauls at regular intervals. An entity allocates the amount initially recognised in respect of an item of PPE to its significant parts and depreciates separately each significant part if those parts have different useful lives. The entity capitalises the cost of the replacements when (i) it is probable that future economic benefits associated with the item will flow to the entity; and (ii) the cost of the item can be reliably measured. The carrying amount of the replaced parts is derecognised.

FRS 16(13,14,43,7)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes (continued)

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

Component approach to depreciation (continued)

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

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

Depreciation of leasehold land

2. This publication illustrates the accounting for leasehold land classified as a finance lease. It is accounted for as PPE and is depreciated over the shorter of its lease term and useful life. The useful life is the period over which an asset is expected to be available for use by an entity. When assessing the useful life of an asset, all commercial, technical and legal factors, as well as the intention of management should be considered.

FRS 16(6,56,57)

FRS 17(27)

2.6 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

FRS 103(32)

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 and on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

FRS 28(23)(a)

Goodwill on subsidiaries and joint ventures¹ is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

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

FRS 28(23)(a)

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal².

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.6 Intangible assets (continued)

(b) Acquired trademarks and licences

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

FRS 38(74)

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

(c) Acquired computer software licences³

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

FRS 38(24)

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

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

FRS 38(74)

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

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

FRS 38(104)

Guidance notes

Intangible assets

Goodwill on joint ventures

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

Goodwill previously charged to shareholders' equity

2. Goodwill on subsidiaries, joint ventures or associated companies acquired prior to annual periods commencing 1 October 2000 was allowed to be adjusted against shareholders' equity. If this option was taken, goodwill previously recognised against retained profits shall not be recognised in profit or loss on disposal of these entities. Entities should mention this treatment in their accounting policy only if relevant to them.

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes (continued)

Intangible assets (continued)

Development of software

3. If an entity is involved in research and development activities, the following disclosure is suggested (using the example of the development of a computer software):

FRS 38(57)

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

2.7 Borrowing costs

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

FRS 23 (8,12,14)

FRS 39(47)

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

Guidance notes

Borrowing costs

Capitalisation of general borrowing costs

1. Where funds are borrowed generally and used for financing an asset's construction or development, the borrowing costs eligible for capitalisation should be determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate should be the weighted average of the borrowing rates applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of acquiring a qualifying asset. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during the period.

FRS 23(14)

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

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

FRS 11(22)

FRS 11(32)

FRS 11(36)

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

FRS 11(39)(b)

FRS 11(11)

FRS 11(13,14)

The stage of completion is measured² by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activities on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

FRS 11(39)(c)

FRS 11(31)

At the balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings³, the balance is presented as due from customers on construction contracts within “trade and other receivables”. Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within “trade and other payables”.

FRS 11(43)

FRS 11(44)

Progress billings not yet paid by customers and retentions by customers are included within “trade and other receivables”. Advances³ received are included within “trade and other payables”.

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Construction contracts

Scope of FRS 11

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

Measuring stage of completion

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

FRS 11(30)

FRS 11(41)

2.9 Investment properties

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

FRS 40(6)

FRS 40(5,10)

FRS 40(75)(b)

FRS 40(8)(b)

Investment properties are initially recognised at cost and subsequently carried at fair value³, determined annually by independent professional valuers on the highest-and-best-use⁴ basis. Changes in fair values are recognised in profit or loss.

FRS 40(20,30)

FRS 40(75)(e)

FRS 40(35)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

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

FRS 40(66)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Investment properties

Classification as investment property

1. When judgement is required to determine the portions of investment property, owner-occupied property and property held-for-sale in the ordinary course of business, the entity shall disclose the criteria used to distinguish them and the judgement involved.

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

Property interests

2. A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property only if: (a) the property will otherwise meet the definition of an investment property; and (b) the lessee uses the fair value model to account for its investment properties. Once this classification is selected for one such property, all properties classified as investment properties shall be accounted for using the fair value model.

FRS 40(6,25)

Cost model

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

FRS 40(30,34)

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

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

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

FRS 40(79)(e)

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

Determination of fair value

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes (continued)

Investment properties (continued)

Transfer in and out of investment properties

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

2.10 Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, joint ventures and associated companies are carried at cost^{1,2} less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

FRS 27(38)
FRS 27(42)(c)

Guidance notes

Investments in subsidiaries, joint ventures and associated companies

Investments accounted for in accordance with FRS 39

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

FRS 27(38)

FRS 27(39)

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

FRS 28(1)

Dividends received from subsidiaries, joint ventures and associated companies

- Dividends received from subsidiaries, joint ventures and associated companies are recognised in profit or loss in the separate financial statements of the Company.
- The receipt of a dividend from a subsidiary, joint venture or associated company is an indicator of impairment of the relevant investment when:
 - the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill; or
 - the dividend exceeds the total comprehensive income of the subsidiary, joint venture or associate in the period the dividend is declared.

FRS 27(38A)

FRS 36(12)(h)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.11 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

FRS 36(9,10(b))

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

FRS 36(80)

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

FRS 36(90)

FRS 36(6)

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

FRS 36(104)

An impairment loss on goodwill is recognised as an expense and is not reversed¹ in a subsequent period.

FRS 36(60)

FRS 36(124)

(b) Intangible assets

Property, plant and equipment

Investments in subsidiaries, associated companies and joint ventures

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

FRS 36(9,10)

FRS 28(33)

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

FRS 36(22)

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

FRS 36(59)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount¹, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease.

FRS 36(60)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.11 Impairment of non-financial assets (continued)

(b) Intangible assets

Property, plant and equipment

Investments in subsidiaries, associated companies and joint ventures (continued)

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

FRS 36(114)

FRS 36(117)
INT FRS 110(8)

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

FRS 36(119)

Guidance notes

Impairment of non-financial assets

Impairment loss on goodwill

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

INT FRS 110(8)

Assets carried at revalued amounts

2. In this illustration, certain classes of non-financial assets are carried at their revalued amounts. The disclosures related to revalued amounts shall be removed if the Group applies only the cost model for all non-financial assets.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.12 Financial assets

FRS 107(21)

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition¹ and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

FRS 39(9)

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

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

FRS 39(9)

FRS 107 AppB5(a)

FRS 1(66)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” (Note 17) and “cash and cash equivalents” (Note 13) on the balance sheet.

FRS 39(9)

FRS 1(66)

(iii) Held-to-maturity financial assets

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

FRS 39(9)

FRS 1(66)

(iv) Available-for-sale financial assets

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

FRS 107 AppB5(b)

FRS 39(9)

FRS 1(66)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.12 Financial assets (continued)

(b) Recognition and derecognition

Regular way² purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

FRS 107 AppB5(c)
FRS 39(38)

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

FRS 39(17,20)

FRS 39(26)

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

FRS 39(20)

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

FRS 39(43)

Guidance notes

Financial assets – (a) Classification

Reclassification of financial assets

1. An entity is permitted to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in the following circumstances:

FRS 39(50)

- If the financial asset meets the definition of loans and receivables at the date of reclassification and the entity at that date has the intent and ability to hold it for the foreseeable future or to maturity. Note that a financial asset cannot meet the definition of loans and receivables if it is quoted in an active market or if it represents an interest in a pool of assets that are not themselves loans and receivables.
- For other financial assets (that is, those that do not meet the definition of loans and receivables), only in rare circumstances, provided that these financial assets are no longer held for the purpose of selling or repurchasing in the near term and meet the definition of the target category. A “rare circumstance” is defined as arising “from a single event that is unusual and highly unlikely to recur in the near term”, like the deterioration of the world’s financial markets that occurred during the third quarter of 2008.

FRS 39(50D)

FRS 39(50B)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes (continued)

Financial assets – (b) Recognition and derecognition

Trade date versus settlement date

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

FRS 39(9)

FRS 39(38)

2.12 Financial assets (continued)

(d) Subsequent measurement

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

FRS 39(46)

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends¹, are recognised in profit or loss when the changes arise.

FRS 39(55)(a)

FRS 107 AppB5(e)

FRS 21(30)

Interest and dividend income¹ on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

FRS 39(55)(b)

FRS 107 AppB5(e)

FRS 39 AG83

FRS 21(30)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance note

Financial assets – (d) Subsequent measurement

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

1. For financial assets at fair value through profit or loss, an entity is allowed to:

- (a) recognise interest income, interest expense and dividend income as part of net gains or losses on these financial instruments; or
- (b) recognise interest income, interest expense and dividend income separately.

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

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

FRS 39(55)(a)

FRS 107 AppB5(e)

FRS 39(55)(b)

2.12 Financial assets (continued)

(e) Impairment

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

FRS 39(58)

FRS107 AppB5(f)

(i) Loans and receivables/Held-to-maturity financial assets

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

FRS 39(59)

FRS 39(60)

The carrying amount of these assets is reduced through the use of an impairment allowance account¹ which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

FRS 39(63)

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

FRS 39(65)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.12 Financial assets (continued)

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in [Note 2.12\(e\)\(i\)](#), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

FRS 39(61)

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

FRS 39(67)

FRS 39(68)

FRS 39(70)

FRS 39(69)

Guidance notes

Financial assets – (e) Impairment

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

FRS 39(63)

INT FRS 110(8)

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

FRS 32(42)E

2.13 Financial guarantees^{1,2,4}

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

FRS 39(9)

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

FRS 39(43)

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

FRS 39(47)(c)

Intra-group transactions are eliminated on consolidation³.

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Financial guarantees

Definition of financial guarantee

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

FRS 39(9)

Financial guarantees versus insurance contracts

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

FRS 104(4)(d)

FRS 39(2)(e)

Financial guarantees for associated companies and joint ventures

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

FRS 24(17)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.14 Borrowings

FRS 107(21)

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

FRS 1(69)

(a) Borrowings

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

FRS 39(43)

FRS 39(47)

(b) Redeemable preference shares²

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

FRS 32(18)(a)

FRS 32(36)

(c) Convertible bonds³

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

FRS 32(28)

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

FRS 107(27)(a)

FRS 32 AG31(a)

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

FRS 32 AG32

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Borrowings

Derecognition

1. Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

FRS 39 AG57

FRS 39 AG63

Classification of preference shares

2. Preference shares that are redeemable on a specific date or at the option of the shareholder, or carry non-discretionary dividend obligations, shall be classified as liabilities. As for non-redeemable preference shares, their terms and conditions shall be critically evaluated using the criteria in FRS 32 to determine whether they shall be classified as liabilities or equity.

FRS 32(15,16)

FRS 32(18)(a)

FRS 32(15,16,28)

Conversion options

3. If the conversion option in a convertible bond is settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the issuer's own equity instruments, the conversion option is a derivative liability. The derivative is required to be carried at fair value with changes in fair value recognised in profit or loss.

FRS 32(11)

An example of a conversion option that is a derivative liability is found in a convertible bond that is denominated in a foreign currency. This is because the fixed amount of the foreign currency bond that will be extinguished if the holder converts represents a variable amount of cash in the functional currency of the issuer. An example of such a convertible bond is given in the illustrative disclosure in Appendix 1 Example 6 of this publication.

FRS 32(28,15,16)

FRS 32 AG27(d)

Facility fees

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

FRS 39 IG E1.1

Debt for equity swap

5. When equity instruments are issued to a creditor to extinguish all or part of a financial liability, an entity shall measure the equity instrument at its fair value, unless that fair value cannot be reliably measured, in which case the instrument shall be measured using the fair value of the financial liability extinguished.

INT FRS 119(9)

The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished and the consideration paid shall be recognised in profit or loss. The equity instruments issued shall be recognised initially and measured at the date the financial liability is extinguished.

An entity shall disclose a gain or loss from such debt for equity swap as a separate line item in profit or loss or in the notes.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

FRS 39(43,47)

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

FRS 39(43,47)

2.16 Derivative financial instruments and hedging activities

FRS 107(21)

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge.

FRS 39(43,47)

FRS 39(71)

FRS 39(86)

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

FRS 107(21)

FRS 39(55)

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

FRS 39(88)

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

FRS 1(66,69)

(a) Fair value hedge

FRS 107(22)

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

FRS 39(88,93)

FRS 39(89)(b)

FRS 39(89)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.16 Derivative financial instruments and hedging activities (continued)

(b) Cash flow hedge

FRS 107(22)

(i) Interest rate swaps

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the fair value reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit or loss.

FRS 39(95)(a)

FRS 39(95)(b)

(ii) Currency forwards

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

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

The fair value changes on the ineffective portion of currency forwards are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately.

FRS 39(95(b),101)

(c) Net investment hedge

FRS 107(22)

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

FRS 39(102)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.17 Fair value estimation of financial assets and liabilities

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

FRS 107(27)
FRS 39 AG69
FRS 39(48A)
FRS 39 AG71-73

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

FRS 39(48A)
FRS 39 AG74-82

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

FRS 107(27)(a,b)

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

FRS 107(25,29)

2.18 Leases

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

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

(i) Lessee – Finance leases

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

FRS 17(4)

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

FRS 17(20)

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

FRS 17(25)

(ii) Lessee – Operating leases

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

FRS 17(4)

FRS 17(33)
INT FRS 15(5)

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.18 Leases (continued)

(b) When the Group is the lessor³:

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

(i) Lessor – Finance leases

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

FRS 17(4)

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

FRS 17(36)

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

FRS 17(40)

FRS 17(39)

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

FRS 17(38)

(ii) Lessor – Operating leases

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

FRS 17(4)

FRS 17(50)

INT FRS 15(4)

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

FRS 17(52)

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Leases

Initial direct costs – lessees

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

FRS 17(4)

Lessee – Finance leases

“Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the estimated useful life of the asset.”

FRS 17(24)

Lessee – Operating leases

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

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

or

- (ii) *“Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.”*

Contingent rents

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

FRS 17(31)(c,e)

FRS 17(35)(c,d)

FRS 17(47)(e)

FRS 17(56)(b)

Penalties for early termination

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

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

2.19 Inventories¹

Inventories are carried at the lower of cost^{2,3} and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Cost also includes any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories⁵. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

FRS 2(9)

FRS 2(36(a),25)

FRS 2(10)

FRS 23(6,7)

FRS 39(98(b),99)

FRS 2(6)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Inventories

Cost of inventories of a service provider

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

FRS 2(19)

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

Cost of inventories

2. Costs include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
3. Costs of purchase comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.
4. Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition. For example, it may be appropriate to include non-production overheads or the costs of designing products for specific customers in the cost of inventories.

FRS 2(10,11)

FRS 2(11)

FRS 2(15,16)

Examples of costs excluded from the cost of inventories and recognised as expenses in the period in which they are incurred are:

- (a) abnormal amounts of wasted materials, labour or other production costs;
- (b) storage costs, unless those costs are necessary in the production process before a further production stage;
- (c) administrative overheads that do not contribute to bringing inventories to their present location and condition; and
- (d) selling costs.

Hedging of purchases of inventories

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

FRS 39(98)(a)

Property under development for future sale

6. Property under development for sale that is sold prior to completion shall be accounted for in accordance to the requirements of INT FRS 115 *Agreements for the Construction of Real Estate*. For an illustrative disclosure of the adoption of INT FRS 115, please refer to Appendix 1 Example 7.

INT FRS 115

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.20 Income taxes

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

FRS 12(46)

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

FRS 12(15)

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

FRS 12(39)

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

FRS 12(24,34,44)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale¹.

FRS 12(47)

FRS 12(51)

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

FRS 12(58)

FRS 12(61)

FRS 12(66)

Guidance notes

Income taxes

Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*

- The amendment, which is applicable retrospectively to annual periods beginning on or after 1 January 2012 (with early adoption permitted), has introduced a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale. Please also refer to [Note 2.1](#) on the illustrative disclosure of the effects of early adoption.

FRS 12(51C)

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.21 Provisions¹

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

FRS 37(14,24)

FRS 37(72)

FRS 37(63)

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs and replacements.

FRS 37 AppC Example 1

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

FRS 37(45,47)

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

FRS 37(59)

Guidance notes

Provisions

Onerous contracts

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

FRS 37(66)

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.22 Employee compensation¹

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

FRS 19(44)(b)

(a) Defined contribution plans

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

FRS 19(7)

(b) Share-based compensation^{2,3}

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

FRS 102(2)(a)

FRS 102(7.8)

FRS 102(16)

FRS 102(19)

FRS 102(20)

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the “treasury shares” account, when treasury shares are re-issued to the employees⁴.

(c) Termination benefits⁵

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

FRS 19(133)

FRS 19(134)

FRS 19(139)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Employee compensation

Defined benefit plan

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

Share-based compensation – Cash-settled plan

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

FRS 102(30)

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

Share-based compensation – Modification

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

FRS 102(27)

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

Share-based compensation – Transfer of share option reserve

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

FRS 102(23)

Termination benefits versus post-employment benefits

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

FRS 19(136)

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes (continued)

Employee compensation (continued)

Post-employment benefits versus other long-term benefits

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

FRS 19(126)

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

FRS 19(127)

Profit sharing and bonus plans

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

FRS 19(17)

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

8. Under some profit-sharing or deferred bonus plans, employees receive a share of the profits/bonus only if they remain with the entity for a specified period in the future. The measurement of such benefit shall reflect the possibility that some employees may leave without receiving the profit-sharing payment. A liability for the benefit shall be accrued over the vesting period.

FRS 19(18)

Short-term compensated absences

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

FRS 19(11)

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.23 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”¹). The financial statements are presented^{2,3} in Singapore Dollars, which is the functional currency of the Company.

FRS 21(8)

FRS 1(51)(d)

Guidance notes

Currency translation – (a) Functional and presentation currency

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

FRS 21(54)

FRS 21(53)

DV

Notes to the Financial Statements

For the financial year ended 31 December 2012

2.23 Currency translation (continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

FRS 21(21)

FRS 21(23)(a)
FRS 21(28)FRS 21(32)
FRS 39(102)
FRS 21(48)

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within “finance cost”. All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within “other losses – net”.

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

FRS 21(23)(c)

(c) Translation of Group entities’ financial statements

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

FRS 21(39)

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

FRS 1(79)(b)

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date¹.

FRS 21(47)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Currency translation on acquisition of foreign operations

1. For acquisitions prior to 1 January 2005, the goodwill and fair value adjustments are translated at the exchange rates at the dates of acquisition.

2.24 Segment reporting

FRS 108(5)(b)

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

2.25 Cash and cash equivalents

FRS 7(45)

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

2.26 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account¹.

FRS 32(35)

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

FRS 32(33)

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

CA 76G

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

FRS 32(33)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Share capital and treasury shares

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

FRS 32(35)

2.27 Dividends to Company's shareholders

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

FRS 10(12)

FRS 32(35)

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

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

FRS 105(6,15)

FRS 105(25)

FRS 105(20)

FRS 105(22)

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

FRS 105(32)

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 2012, 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 2012 had been lowered by 10%, the remaining goodwill of \$30,000 would have been fully impaired, and in addition, the Group would have reduced 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 2012 had been 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 has estimated 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 a 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 2012

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 used 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 had been higher/lower by 10% from management's estimates, the Group's revenue would have been higher/lower by \$1,250,000 and \$1,000,000 respectively³.

If the contract costs of uncompleted contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's profit would have been lower/higher 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 has made judgements 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 has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used 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 had been higher/lower by 10% from management's estimates for all past due loans and receivables, the allowance for impairment of the Group and the Company would have been lower/higher by \$584,000 and \$220,000 respectively³.

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 with a carrying amount of \$5,347,000. The Group has used discounted cash flow analysis 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 had been higher/lower by 1% from management's estimates, the Group's carrying amount of financial assets, available-for-sale financial assets would have been lower/higher by \$196,000 and \$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 that 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 2012, 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 income tax 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 with a carrying amount of \$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 have recognised an additional loss of \$203,000 in its 2012 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 2012

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

(c) Revenue recognition

The Group started to design and sell a new line of furniture to a new customer during 2012. 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 has estimated that the dissatisfaction rate will not exceed 3% and as such, recognised the revenue on this transaction during 2012. If the sale is rescinded, the Group will recognise an estimated loss of \$700,000 in its 2013 financial statements, \$665,000 being the reversal of 2012 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)

4. Revenue

	2012	Group	2011	
	\$'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)
	<u>210,086</u>		<u>112,310</u>	
Reclassification from hedging reserve				
(Note 38(b)(iv)) ^{1,2}	128		50	FRS 107(23)(d)
Total sales	<u>210,214</u>		<u>112,360</u>	

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Revenue

- 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.
- The ineffectiveness on cash flow hedges should be classified consistently with the results of the trading derivatives (please refer to [Note 8](#) to the financial statements).

5. Expenses by nature¹

	Group		
	2012	2011	
	\$'000	\$'000	
Purchases of inventories and construction materials	59,401	23,688	
Amortisation of intangible assets (Note 29(d))	775	515	FRS 38(118)(d)
Depreciation of property, plant and equipment (Note 28)	17,675	9,582	FRS 16(73)(e)(vii)
Impairment loss of goodwill (Note 29(a))	4,650	–	FRS 36(126)(a)
Total amortisation, depreciation and impairment	23,100	10,097	FRS 1(104)
Employee compensation (Note 6)	40,090	15,500	FRS 1(104)
Sub-contractor charges ²	12,400	7,700	
Advertising expense ²	10,871	6,952	
Rental expense on operating leases	10,588	8,697	FRS 17(35)(c)
Research expense	473	200	FRS 38(126)
Transportation expense ²	7,763	5,876	
Reversal of inventory write-down/inventory write-down ²	(200)	350	FRS 2(36)(e,f)
Other expenses	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 (2011: \$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))

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Expenses by nature

1. This disclosure is required only for 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)

6. Employee compensation

	2012	Group 2011	
	\$'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))
	<u>40,350</u>	<u>16,300</u>	
Less: Amounts attributable to discontinued operations	(260)	(800)	
Amounts attributable to continuing operations (Note 5)	<u>40,090</u>	<u>15,500</u>	

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 benefit 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 2012

7. Other income¹

FRS 1(97,98)

	2012 \$'000	Group 2011 \$'000	
Interest income ²			FRS 107(20)(b)
- Bank deposits	830	380	FRS 18(35)(b)(iii)
- Held-to-maturity financial assets	130	110	
- Available-for-sale financial assets	70	30	
- Loan to an associated company	60	30	FRS 24(18)
- Loans and receivables from non-related parties	90	70	
	1,180	620	
Dividend income ²	2,230	400	FRS 18(35)(b)(v)
Rental income from investment properties (Note 26)	488	146	FRS 40(75)(f)(i)
	3,898	1,166	

Included in the Group's interest income on loans and receivables from non-related parties is interest income of \$80,000 (2011: \$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 (2011: \$62,000). The contingent rent was computed based on sales achieved 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" (Please refer to Note 8 to the financial statements).

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

As an alternative, an entity may recognise interest income, interest expense and dividend income separately. When this option is adopted, interest income and expense shall be computed using the effective interest method in accordance with FRS 18(30)(a) and FRS 39(9).

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 2012

8. Other losses – net

FRS 1(97,98)

	Group		
	2012	2011	
	\$'000	\$'000	
Fair value gains/(losses)			
- Financial assets held for trading	(891)	(1,778)	FRS 107(20)(a)(i)
- Financial assets designated as fair value through profit or loss at initial recognition	610	–	FRS 107(20)(a)(i)
- Derivatives held for trading	424	226	FRS 107(20)(a)(i)
	143	(1,552)	
Available-for-sale financial assets			
- Impairment loss (Note 16)	(575)	–	FRS 107(20)(a)(ii) FRS 107(20)(e)
- Reclassification from other comprehensive income on disposal (Note 38(b)(iii))	200	–	FRS 107(20)(a)(ii)
	(375)	–	
Fair value gains/(losses) on fair value hedges			
- Hedged item: Firm commitments	117	133	FRS 107(24)(a)(ii)
- Hedging instrument: Currency forwards	(116)	(131)	FRS 107(24)(a)(i)
Ineffectiveness on cash flow hedges ¹	(11)	(3)	FRS 107(24)(b)
Currency translation loss – net ²	(90)	(116)	FRS 21(52)(a)
Gain on disposal of property, plant and equipment	17	8	
Net fair value (losses)/gains on investment properties (Note 26)	(123)	50	FRS 40(76)(d)
Loss on disposal of subsidiary (Note 13)	(945)	–	FRS 1(97)
	(1,383)	(1,611)	

Guidance notes

Other losses – net

Ineffectiveness on hedges

1. Please see guidance notes under Note 4 to the 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 2012

9. Finance expenses

	<u>Group</u>		
	2012	2011	
	\$'000	\$'000	
Interest expense			
- Bank borrowings	(4,922)	(5,872)	DV
- Convertible bonds (Note 32)	(2,873)	–	DV
- Dividend on redeemable preference shares	(1,950)	(1,950)	FRS 24(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	2,578	(1,540)	FRS 21(52)(a)
Less: Amount capitalised in investment property and property, plant and equipment	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% (2011: 5.6%).

FRS 23(26)(b)

Notes to the Financial Statements

For the financial year ended 31 December 2012

10. Income taxes

(a) Income tax expense

	2012 \$'000	Group 2011 \$'000	
Tax expense attributable to profit is made up of:			FRS 12(79)
- Profit for the financial year:			
<u>From continuing operations</u>			
Current income tax			
- Singapore	9,701	3,470	
- Foreign	4,841	1,513	
	14,542	4,983	FRS 12(80)(a)
Deferred income tax (Note 36)	360	2,641	FRS 12(80)(c)
	14,902	7,624	
<u>From discontinued operations</u>			
Current income tax			
- Foreign (Note 11)	37	(187)	FRS 12(81)(h)
	14,939	7,437	
- Under provision in prior financial years:			
<u>From continuing operations</u>			
Current income tax	-	100	FRS 12(80)(b)
	14,939	7,537	
Tax expense is attributable to:			
- continuing operations	14,902	7,724	
- discontinued operations (Note 11)	37	(187)	
	14,939	7,537	

Notes to the Financial Statements

For the financial year ended 31 December 2012

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)

	2012 \$'000	Group 2011 \$'000
Profit before tax from		
- continuing operations	46,797	26,218
- discontinued operations (Note 11)	137	(667)
	46,934	25,551
Share of loss/(profit) of associated companies, net of tax	174	(145)
Profit before tax and share of loss/(profit) of associated companies	47,108	25,406
Tax calculated at tax rate of 17% (2011: 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	(1,010)	(225)
- utilisation of previously unrecognised		
- tax losses	-	(23)
- capital allowances	(26)	(15)
- other	11	(14)
Tax charge	14,939	7,437

(b) Movement in current income tax liabilities

DV

	2012 \$'000	Group 2011 \$'000	2012 \$'000	Company 2011 \$'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
Disposal of subsidiary (Note 13)	(80)	-	-	-
Under provision in prior financial years	-	100	-	-
End of financial year	2,942	3,833	235	325

Included in the Company's current tax liabilities is consideration of \$132,000 (2011: \$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 2012

10. Income taxes (continued)

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

	Before tax \$'000	2012 Tax charge \$'000	After tax \$'000	Before tax \$'000	2011 Tax charge \$'000	After tax \$'000	Reference
Group							
Fair value gains and reclassification adjustments on available-for-sale financial assets	510	(92)	418	88	(16)	72	FRS 12(81)(a)
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 2012

10. Income taxes (continued)

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

	2012 \$'000	Group 2011 \$'000
Equity component of convertible bonds (Note 38(b)(vi))	(421)	–
Excess tax on employee share option scheme (Note 38(b)(ii))	114	–
	(307)	–

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 used, 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 tax liabilities of the Group and the Company have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On [date of budget announcement], the Singapore Government 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 tax expense of the Group and the Company for the financial year ended [31 December 2012] 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 2012

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

Following the approval of the Group's management and shareholders on 31 May 2012 to sell 50% out of its 70% interest in PwC Glass Sdn Bhd in Malaysia (comprising 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 2013.

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

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

FRS 105(33)(b)

	<u>Group</u>	
	2012	2011 ¹
	\$'000	\$'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)
		FRS 12(81)(h)(ii)
Pre-tax loss recognised on the measurement to fair value less cost to sell on disposal group	(60)	–
Tax	16	–
After tax loss recognised on the measurement to fair value less cost to sell on disposal group	(44)	–
Total profit/(loss) from discontinued operations	100	(480)
		FRS 12(81)(h)(ii)
Profit/(loss) attributable to equity holders of the Company relates to:		FRS 105(33)(d)
- Profit from continuing operations	29,376	17,421
- Profit/(loss) from discontinued operations	70	(336)
Total	29,446	17,085

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

FRS 105(33)(c)

	<u>Group</u>	
	2012	2011
	\$'000	\$'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 2012

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

	Group 2012 \$'000	
(c) Details of the assets in disposal group classified as held-for-sale are as follows:		FRS 105(38)
Property, plant and equipment (Note 28)	1,563	
Trademark and licences (Note 29(b))	100	
Inventory	1,670	
	3,333	
(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	
	220	
	Group	
	2012	2011
	\$'000	\$'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	(100)

Guidance notes

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

Comparatives

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

FRS 105(34)

Presentation of cash flows for discontinued operations

2. The net cash flows attributable to operating, investing and financing activities of discontinued operations (including comparatives) shall be disclosed either in the notes or on the face of the 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 2012

Guidance notes (continued)

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:

FRS 105(5)

- (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*.

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	
	2012	2011	2012	2011	2012	2011
Net profit/(loss) attributable to equity holders of the Company (\$'000)	29,376	17,421	70	(336)	29,446	17,085
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	0.89	*	(0.02)	1.31	0.88

FRS 33(70)(a)

FRS 33(70)(b)

Notes to the Financial Statements

For the financial year ended 31 December 2012

12. Earnings per share (continued)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options.

FRS 33(30,31)

FRS 33(33,36)

FRS 33(44)

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

FRS 33(49)

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

FRS 33(45)

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		
	2012	2011	2012	2011	2012	2011	
Net profit/(loss) attributable to equity holders of the Company (\$'000)	29,376	17,421	70	(336)	29,446	17,085	FRS 33(70)(a)
Interest expense on convertible bonds, net of tax (\$'000)	2,528	–	–	–	2,528	–	
Net profit/(loss) used to determine diluted earnings per share (\$'000)	31,904	17,421	70	(336)	31,974	17,085	FRS 33(70)(a)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	22,454	19,500	22,454	19,500	22,454	19,500	FRS 33(70)(b)
Adjustments for ('000)							
- Convertible bonds	3,300	–	3,300	–	3,300	–	
- Share options	1,858	600	1,858	600	1,858	600	
	27,612	20,100	27,612	20,100	27,612	20,100	FRS 33(70)(b)
Diluted earnings/(loss) per share (\$ per share)	1.16	0.87	*	(0.02)	1.16	0.85	

* Less than \$0.01

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Earnings per share ("EPS")

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

FRS 33(64)

FRS 33(73)

13. Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	\$'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	
	2012	2011
	\$'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 2012

Guidance notes

Cash and cash equivalents

Cash equivalents for the purpose of presenting statement of cash flows

1. 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.
2. 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

3. 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 \$[] (2011: \$[]) 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

4. 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 2012

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 2012, 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>	
	2012	
	\$'000	
<i><u>Carrying amounts of assets and liabilities disposed of</u></i>		
Cash and cash equivalents	(804)	FRS 7(40)(c)
Trade and other receivables	(4,404)	FRS 7(40)(d)
Property, plant and equipment	(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	<u>(6,802)</u>	
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	<u>3,374</u>	
Net assets derecognised	(3,428)	
Less: Non-controlling interests	300	
Net assets disposed of	<u>(3,128)</u>	

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 2012 \$'000	
Net assets disposed of (as above)	3,128	
– Reclassification of currency translation reserve (Note 38(b)(v))	(1,200)	
	1,928	
Loss on disposal (Note 8)	(945)	FRS 7(40)(a,b)
Cash proceeds from disposal	983	FRS 7(40)(c)
Less: Cash and cash equivalents in subsidiaries disposed of	(804)	
Net cash inflow on disposal	179	

Guidance notes

Cash and cash equivalents

Acquisition and disposal of subsidiaries

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

FRS 1(38)

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

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

	Group 2012 \$'000	2011 \$'000	
<i>Held for trading</i>			
Listed securities:			
– Equity securities – Singapore ¹	5,850	4,023	
– Equity securities – US ¹	3,997	4,303	
	9,847	8,326	FRS 107(8)(a)(ii)
<i>Designated at fair value on initial recognition</i>			
Listed securities:			
– Equity securities – US ¹	938	–	FRS 107(8)(a)(i)
	10,785	8,326	

Guidance notes

Financial assets, at fair value through profit or loss

- Information such as the countries in which 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 2012

15. Derivative financial instruments

	← Group →			← Company →			
	Contract notional amount \$'000	Fair value		Contract notional amount \$'000	Fair value		
		Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000	
2012							
<i>Cash-flow hedges</i>							
- Interest rate swaps	30,324	645	–	–	–	–	FRS 107(31)
- 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)	
2011							
<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 2014. 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 2012

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)

16. Available-for-sale financial assets

	Group		Company		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	12,937	11,958	1,218	1,124	
Currency translation differences ¹	47	200	–	–	
Acquisition of subsidiary (Note 47(c))	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)
Impairment losses (Note 8)	(575)	–	–	–	FRS 107(20)(e)
Disposals	(300)	–	–	–	
End of financial year	17,248	12,937	1,500	1,218	FRS 107(8)(d)
Less: Current portion	(1,950)	(646)	–	–	FRS 1(66)
Non-current portion	15,298	12,291	1,500	1,218	FRS 1(66)

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

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

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Listed securities				
- Equity securities – Singapore ²	7,885	5,587	1,500	1,218
- Equity securities – US ²	3,728	2,086	–	–
- SGD corporate fixed rate notes of 4% due 27 August 2014 ²	288	–	–	–
	11,901	7,673	1,500	1,218
Unlisted securities				
- SGD corporate variable rate notes due 30 November 2014 ²	5,347	5,264	–	–
Total	17,248	12,937	1,500	1,218

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 (2012: 4.2%, 2011: 4.0%).

FRS 107(27)(a,b)

During the financial year, the Group recognised an impairment loss of \$575,000 (2011: Nil) against an equity security in Singapore whose trade prices had been below cost for a prolonged period.

Guidance notes

Available-for-sale financial assets

- These currency translation differences arise from debt securities. Please refer to Accounting Policy [Note 2.12\(d\)](#).
- Information such as the countries in which the equity securities are listed, and the interest rates and maturity dates of the debt securities shall be disclosed if the information is material to enable the users to evaluate the nature and extent of risks arising from those financial assets.

FRS 107(31)

FRS 107(31)

17. Trade and other receivables – current

FRS 1(77,78(b))

	Group		Company		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
Finance lease receivables (Note 21)	156	218	–	–	FRS 17(47)(a)
Trade receivables					FRS 24(18(b),24)
- Associated companies	188	217	–	–	FRS 24(19)(d)
- Subsidiaries	–	–	1,200	600	FRS 24(19)(c)
- Non-related parties	17,240	14,779	6,412	1,531	FRS 1(78)(b)
	17,428	14,996	7,612	2,131	
Less: Allowance for impairment of receivables – non-related parties	(509)	(470)	(100)	(50)	
Trade receivables – net	16,919	14,526	7,512	2,081	
Construction contracts					
- Due from customers (Note 19)	1,384	1,188	–	–	FRS 11(42)(a)
- Retentions (Note 19)	60	40	–	–	FRS 11(40)(c)
	1,444	1,228	–	–	
Loan to an associated company	2,668	1,276	–	–	FRS 24(18(b),19(d))
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 2012

17. Trade and other receivables – current (continued)

Certain subsidiaries of the Group have factored trade receivables with carrying amounts of \$1,260,000 (2011: \$1,340,000) to a bank in exchange for cash during the financial year ended 31 December 2012. 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 2014. 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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Raw materials	7,622	7,612	–	–
Work-in-progress	1,810	1,796	–	–
Finished/trading goods	14,826	7,686	2,200	335
	<u>24,258</u>	<u>17,094</u>	<u>2,200</u>	<u>335</u>

FRS 2(37)

FRS 2(37)

FRS 2(37)

The cost of inventories recognised as an expense and included in “cost of sales” amounts to \$37,842,000 (2011: \$20,738,000).

FRS 2(36)(d),38)

Inventories of \$1,200,000 (2011: \$1,000,000) of the Group and \$600,000 (2011: \$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 (2011: Nil), being part of an inventory write-down made in 2011, as the inventories were sold above the carrying amounts in 2012.

FRS 2(36)(f,g)

Notes to the Financial Statements

For the financial year ended 31 December 2012

19. Construction contracts

	Group		
	2012	2011	
	\$'000	\$'000	
<i>Construction contract work-in-progress¹:</i>			
Beginning of financial year	147	347	DV
Contract costs incurred	13,847	8,991	DV
Contract expenses recognised in profit or loss	(13,732)	(9,191)	DV
End of financial year	262	147	
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	32,067	23,325	FRS 11(40)(a)
Less: Progress billings	(30,763)	(22,197)	
	1,304	1,128	
Presented as:			
Due from customers on construction contracts ² (Note 17)	1,384	1,188	FRS 11(42)(a)
Due to customers on construction contracts ² (Note 30)	(80)	(60)	FRS 11(42)(b)
	1,304	1,128	
Advances received on construction contracts (Note 30)	(541)	(262)	FRS 11(40)(b)
Retentions on construction contracts (Note 17)	60	40	FRS 11(40)(c)

Guidance notes

Construction contracts

- Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.
- 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(31)

FRS 11(42)

FRS 21(23)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2012

20. Trade and other receivables – non-current

FRS 1(77,78(b))

	<u>Group</u>		<u>Company</u>		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
Finance lease receivables (Note 21)	600	600	–	–	FRS 17(47)(a)
Other receivables					FRS 24(18(b),24)
- Loan to an associated company (Note 17)	2,322	1,240	–	–	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(i))	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% per annum and will be repayable in full on 31 December 2014.

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>	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	%	%
Finance lease receivables	610	630	–	–	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	<u>205</u>	<u>152</u>	<u>155</u>	<u>106</u>	<u>7.5</u>	<u>7.4</u>

Notes to the Financial Statements

For the financial year ended 31 December 2012

21. Finance lease receivables

The Group leases equipment to non-related parties under finance leases. The various agreements terminate between 2013 and 2017, and the non-related parties have options to extend the leases at market rates.

FRS 17(47)(f)

	<u>Group</u>		
	2012	2011	
	\$'000	\$'000	
Gross receivables due			FRS 17(47)(a)
- Not later than one year	236	316	
- Later than one year but within five years	700	600	
- Later than five years	146	147	
	<u>1,082</u>	<u>1,063</u>	
Less: Unearned finance income	(326)	(245)	FRS 17(47)(b)
Net investment in finance leases	<u>756</u>	<u>818</u>	

The net investment in finance leases is analysed as follows:

FRS 17(47)(a)

	<u>Group</u>		
	2012	2011	
	\$'000	\$'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>		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
Receivables due					DV
- 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 2014.

FRS 24(18,24)

	<u>Group</u>		<u>Company</u>		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
Not later than one year	20	20	20	20	
Later than one year but within five years	15	35	15	35	
	<u>35</u>	<u>55</u>	<u>35</u>	<u>55</u>	

Notes to the Financial Statements

For the financial year ended 31 December 2012

23. Investments in associated companies

	<u>Group</u>		<u>Company</u>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Equity investment at cost			<u>1,000</u>	<u>1,000</u>
Beginning of financial year	8,569	8,133		
Currency translation differences	(603)	291		
Addition through acquisition of subsidiary (Note 47(c))	389	–		
Share of (losses)/profits ¹	(174)	145		
Share of movement in fair value reserve (Note 38(b)(iii))	27	–		
End of financial year	<u>8,208</u>	<u>8,569</u>		

FRS 28(38)

FRS 28(39)

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}:

FRS 28(37)(b)

	<u>Group</u>	
	2012	2011
	\$'000	\$'000
- Assets	59,774	36,918
- Liabilities	46,401	23,674
- Revenue	65,865	45,013
- Net (loss)/profit	<u>(500)</u>	<u>800</u>

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

<u>106</u>	<u>240</u>
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FRS 28(40)(a)

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

<u>60</u>	<u>100</u>
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FRS 28(40)(b)

Goodwill amounting to \$1,020,000 (2011: \$1,020,000) is included in the carrying amount of investments in associated companies.

DV

The Group has not recognised its share of losses of an associated company amounting to \$15,000 (2011: \$5,000) because the Group's cumulative share of losses exceeds its interest in that entity⁴ and the Group has no obligation in respect of those losses. The cumulative unrecognised losses with respect to this entity amount to \$27,000 (2011: \$12,000) at the balance sheet date.

FRS 28(37)(g)

Notes to the Financial Statements

For the financial year ended 31 December 2012

The Group has not recognised its share of profits for the financial year of another associated company amounting to \$13,000 (2011: \$20,000) because the Group's cumulative share of unrecognised losses with respect to that entity amounts to \$25,000 (2011: \$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 (2011: \$800,000), for which the published price quotations are \$1,440,000 (2011: \$1,250,000) at the balance sheet date.

FRS 28(37)(a)

Details of significant associated companies are provided in [Note 51](#).

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 statements of the associated company 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.

Interest in an associated company

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

FRS 28(29)

Notes to the Financial Statements

For the financial year ended 31 December 2012

24. Investment in a joint venture

The Company has a 60% equity interest at a cost of \$880,000 (2011: \$880,000) in PwC JV Logistics (PRC) Co. Ltd ("PwC JV Logistics"), which provides freight forwarding and warehousing services in 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)

	<u>Group</u>	
	2012	2011
	\$'000	\$'000
Assets		
- Current assets	803	717
- Non-current assets	2,730	2,124
	<u>3,533</u>	<u>2,841</u>
Liabilities		
- Current liabilities	(388)	(406)
- Non-current liabilities	(1,081)	(1,073)
	<u>(1,469)</u>	<u>(1,479)</u>
Net assets	<u>2,064</u>	<u>1,362</u>
Sales	1,100	778
Expenses	(354)	(509)
Profit before tax	746	269
Income tax	(224)	(160)
Profit after tax	<u>522</u>	<u>109</u>
Operating cash inflows	640	560
Investing cash (outflows)/inflows	(40)	70
Financing cash outflows	(20)	(110)
Total cash inflows	<u>580</u>	<u>520</u>
Capital commitments in relation to interest in joint venture	<u>-</u>	<u>250</u>
Proportionate interest in joint venture's capital commitments	<u>90</u>	<u>92</u>

DV

FRS 7(50)(b)

FRS 31(55)(a)

FRS 31(55)(b)

Details of the joint venture are included in [Note 51](#).

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Investment in a joint venture

Legal subsidiary not required to be consolidated

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

CA 5(1)
FRS 27(4)

The above is possible because ACRA’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

2. Where the reporting entity is a venturer that is exempted under paragraph 2 of FRS 31 from applying proportionate consolidation or equity accounting for its investments in joint ventures and elects to use that exemption, the summarised financial information of the joint ventures need not be disclosed in the venturer’s separate financial statements. This disclosure shall be made in the consolidated financial statements only when the joint ventures are either proportionately consolidated or equity accounted for. This treatment is different from that applicable to associated companies.
3. The reporting entity must also disclose 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	
	2012	2011
	\$’000	\$’000
<i>Equity investments at cost</i>		
Beginning of financial year	96,460	96,460
Disposal	(300)	–
End of financial year	<u>96,160</u>	<u>96,460</u>

DV

Details of significant subsidiaries are included in [Note 51](#).

Notes to the Financial Statements

For the financial year ended 31 December 2012

26. Investment properties

	Group		
	2012	2011	
	\$'000	\$'000	
Beginning of financial year	5,455	3,365	FRS 40(76)
Additions	288	2,040	
Disposals	(70)	–	
Net fair value (loss)/gain recognised in profit or loss (Note 8)	(123)	50	FRS 40(76)(d)
End of financial year	5,550	5,455	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		
	2012	2011	
	\$'000	\$'000	
Rental income (Note 7)	488	146	FRS 40(75)(f)(i)
Direct operating expenses arising from:			
- Investment properties that generate rental income	(30)	(6)	FRS 40(75)(f)(ii)
- Investment properties that do not generate rental income	(40)	(8)	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 2012

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

	2012 \$'000	Group 2011 \$'000	
Unlisted debt securities			FRS 107(31,34(c))
- 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 2014 – Singapore	472	–	FRS 1(65)
	<u>2,122</u>	<u>1,593</u>	FRS 107(8)(b)

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

FRS 107(25)

	2012 \$'000	Group 2011 \$'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 2014	475	–	

FRS 107(27)(a,b)

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:

	2012 %	Group 2011 %	
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 2014	6.5	–	

Notes to the Financial Statements

For the financial year ended 31 December 2012

28. Property, plant and equipment

	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000	
								FRS 1(78)(a)
Group								
2012								
<i>Cost or valuation</i>								
Beginning of financial year								FRS 16(73)(d)
Cost	–	–	–	84,703	2,700	–	87,403	FRS 16(73)(a)
Valuation	8,400	8,061	21,453	–	–	–	37,914	FRS 16(73)(a)
	8,400	8,061	21,453	84,703	2,700	–	125,317	FRS 16(73)(d)
Currency translation differences	–	314	(808)	4,509	103	–	4,118	FRS 16(73)(e)(viii)
Acquisition of subsidiary ⁵ (Note 47(k))	–	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	8,450	22,854	59,022	102,884	3,743	360	197,313	FRS 16(73)(d)
<i>Representing:</i>								
Cost	–	–	–	102,884	3,743	360	106,987	FRS 16(73)(a)
Valuation	8,450	22,854	59,022	–	–	–	90,326	FRS 16(73)(a), SGX 1207(10)
	8,450	22,854	59,022	102,884	3,743	360	197,313	FRS 16(73)(d)
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	–	–	–	26,177	1,250	–	27,427	FRS 16(73)(d)
Currency translation differences	–	–	–	808	87	–	895	FRS 16(73)(e)(viii)
Depreciation charge								FRS 16(73)(e)(vii)
- Continuing operations (Note 5)	–	489	1,056	15,436	694	–	17,675	
- Discontinued operations	–	–	–	79	–	–	79	
Reclassified to disposal group	–	–	–	(279)	–	–	(279)	FRS 16(73)(e)(ii)
Disposals ¹	–	(34)	(86)	(550)	–	–	(670)	FRS 16(73)(e)(ii)
Revaluation adjustments ²	–	(455)	(970)	–	–	–	(1,425)	FRS 16(73)(e)(iv)
End of financial year	–	–	–	41,671	2,031	–	43,702	FRS 16(73)(d)
<i>Net book value</i>								
End of financial year	8,450	22,854	59,022	61,213	1,712	360	153,611	

Notes to the Financial Statements

For the financial year ended 31 December 2012

28. Property, plant and equipment (continued)

	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000	Reference
Group								
2011								
<i>Cost or valuation</i>								
Beginning of financial year								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)(i)
Disposals ¹	–	–	–	(5,737)	–	–	(5,737)	FRS 16(73)(e)(ii)
Revaluation surplus ² (Note 38(b)(vii))	100	235	798	–	–	–	1,133	FRS 16(73)(e)(iv)
Revaluation adjustments ²	–	(111)	(512)	–	–	–	(623)	FRS 16(73)(e)(iv)
End of financial year	8,400	8,061	21,453	84,703	2,700	–	125,317	FRS 16(73)(d)
<i>Representing:</i>								
Cost	–	–	–	84,703	2,700	–	87,403	FRS 16(73)(a)
Valuation	8,400	8,061	21,453	–	–	–	37,914	FRS 16(73)(a), SGX 1207(10)
	8,400	8,061	21,453	84,703	2,700	–	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)(vii)
- Continuing operations (Note 5)	–	75	461	8,514	532	–	9,582	
- Discontinued operations	–	–	–	80	–	–	80	
Disposals ¹	–	–	–	(2,750)	–	–	(2,750)	FRS 16(73)(e)(ii)
Revaluation adjustments ²	–	(111)	(512)	–	–	–	(623)	FRS 16(73)(e)(iv)
End of financial year	–	–	–	26,177	1,250	–	27,427	FRS 16(73)(d)
Net book value								
End of financial year	8,400	8,061	21,453	58,526	1,450	–	97,890	

Notes to the Financial Statements

For the financial year ended 31 December 2012

28. Property, plant and equipment (continued)

	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000	FRS 1(78)(a)
Company				
2012				
<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)(ii)
End of financial year	56	24	80	FRS 16(73)(d)
Net book value				
End of financial year	649	206	855	
2011				
<i>Cost</i>				FRS 16(73)(a)
Beginning of financial year	432	–	432	FRS 16(73)(d)
Additions	–	50	50	FRS 16(73)(e)(i)
End of financial year	432	50	482	FRS 16(73)(d)
<i>Accumulated depreciation</i>				
Beginning of financial year	27	–	27	FRS 16(73)(d)
Depreciation charge	35	20	55	FRS 16(73)(e)(vii)
End of financial year	62	20	82	FRS 16(73)(d)
Net book value				
End of financial year	370	30	400	

- (a) Included within additions in the consolidated financial statements are plant and equipment, and motor vehicles acquired under finance leases amounting to \$400,000 (2011: Nil) and \$150,000 (2011: Nil) respectively.

FRS 7(43)

The carrying amounts of plant and equipment, and motor vehicles held under finance leases are \$745,000 (2011: \$450,000) and \$130,000 (2011: Nil) respectively at the balance sheet date⁴.

FRS 17(31)(a)

- (b) The freehold and leasehold land and buildings of the Group 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)

Notes to the Financial Statements

For the financial year ended 31 December 2012

28. Property, plant and equipment (continued)

- (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)

	2012	Group 2011
	\$'000	\$'000
Freehold land	8,010	8,108
Leasehold land	28,455	7,800
Buildings	51,609	21,529

- (d) Bank borrowings are secured on property, plant and equipment of the Group and the Company with carrying amounts of \$52,835,000 and \$537,000 respectively (2011: \$75,530,000 and \$390,000) (Note 31(a)).

FRS 16(74)(a)

Guidance notes

Property, plant and equipment ("PPE")

Disposals

- Disposal of PPE due to the sale of subsidiary may be included in the "Disposals" line item, as illustrated in this publication.

Revaluations

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

FRS 16(35)

- 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
- 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.

- Entities are required to perform regular subsequent revaluations unless the initial revaluations were performed before 1984 or only one-off revaluations were performed between 1 January 1984 and 31 December 1996 (both dates inclusive). In the event that an item of PPE has been revalued more than once between 1 January 1984 and 31 December 1996, the entity shall explain why the PPE shall be exempted from subsequent revaluation and obtain its independent auditor's concurrence on this.

FRS 16(81)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes (continued)

Property, plant and equipment ("PPE") (continued)

FRS 17(31)(a)

Leased assets

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

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.

29. Intangible assets

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<u>Composition:</u>				
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
	<u>24,930</u>	<u>19,600</u>	<u>1,200</u>	<u>1,100</u>

- (a) Goodwill arising on consolidation

	Group		
	2012	2011	
	\$'000	\$'000	
<u>Cost</u>			
Beginning of financial year	12,000	12,150	FRS 103(B67)(d)
Acquisition of subsidiary (Note 47(k))	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	<u>16,118</u>	<u>12,000</u>	FRS 103(B67)(d)
<u>Accumulated impairment</u>			
Beginning of financial year	–	–	FRS 103(B67)(d)
Impairment charge (Note 5)	4,650	–	FRS 38(118)(e)(iv), FRS 103(B67)(d)
End of financial year	<u>4,650</u>	<u>–</u>	FRS 103(B67)(d)
Net book value	<u>11,468</u>	<u>12,000</u>	

Notes to the Financial Statements

For the financial year ended 31 December 2012

29. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follows:

FRS 36(134)(a)

	Component		Group		Total	
	parts		Furniture			
	2012	2011	2012	2011	2012	2011
Singapore	5,970	5,970	120	120	6,090	6,090
China	4,372	125	27	4,680	4,399	4,805
The Philippines	270	300	90	100	360	400
Other	539	625	80	80	619	705
	11,151	7,020	317	4,980	11,468	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)

2012	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 2012

29. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

	← Component parts →				← Furniture →			
2011	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 (2011: 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 declining 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 2012 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 has decreased due to 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 2012

29. Intangible assets (continued)

(b) Trademark and licences

	<u>Group</u>		<u>Company</u>		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'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(c))	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	<u>14,028</u>	<u>7,700</u>	<u>1,660</u>	<u>1,560</u>	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	<u>1,380</u>	<u>700</u>	<u>660</u>	<u>560</u>	FRS 38(118)(c)
Net book value	<u>12,648</u>	<u>7,000</u>	<u>1,000</u>	<u>1,000</u>	

(c) Computer software licences

	<u>Group</u>		<u>Company</u>		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
<i>Cost</i>					
Beginning of financial year	1,300	1,345	120	120	FRS 38(118)(c)
Currency translation differences	(32)	(45)	–	–	FRS 38(118)(e)(vii)
Additions	366	–	120	–	FRS 38(118)(e)(i)
End of financial year	<u>1,634</u>	<u>1,300</u>	<u>240</u>	<u>120</u>	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	<u>820</u>	<u>700</u>	<u>40</u>	<u>20</u>	FRS 38(118)(c)
Net book value	<u>814</u>	<u>600</u>	<u>200</u>	<u>100</u>	

Notes to the Financial Statements

For the financial year ended 31 December 2012

29. Intangible assets (continued)

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

FRS 38(118)(d)

	2012	Group 2011
	\$'000	\$'000
Cost of sales	655	315
Administrative expenses	120	200
Total (Note 5)	775	515

Guidance notes

Intangible assets

Line items on the statement of comprehensive income in which impairment and amortisation 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 2012

30. Trade and other payables

FRS 1(77)

	<u>Group</u>		<u>Company</u>		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>					
Trade payables to:					FRS 24(18(b),24)
- non-related parties	958	528	86	140	
- associated companies	2,202	1,095	40	200	FRS 24(19)(d)
- subsidiaries	–	–	20	14	FRS 24(19)(c)
- fellow subsidiaries	9,690	7,021	–	–	FRS 24(19)(g)
	12,850	8,644	146	354	
Construction contracts					
- Advances received (Note 19)	541	262	–	–	FRS 11(40)(b)
- Due to customers (Note 19)	80	60	–	–	FRS 11(42)(b)
	621	322	–	–	
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(e))	350	–	–	–	
Total trade and other payables	16,791	10,556	707	549	

Notes to the Financial Statements

For the financial year ended 31 December 2012

31. Borrowings

	<u>Group</u>		<u>Company</u>		FRS 1(77)
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>					
Bank overdrafts (Note 13)	2,650	6,464	3,500	3,200	
Bank borrowings ²	6,754	9,131	–	7,000	FRS 1(73)
Finance lease liabilities (Note 34)	120	75	–	–	
	<u>9,524</u>	<u>15,670</u>	<u>3,500</u>	<u>10,200</u>	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	–	FRS 1(73)
Redeemable preference shares (Note 33)	30,000	30,000	30,000	30,000	
Finance lease liabilities (Note 34)	805	375	–	–	
	<u>118,300</u>	<u>89,214</u>	<u>78,267</u>	<u>61,751</u>	
Total borrowings ¹	<u>127,824</u>	<u>104,884</u>	<u>81,767</u>	<u>71,951</u>	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 as follows:

FRS 107(31)

	<u>Group</u>		<u>Company</u>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
6 months or less	2,710	6,501	3,500	3,200
6 - 12 months	6,814	9,169	–	7,000
1 - 5 years	87,995	59,104	48,267	31,715
Over 5 years	30,305	30,110	30,000	30,000
	<u>127,824</u>	<u>104,884</u>	<u>81,767</u>	<u>71,915</u>

(a) Securities granted

Total borrowings include secured liabilities of \$49,557,000 (2011: \$74,884,000) and \$3,500,000 (2011: \$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 2012

31. Borrowings (continued)

(b) Fair value of non-current borrowings

FRS 107(25)

FRS 107(29)(a)

	<u>Group</u>		<u>Company</u>	
	2012	2011	2012	2011
	\$'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>	
	2012	2011	2012	2011
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>	
	2012	2011	2012	2011
	\$'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 2012

Guidance notes

Defaults and breaches on borrowings

1. 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

2. Under an existing loan facility, if an entity expects and has the discretion to refinance or roll over the borrowing for at least twelve months after the balance sheet date with the same lender, on the same or similar terms, 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 2012, 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	
	2012 \$'000	2011 \$'000
Face value of convertible bonds issued on 2 January 2012	50,000	–
Equity conversion component on initial recognition (Note 38(b)(vi)) ¹	(2,106)	–
Liability component on initial recognition	47,894	–
Accumulated amortisation of interest expense (Note 9)	2,873	–
Accumulated payments of interest	(2,500)	–
Liability component at end of financial year (Note 31)	48,267	–

FRS 12 AppB(4)

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 rights 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 2012

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)

	Group	
	2012	2011
	\$'000	\$'000
Minimum lease payments due		
- Not later than one year	164	84
- Between one and five years	615	319
- Later than five years	517	227
	<u>1,296</u>	<u>630</u>
Less: Future finance charges	(371)	(180)
Present value of finance lease liabilities	<u>925</u>	<u>450</u>

FRS 17(31)(b)

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

FRS 17(31)(b)

	Group	
	2012	2011
	\$'000	\$'000
Not later than one year (Note 31)	<u>160</u>	<u>75</u>
Later than one year (Note 31)		
- Between one and five years	500	265
- Later than five years	305	110
	<u>805</u>	<u>375</u>
Total	<u>965</u>	<u>450</u>

Notes to the Financial Statements

For the financial year ended 31 December 2012

35. Provisions

FRS 1(78)(d)

	Group		Company		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>					FRS 1(61,69)
Warranty (Note (a))	1,026	2,295	100	210	
Restructuring (Note (b))	1,100	–	–	–	
	2,126	2,295	100	210	
<i>Non-current</i>					FRS 1(61,69)
Legal claims (Note (c))	1,655	1,585	200	95	
Total	3,781	3,880	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		
	2012	2011 ¹	2012	2011 ¹	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	2,295	2,120	210	90	FRS 37(84)(a)
Currency translation differences	15	10	–	–	
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	2,295	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 2012. 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 nine months ended 30 September 2012, following the finalisation of certain restructuring costs in the second half of 2012. The provision for restructuring is expected to be fully utilised during the first half of 2013².

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 2012

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 2014. 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 2012. 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:

	<u>Group</u>		<u>Company</u>		
	2012	2011 ¹	2012	2011 ¹	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	1,585	1,342	95	90	FRS 37(84)(a)
Currency translation difference	(100)	(22)	–	–	
Acquisition of subsidiary (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

1. Comparative information is encouraged, but not required for the movement of each class of provision.
2. If an estimate of an amount reported in an interim period has 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

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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)

	<u>Group</u>		<u>Company</u>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets				
- To be recovered within one year	(647)	(82)	–	–
- To be recovered after one year	(2,672)	(3,146)	–	–
	<u>(3,319)</u>	<u>(3,228)</u>	<u>–</u>	<u>–</u>
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
	<u>11,646</u>	<u>8,406</u>	<u>2,779</u>	<u>2,051</u>

FRS 1(61,66)

FRS 1(61,66)

FRS 1(61,69)

FRS 1(61,69)

Movement in deferred income tax account is as follows:

DV

	<u>Group</u>		<u>Company</u>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	5,178	3,462	2,051	2,011
Currency translation differences	614	(1,184)	–	–
Acquisition of subsidiary (Note 47(c))	3,753	–	–	–
Disposal of subsidiary (Note 13)	(2,037)	–	–	–
Tax charge to				
- profit or loss (Note 10(a))	360	2,641	323	20
- equity (Note 10(c), 10(d))	459	259	405	20
End of financial year	<u>8,327</u>	<u>5,178</u>	<u>2,779</u>	<u>2,051</u>

FRS 12(81)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 (2011: \$5,244,000) and capital allowances of \$400,000 (2011: \$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 2013. The capital allowances will expire between 2013 and 2014.

FRS 12(82)

FRS 12(81)(e)

Deferred income tax liabilities of \$170,000 (2011: \$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 (2011: \$1,500,000) at the balance sheet date.

FRS 12(81)(f)

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 <u>depreciation</u> \$'000	Fair value <u>gains-net</u> \$'000	Convertible <u>bonds</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000
2012					
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	21	101	563
- equity	–	152	421	–	573
End of financial year	<u>6,711</u>	<u>3,931</u>	<u>442</u>	<u>1,928</u>	<u>13,012</u>

2011

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

	<u>Provisions</u> \$'000	<u>Tax losses</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000
2012				
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>
2011				
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 2012

36. Deferred income taxes (continued)

Company

Deferred income tax liabilities

	Accelerated tax <u>depreciation</u> \$'000	Fair value <u>gains-net</u> \$'000	Convertible <u>bonds</u> \$'000	<u>Total</u> \$'000
2012				
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	<u>2,380</u>	<u>86</u>	<u>442</u>	<u>2,908</u>
2011				
Beginning of financial year	1,958	62	–	2,020
Charged to				
- profit or loss	56	–	–	56
- equity	–	20	–	20
End of financial year	<u>2,014</u>	<u>82</u>	<u>–</u>	<u>2,096</u>

Deferred income tax assets

	<u>Provisions</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000
2012			
Beginning of financial year	(41)	(4)	(45)
Charged/(credited) to			
- profit or loss	17	(81)	(64)
- equity	–	(20)	(20)
End of financial year	<u>(24)</u>	<u>(105)</u>	<u>(129)</u>
2011			
Beginning of financial year	(15)	6	(9)
Credited to profit or loss	(26)	(10)	(36)
End of financial year	<u>(41)</u>	<u>(4)</u>	<u>(45)</u>

Notes to the Financial Statements

For the financial year ended 31 December 2012

37. Share capital and treasury shares

FRS 1(79,106(d))

Group and Company	No. of		Amount	
	← ordinary shares →		← Amount →	
	Issued share capital '000	Treasury shares '000	Share capital \$'000	Treasury shares \$'000
2012				
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>
2011				
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 2012, 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 2012

37. Share capital and treasury shares (continued)

(a) Treasury shares

The Company acquired 1,000,000 (2011: 725,000) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was \$2,072,000 (2011: \$900,000) and this was presented as a component within shareholders' equity.

FRS 32(33)

The Company re-issued 750,000 (2011: Nil) treasury shares during the financial year pursuant to the PwC Employee Share Option Scheme at the exercise price of \$1.31 (2011: Nil) each. The cost of the treasury shares re-issued amounted to \$1,554,000. The total consideration (net of expense) for the treasury shares issued is as follows:

	2012 \$'000	2011 \$'000
Exercise price paid by employees	983	—
Value of employee services (Note 38(b))	946	—
Less: Transaction costs	(1)	—
Total net consideration	<u>1,928</u>	<u>—</u>

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 personnel and employees with more than three years of service under the PwC Employee Share Option Scheme, which became operative on 1 January 2009.

The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the key management personnel 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 over a period of four years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 1 January 2012, options to subscribe for 964,000 ordinary shares in the Company at an exercise price of \$2.95 per ordinary share were granted pursuant to the Scheme ("2012 Options"). The 2012 Options are exercisable from 1 January 2014 and expire on 31 December 2017.

FRS 1(79)(a)(vii)

Notes to the Financial Statements

For the financial year ended 31 December 2012

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)

Group and Company	No. of ordinary shares under option					Exercise price	Exercise period
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year		
2012							
2009							1.1.2011 –
Options	1,850,000	–	(100,000)	(750,000)	1,000,000	\$1.31	31.12.2014
2011							1.1.2013 –
Options	1,732,000	–	(200,000)	–	1,532,000	\$1.28	31.12.2016
2012							1.1.2014 –
Options	–	964,000	–	–	964,000	\$2.95	31.12.2017
	<u>3,582,000</u>	<u>964,000</u>	<u>(300,000)</u>	<u>(750,000)</u>	<u>3,496,000</u>		
2011							
2009							1.1.2011 –
Options	2,050,000	–	(200,000)	–	1,850,000	\$1.31	31.12.2014
2011							1.1.2013 –
Options	–	1,965,000	(233,000)	–	1,732,000	\$1.28	31.12.2016
	<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 (2011: 3,582,000) shares, options for 1,000,000 (2011: 1,850,000) shares are exercisable at the balance sheet date. Options exercised in 2012 resulted in 750,000 treasury shares (2011: Nil) being re-issued at the exercise price of \$1.31 (2011: Nil) each. The weighted average share price at the time of exercise was \$3.20 (2011: Nil) per share. The related transaction costs amounting to \$500 (2011: 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 2012 (2011: 1 January 2011), determined using the Binomial Valuation Model, was \$600,000 (2011: \$780,000). The significant inputs into the model were the share price of \$2.95 (2011: \$1.28) at the grant date, the exercise price of \$2.95 (2011: \$1.28), standard deviation of expected share price returns of 30% (2011: 27%), the option life shown above and the annual risk-free interest rate of 5% (2011: 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 2012

38. Other reserves

FRS 1(106)(d)

	Group		Company		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
(a) Composition:					
Share option reserve	1,636	1,892	1,636	1,892	
Capital reserve	488	–	394	–	
Fair value reserve	572	127	96	130	
Hedging reserve	87	24	62	12	
Currency translation reserve	2,958	2,376	–	–	
Equity component of convertible bonds	1,685	–	1,685	–	
Asset revaluation reserve	2,202	2,000	–	–	
	<u>9,628</u>	<u>6,419</u>	<u>3,873</u>	<u>2,034</u>	
(b) Movements:					
(i) Share option reserve					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	<u>1,636</u>	<u>1,892</u>	<u>1,636</u>	<u>1,892</u>	
(ii) Capital reserve					FRS 1(106)(d)
Beginning of financial year	–	–	–	–	
Gain on re-issue of treasury shares (Note 37(a))	374	–	374	–	
Excess tax on employee share option scheme ⁵ (Note 10(d))	114	–	20	–	
End of financial year	<u>488</u>	<u>–</u>	<u>394</u>	<u>–</u>	
(iii) Fair value reserve					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	FRS 107(20)(a)(ii)
- Tax on fair value changes	(128)	(16)	6	(19)	FRS 12(81)(a)
	<u>582</u>	<u>72</u>	<u>(28)</u>	<u>75</u>	FRS 1(91)
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)	–	FRS 107(20)(a)(ii)
Tax on reclassification	36	–	1	–	FRS 12(81)(a)
	<u>(164)</u>	<u>–</u>	<u>(6)</u>	<u>–</u>	FRS 1(91)
End of financial year	<u>572</u>	<u>127</u>	<u>96</u>	<u>130</u>	

Notes to the Financial Statements

For the financial year ended 31 December 2012

38. Other reserves (continued)

(b) Movements (continued):

	Group		Company		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
(iv) Hedging reserve					FRS 1(106)(d)
Beginning of financial year	24	8	12	6	
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					FRS 1(106)(d)
Beginning of financial year	2,376	2,454	-	-	FRS 21(52)(b)
Reclassification on disposal of a subsidiary (Note 13)	(1,200)	-	-	-	
Net currency translation differences of financial statements of foreign subsidiaries, a joint venture and associated companies	1,878	(338)	-	-	
Net currency translation difference on borrowings designated as hedges against foreign subsidiaries ¹	456	220	-	-	
Less: Non-controlling interests ²	(552)	40	-	-	
	1,782	(78)	-	-	
End of financial year	2,958	2,376	-	-	
(vi) Equity component of convertible bonds					FRS 1(106)(d)
Convertible bond – equity component (Note 32)	2,106	-	2,106	-	FRS 12(81)(a)
Tax on liability component	(421)	-	(421)	-	
End of financial year	1,685	-	1,685	-	

Notes to the Financial Statements

For the financial year ended 31 December 2012

38. Other reserves (continued)

(b) Movements (continued):

	Group		Company		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
(vii) <i>Asset revaluation reserve</i> ³					FRS 1(106)(d)
Beginning of financial year	2,000	1,259	–	–	
Revaluation gains (Note 28)	253	1,133	–	–	FRS 16(39)
Tax on revaluation gains	(46)	(239)	–	–	FRS 12(81)(a)
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.

FRS 1(106)(d)

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 2012

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 (2011: \$255,000) and the amount of \$1,418,000 (2011: \$900,000) utilised to purchase treasury shares. Retained profits of the Company are distributable except for the amount of \$1,418,000 (2011: \$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	
	2012	2011
	\$'000	\$'000
Beginning of financial year	1,434	6,384
Net profit	9,944	10,786
Dividends paid (Note 40)	(10,102)	(15,736)
End of financial year	1,276	1,434

Notes to the Financial Statements

For the financial year ended 31 December 2012

40. Dividends¹

	2012 \$'000	Group 2011 \$'000	
<i>Ordinary dividends paid</i>			
Final dividend paid in respect of the previous financial year of 52.41 cents (2011: 78.68 cents) per share (Note 39)	10,102	15,736	FRS 1(107)
At the Annual General Meeting on 5 April 2012, a final dividend of 43.34 cents per share amounting to a total of \$1,000,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2012.			
			FRS 1(137) FRS 12(81)(i) FRS 10(12,13)

Guidance notes

Dividends

- It shall be noted that no dividend may be paid, and no other distribution (whether in cash or otherwise) of the company's assets may be made, to the company in respect of its treasury shares.

CA 76J(4)

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 (2011: 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 2012 (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 2013 exceeds \$200,000.

Notes to the Financial Statements

For the financial year ended 31 December 2012

42. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies (Note 23) and investment in a joint venture (Note 24), are as follows:

	<u>Group</u>		<u>Company</u>		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
Property, plant and equipment	4,193	4,117	800	600	FRS 16(74)(c)
Intangible assets	460	474	200	100	FRS 38(122)(e)
	<u>4,653</u>	<u>4,591</u>	<u>1,000</u>	<u>700</u>	

(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:

	<u>Group</u>		
	2012	2011	
	\$'000	\$'000	
Not later than one year	11,664	10,204	FRS 17(35)(a)(i)
Between one and five years	45,651	45,651	FRS 17(35)(a)(ii)
Later than five years	16,110	27,774	FRS 17(35)(a)(iii)
	<u>73,425</u>	<u>83,629</u>	

Notes to the Financial Statements

For the financial year ended 31 December 2012

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	
	2012	2011
	\$'000	\$'000
Not later than one year	348	52
Between one and five years	182	—
	<u>530</u>	<u>52</u>

FRS 17(56)(a)(i)

FRS 17(56)(a)(ii)

Guidance notes

Commitments

Significant leasing arrangements

1. 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 2012

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 dealing 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 are 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 (2011: \$3,154,000) and a fair value of \$2,577,000 (2011: \$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 2012

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

	<u>SGD</u> \$'000	<u>USD</u> \$'000	<u>RMB</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000
<u>At 31 December 2012</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
Held-to-maturity financial assets	2,122	—	—	—	2,122
	<u>47,677</u>	<u>28,760</u>	<u>14,196</u>	<u>7,432</u>	<u>98,065</u>
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)
	<u>(100,565)</u>	<u>(43,134)</u>	<u>(15,944)</u>	<u>(7,723)</u>	<u>(167,366)</u>
Net financial liabilities	<u>(52,888)</u>	<u>(14,374)</u>	<u>(1,748)</u>	<u>(291)</u>	<u>(69,301)</u>
Add: Net non-financial assets of foreign subsidiaries	151,140	25,354	15,127	12,920	204,541
Net assets	<u>98,252</u>	<u>10,980</u>	<u>13,379</u>	<u>12,629</u>	<u>135,240</u>
Add: Firm commitments and highly probable forecast transactions in foreign currencies ³	6,000	45,568	22,444	(5,698)	68,314
Less: Currency forwards ³	<u>(4,000)</u>	<u>(32,040)</u>	<u>(12,540)</u>	<u>1,395</u>	<u>(47,185)</u>
Currency profile including non-financial assets and liabilities³	<u>100,252</u>	<u>24,508</u>	<u>23,283</u>	<u>8,326</u>	<u>156,369</u>
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies³	<u>*</u>	<u>(11,800)</u>	<u>(1,333)</u>	<u>—</u>	<u>(13,133)</u>

* Less than \$1,000

Notes to the Financial Statements

For the financial year ended 31 December 2012

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):

	<u>SGD</u>	<u>USD</u>	<u>RMB</u>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'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	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
Held-to-maturity financial assets	1,593	—	—	—	1,593
	41,926	37,925	15,503	5,324	100,678
Financial liabilities					
Borrowings	(44,684)	(46,736)	(10,648)	(2,816)	(104,884)
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)
	(62,421)	(57,119)	(15,388)	(3,516)	(138,444)
Net financial (liabilities)/ assets	(20,495)	(19,194)	115	1,808	(37,766)
Add: Net non-financial assets of foreign subsidiaries	92,519	25,064	17,125	934	135,642
Net assets	72,024	5,870	17,240	2,742	97,876
Add: Firm commitments and highly probable forecast transactions in foreign currencies ³	2,000	14,893	6,000	(3,876)	19,017
Less: Currency forwards ³	(1,400)	(13,040)	(4,540)	949	(18,031)
Currency profile including non-financial assets and liabilities³	72,624	7,723	18,700	(185)	98,862
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies³	*	(15,750)	100	—	(15,650)

* Less than \$1,000

Notes to the Financial Statements

For the financial year ended 31 December 2012

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))

	← 2012 →			← 2011 →		
	SGD	USD	Total	SGD	USD	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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
	<u>27,018</u>	<u>1,432</u>	<u>28,450</u>	<u>6,804</u>	<u>2,707</u>	<u>9,511</u>
Financial Liabilities						
Borrowings	(81,767)	–	(81,767)	(33,200)	(38,751)	(71,951)
Other financial liabilities	(655)	(52)	(707)	(470)	(79)	(549)
	<u>(82,422)</u>	<u>(52)</u>	<u>(82,474)</u>	<u>(33,670)</u>	<u>(38,830)</u>	<u>(72,500)</u>
Net financial (liabilities)/assets	(55,404)	1,380	(54,024)	(26,866)	(36,123)	(62,989)
Add: Net non-financial assets of foreign subsidiaries	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 currencies³	–	(840)	(840)	–	(37,323)	(37,323)

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 (2011: 2%) and 6%⁵ (2011: 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)			
	2012		2011	
	Profit after tax \$'000	Other comprehensive income \$'000	Profit after tax \$'000	Other comprehensive income \$'000
<u>Group</u>				
USD against SGD				
- Strengthened	(891)	183	(349)	34
- Weakened	891	(183)	349	(34)
RMB against SGD				
- Strengthened	(80)	—	(4)	—
- Weakened	80	—	4	—
<u>Company</u>				
USD against SGD				
- Strengthened	(50)	—	(746)	—
- Weakened	50	—	746	—

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 2012

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 2012, if the USD had strengthened/weakened by []% (2011: []%) against the SGD with all other variables including tax rate being held constant, the other comprehensive income of the Group and the Company would have been higher/lower by \$[] (2009: \$[]) and \$[] (2011: \$[]) respectively as a result of currency translation gains/losses on securities classified as available-for-sale. The profit after tax of the Group and the Company would have been higher/lower by \$[] (2011: \$[]) and \$[] (2011: \$[]), 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.

FRS 107 App B23

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes

Financial risk management – currency risk (continued)

Accruals and provisions

10. Accruals that represent a right to receive cash or an obligation to deliver cash are included in the scope of FRS 107. An example is an accrual for services obtained, but for which an invoice has not been received.

FRS 32 AG4

Similarly, a prepaid expense or an advance payment received for which the future economic benefit is the receipt of goods and services and not a financial instrument would be excluded from the scope of FRS 107.

FRS 32 AG11

Provisions that meet the definition of FRS 37 paragraph 10 (“liability of uncertain timing and amount”) are scoped out of FRS 107. This is only applicable to provisions that are in the scope of FRS 37, but not to financial guarantee contracts, for which the measurement in FRS 39 paragraph 47(c) makes reference to FRS 37.

FRS 37(2), FRS 107(3)
(4), FRS 39 (2)(j)

Disclosures at reporting date need to be representative for the period

11. If the quantitative data disclosed as at the reporting date is 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

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

FRS 107(33)

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

For instance, if there has been a change in the hedging policy, this should be disclosed accordingly.

Notes to the Financial Statements

For the financial year ended 31 December 2012

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% (2011: 6%) and 14% (2011: 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

	<div style="display: flex; justify-content: space-between; align-items: center;"> ← 2012 Increase/(Decrease) 2011 → </div>			
	Profit after tax \$'000	Other comprehensive income \$'000	Profit after tax \$'000	Other comprehensive income \$'000
<u>Group</u>				
Listed in Singapore				
- increased by	(720)	1,584	198	434
- decreased by	720	(1,584)	(198)	(434)
Listed in the United States				
- increased by	(526)	408	180	88
- decreased by	712	(222)	(220)	(68)
<u>Company</u>				
Listed in Singapore				
- increased by	—	186	—	60
- decreased by	—	(186)	—	(60)

Notes to the Financial Statements

For the financial year ended 31 December 2012

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% (2011: 0.50%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by \$44,000 (2011: \$77,000) and \$18,000 (2011: \$51,000) as a result of higher/lower interest expense on these borrowings. Other comprehensive income would have been higher/lower by \$313,000 (2011: \$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 2012

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 standing and 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 pattern 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>	
	2012	2011
	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' loans	16,000	–

The trade receivables of the Group and of the Company comprise five debtors (2011: five debtors) and three debtors (2011: three 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>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<u>By geographical areas²</u>				
Singapore	7,770	7,217	3,680	1,569
China	4,800	3,800	2,432	512
Philippines	2,224	1,000	–	–
Other countries	2,125	2,509	1,400	–
	16,919	14,526	7,512	2,081
<u>By types of customers²</u>				
Related parties	188	217	1,200	600
Non-related parties				
- Multi-national companies	9,800	7,767	3,038	295
- Other companies	5,707	5,142	2,378	926
- Individuals	1,224	1,400	896	260
	16,919	14,526	7,512	2,081

Notes to the Financial Statements

For the financial year ended 31 December 2012

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)

	<u>Group</u>		<u>Company</u>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Past due < 3 months	3,320	1,772	1,350	704
Past due 3 to 6 months	1,446	654	500	205
Past due over 6 months	270	154	150	66
	<u>5,036</u>	<u>2,580</u>	<u>2,000</u>	<u>975</u>

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)

	<u>Group</u>		<u>Company</u>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Past due 3 to 6 months	320	200	80	40
Past due over 6 months	480	400	120	40
	<u>800</u>	<u>600</u>	<u>200</u>	<u>80</u>
Less: Allowance for impairment	(509)	(470)	(100)	(50)
	<u>291</u>	<u>130</u>	<u>100</u>	<u>30</u>
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	<u>509</u>	<u>470</u>	<u>100</u>	<u>50</u>

The impaired trade receivables arise mainly from sales to a customer which has suffered significant losses in its operations. Certain goods sold to this customer 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 2012

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:

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

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 2012

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 the 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 liquidity reserve (comprises undrawn borrowing facility (Note 31) and cash and cash equivalents (Note 13)) of the Group and the Company 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.

	Less than 1 year ⁴ \$'000	Between 1 and 2 years ⁴ \$'000	Between 2 and 5 years ⁴ \$'000	Over 5 years ⁴ \$'000
Group				
At 31 December 2012				
Trade and other payables	(15,820)	(350)	—	—
Borrowings	(14,545)	(25,931)	(83,981)	(34,223)
At 31 December 2011				
Trade and other payables	(10,234)	—	—	—
Borrowings	(18,560)	(23,276)	(47,174)	(35,967)
Company				
At 31 December 2012				
Trade and other payables	(707)	—	—	—
Borrowings	(8,160)	(4,450)	(63,350)	(33,900)
Financial guarantee contracts	(16,880)	—	—	—
At 31 December 2011				
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 2012

43. Financial risk management (continued)

(c) Liquidity risk (continued)

The Group intends to repay \$15,000,000 in the first quarter of 2013 for borrowings that are contractually repayable between two to five years (2011: 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)

	Less than 1 year ⁴ \$'000	Between 1 and 2 years ⁴ \$'000	Between 2 and 5 years ⁴ \$'000	Over 5 years ⁴ \$'000
Group				
At 31 December 2012				
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 2011				
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 2012

43. Financial risk management (continued)

(c) Liquidity risk (continued)

Company	Less than 1 year ⁴ \$'000	Between 1 and 2 years ⁴ \$'000	Between 2 and 5 years ⁴ \$'000	Over 5 years ⁴ \$'000
At 31 December 2012				
Gross-settled currency forwards – Cash flow hedges and fair value hedges				
- Receipts	1,123	99	–	–
- Payments	(1,170)	(110)	–	–
At 31 December 2011				
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 essential for an understanding of the timing of cash flows 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 1 year ⁴ \$'000	Between 1 and 2 years ⁴ \$'000	Between 2 and 5 years ⁴ \$'000	Over 5 years ⁴ \$'000
At 31 December 2012				
Net settled currency forwards - held for trading	(10)	–	–	–

FRS 107(39)(b)

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

FRS 107(39)(a,b)

Notes to the Financial Statements

For the financial year ended 31 December 2012

Guidance notes (continued)

Financial risk management – liquidity risk (continued)

Contractual undiscounted cash flows (continued)

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

FRS 107(39)(a,b)

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

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

FRS 107 AppB11B

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

FRS 107 AppB11D

Contractual cash flows are undiscounted and may therefore differ from the carrying amount on the balance sheet by the amount of interest accruing between the balance sheet date and the maturity date. This difference is not expected to be material for balances due within 12 months given the short period of interest accrual.

Variable amount payable

2. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date.

FRS 107 AppB11D

Expected maturity dates

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

FRS 107 AppB10A

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 2012

43. Financial risk management (continued)

(d) 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% (2011: 70%). The Group's and the Company's strategies, which were unchanged from 2011, are to maintain gearing ratios within 45% to 50% and 60% to 70% respectively.

FRS 1(135)(a)

FRS 1(135)(c)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

FRS 1(135)(d)

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Net debt	122,605	79,228	66,222	69,523
Total equity	136,153	98,161	45,226	34,592
Total capital ³	258,758	177,389	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 2011 and 2012.

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 2012

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	Level 2	Level 3	Total	FRS 107 (27B)(a)
2012	\$'000	\$'000	\$'000	\$'000	
<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	
2011					
<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 2012

43. Financial risk management (continued)

(e) Fair value measurements (continued)

<u>Company</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2012	\$'000	\$'000	\$'000	\$'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
2011				
<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 2012

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
2012				
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 financial year	(4)	—	(50)	(54)
2011				
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 2012, 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 2012

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:

	<u>Group</u>		<u>Company</u>	
	2012	2011	2012	2011
	\$'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	<u>144,185</u>	<u>115,380</u>	<u>82,314</u>	<u>72,500</u>

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 2012

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		
	2012	2011	
	\$'000	\$'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)
Purchase commitments from other related parties ¹	300	—	FRS 24(18)(b)

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 2012, 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 2012

Guidance notes

Commitments

1. If an entity has had related party transactions during the period, it shall disclose the nature of the related party relationships as well as information about these transactions and outstanding balances, including commitments.

FRS 24(18)

An entity shall disclose commitments to do something if a particular event occurs or does not occur in the future, including recognised and unrecognised executory contracts.

The following are examples of commitments which could require disclosure:

- Long term incentive schemes for key management personnel.
- Agreements with members of key management personnel to pay certain benefits in the event of termination of employment (“golden parachutes”).
- Agreements (including options) between the entity and a related party to purchase or sell assets.
- Agreements (including options) to provide services to or receive services from a related party.
- Commitments under lease agreements with related parties.

The above list is not exhaustive.

Notes to the Financial Statements

For the financial year ended 31 December 2012

45. Related party transactions (continued)

(b) Key management personnel compensation

FRS 24(17)

Key management personnel compensation is as follows:

	Group		
	2012	2011	
	\$'000	\$'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)
	4,256	2,467	

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

DV

46. Segment information¹

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Chief Executive Officer, the Chief Financial Officer, and the heads of each business within each primary 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 namely, Singapore, China and the Philippines. All these areas are engaged in the manufacture and sale of electronic components parts. In addition, China and the Philippines also derive revenues from the sale of household and office furniture, while Singapore derives revenue from construction of specialised equipment.

FRS108(22)(b)

Other segments included manufacture and sale of electronic parts in Thailand, sale of furniture in the Vietnam and Malaysia, investment holding and provision of logistic services in Singapore and China. These are not included within the reportable operating segments, as they are not separately reported 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 2012

46. Segment information (continued)

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

	← Singapore →		← China →		← Philippines →				
	Compo- nent parts \$'000	Construct -ion \$'000	Compo- nent Parts \$'000	Furniture \$'000	Compo- nent Parts \$'000	Furniture \$'000	All other segments \$'000	Total for continuing operations \$'000	
2012									
Sales									
Total segment sales	87,928	29,808	59,682	39,355	2,845	25,737	8,659	254,014	FRS108(23)(b)
Inter-segment sales	(19,950)	—	(13,415)	(5,880)	(635)	(3,920)	—	(43,800)	
Sales to external parties	67,978	29,808	46,267	33,475	2,210	21,817	8,659	210,214	FRS108(23), (33)(a)
Adjusted									
EBITDA¹	25,858	11,341	17,000	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 2012

46. Segment information (continued)

	← Singapore →		← China →		← Philippines →				
	Compo- nent parts \$'000	Construct -ion \$'000	Compo- nent Parts \$'000	Furniture \$'000	Compo- nent Parts \$'000	Furniture \$'000	All other segments \$'000	Total for continuing operations \$'000	
2011									
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 market terms. 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 for continuing operations. This measurement basis excludes the effects of expenditure from the operating segments such as restructuring costs and impairment loss that are not expected to recur regularly in every period which are separately analysed. 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.

FRS108(27)(b), (28)

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 ("CODM") reviews. EBITDA should not be used if it 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 2011, 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 CODM. This publication discloses the measure of total assets and liabilities for each reportable segment as this is regularly provided to the Exco which has been identified as CODM of PwC Holdings Pte 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:

	2012 \$'000	2011 \$'000
Adjusted EBITDA for reportable segments	76,084	44,349
Adjusted EBITDA for other segments	806	406
Depreciation	(17,652)	(9,582)
Amortisation	(775)	(515)
Impairment loss on goodwill	(4,650)	–
Restructuring costs	(1,100)	–
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 reported to the Exco with respect to total assets are measured in a manner consistent with that of the financial statements. 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.

FRS108(27)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2012

46. Segment information (continued)

(a) Reconciliations (continued)

(ii) Segment assets (continued)

Segment assets are reconciled to total assets as follows:

	2012 \$'000	2011 \$'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:

	2012 \$'000	2011 \$'000
Segment liabilities for reportable segments	19,804	13,541
Other segment liabilities	768	900
Unallocated:		
Liabilities associated with disposal group	220	–
Current 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 2012

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 specialised equipment. Investment holding and provision of logistics services are included in “Others”. Breakdown of the revenue is as follows:

FRS108(32)

	2012 \$'000	2011 \$'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
	<u>210,214</u>	<u>112,360</u>

(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;
- The 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.

	<u>Sales for continuing operations</u>	
	2012 \$'000	2011 \$'000
Singapore	103,420	73,894
China	84,749	31,298
The Philippines	19,020	6,468
Other countries	3,025	700
	<u>210,214</u>	<u>112,360</u>

FRS 108(33)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2012

46. Segment information (continued)

(c) Geographical information (continued)

	Non-current assets		FRS 108(33)(b)
	2012 \$'000	2011 \$'000	
Singapore	79,284	77,143	
China	88,736	35,603	
The Philippines	24,163	18,340	
Other countries	316	428	
	192,499	131,514	

Revenues of \$23,460,000 (2011: \$20,478,000) are derived from a single external customer. These revenues are attributable to the Singapore manufacture and sale of component parts segment.

FRS108(34)

47. Business combinations

On 1 October 2012, 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)	300	FRS 103 AppB64(f)(iii); FRS 103 AppB64(g)(i)
Total purchase consideration	14,000	FRS 103 AppB64(f)
Less: Indemnification asset ³ (Note (i) below)	(200)	FRS 103 AppB64(g)(i)
Consideration transferred for the business	13,800	
(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	(300)	FRS 7(40)(c)
Cash outflow on acquisition	13,400	FRS 7(40)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2012

47. Business combinations (continued)

	At fair value \$'000	
(c) Identifiable assets acquired and liabilities assumed		FRS 103 AppB64(i)
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)) and note (g) below)	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 2012 to 30 September 2014.

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 2012, 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 2012

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 2014. 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 2012, 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 2012

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 \$33,048,000 and net profit of \$6,241,000 to the Group from the period from 1 October 2012 to 31 December 2012.

Had PwC China been consolidated from 1 January 2012, consolidated revenue and consolidated profit for the year ended 31 December 2012 would have been \$230,214,000 and \$35,276,000 respectively.

Guidance notes

Equity interests issued as purchase consideration

1. 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

2. 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

3. 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 2012

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 2013, the Group issued \$4,300,000 6.5% Singapore Dollar bonds to finance the purchase of an additional 40% interest in an associated company, 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 2013, the Group acquired an additional 40% interest in PwC Vietnam PL, a company incorporated in Vietnam 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 Vietnam 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 ending 31 December 2013. 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 2013¹.

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 2012

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:

FRS 8(30)(a)

- FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)

FRS 110 replaces all of the guidance on control and consolidation in FRS 27 "Consolidated and Separate Financial Statements" and INT FRS 12 "Consolidation – Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess. The Group has yet to assess the full impact of FRS 110 and intends to apply the standard from 1 January 2014.

- FRS 111 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)

FRS 111 introduces a number of changes. The "types" of joint arrangements have been reduced to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated and equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations currently.

The Group has yet to assess the full impact of FRS 111 and intends to adopt the standard from 1 January 2014.

FRS 8(30)(b)

- FRS 112 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

FRS 112 requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities. The Group has yet to assess the full impact of FRS 112 and intends to adopt the standard from 1 January 2014.

- FRS 113 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)

FRS 113 provides consistent guidance across IFRSs on how fair value should be determined and which disclosures should be made in the financial statements. The Group has yet to assess the full impact of FRS 113 and intends to adopt the standard from 1 January 2013.

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 August 2012. 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.
4. The following are illustrative disclosures that could be considered if the change in accounting policy is substantial or may have a material impact on the financial statements:
 - INT FRS 120 Stripping Costs in the Production Phase of a Surface Mine (effective for periods commencing on or after 1 January 2013)

The interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. The amendment is effective for annual periods beginning on or after 1 January 2013. <describe possible impact for the Group>

- FRS 19 (revised 2011) Employee Benefits (effective for annual periods beginning on or after 1 January 2013).

The revised standard makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The revised standard is effective for annual periods beginning on or after 1 January 2013. <describe possible impact for the Group>

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 2013.

FRS 10(17)

Notes to the Financial Statements

For the financial year ended 31 December 2012

51. Listing of significant¹ companies in the Group

SGX 715-718

<u>Name of companies</u>	<u>Principal activities</u>	Country of business/ <u>incorporation</u>	<u>Equity holding</u>	
			2012 %	2011 %
<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

Significant joint venture held by the Company

FRS 31(56)

PwC JV Logistics (PRC) Co., Ltd ^{(d),(f)}	Provision of logistics services	China	60	60
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Significant associated companies held by the Company

PwC A Property (Hong Kong) Limited ^(e)	Investment holding	Hong Kong	35	35
PwC A Furniture Sdn Bhd ^(c)	Sale of furniture	Malaysia	25	25

(a) Audited² by PricewaterhouseCoopers LLP, Singapore³(b) Audited² by Isla Lipana & Co., Philippines³(c) Audited² by Tan & Co³, Malaysia(d) Audited² by Great Wall CPA Company Limited³, People's Republic of China(e) Not required to be audited² under the laws of the country of incorporation

(f) Not consolidated as the entity is not controlled by the Group and deemed to be a joint venture as the Group shares the control of the entity

(g) 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 2012

Guidance notes

Listing of significant companies in the Group

1. The term “significant” is not defined in FRS. However, in the SGX-ST Listing Manual, a subsidiary or associated company is considered significant if its net tangible assets represent 20% or more of the issuer’s consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer’s consolidated pre-tax profits. In the absence of a formal definition in FRS, it is preferable to adopt this definition set out in the SGX-ST Listing Manual.
2. Companies listed on the Singapore Exchange are also required to disclose name(s) of auditing firm(s) of its significant subsidiaries and associated companies. It is a good practice for listed companies to inform the auditing firm(s) that their name(s) will be disclosed in the financial statements.
3. It shall be noted that under the SGX-ST Listing Manual, an issuer may appoint different auditors for its subsidiaries or significant associated companies provided that:
 - (i) the issuer’s board and audit committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer; or
 - (ii) the issuer’s subsidiary or associated company, is listed on a stock exchange.
4. It shall be noted that under the Companies Act, a holding company is required to ensure that the financial year of its subsidiaries coincides with its financial year within two years after incorporation and/or acquisition.

SGX 718

SGX 717

SGX 716

CA 200(1)

Additional Disclosure Requirements

For the financial year ended 31 December 2012

Additional requirements of Singapore Exchange Securities Trading Listing Manual

(a) Corporate information

Company secretary

S.M. Barker

SGX 1207(1)

Registered office

350 Harbour Street

#30-00 PwC Centre

Singapore 049929

Telephone number : (65) 6226 5066

Facsimile number : (65) 6226 5788

Website : <http://www.pwcholdings.com.sg>

SGX 1207(2)

Share registrar

Independent Registry Firm

10 Collyer Quay #19-00

Ocean Building Singapore 049315

SGX 1207(3)

Auditor

PricewaterhouseCoopers LLP

8 Cross street #17-00

PWC Building Singapore 048424

Audit Partner : See Pea Ay

Year of appointment : 2008

SGX 713

(b) Material contracts¹

SGX 1207(8)

In 2012, the Company entered into a two-year contract with ABAS Consultancy Pte Ltd, which is a firm owned by the wife of Mr Ang Boon Chew, a director of the Company. The firm provided professional services to the Company amounting to \$212,000 (2011: \$149,000) during the financial year. Based on the long term contract, the Company was able to obtain professional services slightly below the normal price. As an average, services were charged at 5% below the normal price in 2012 (2011: 4% below the normal price).

(c) Directors' remuneration²

SGX 1207(11-14)

Please refer to information disclosed in **Section (B)** of the Corporate Governance Report.

Additional Disclosure Requirements

For the financial year ended 31 December 2012

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

(d) Auditors' fees³

	2012 \$'000	2011 \$'000	
Fees on audit services paid/payable to ³ :			SGX 1207(6)(a)
- Auditor of the Company	440	386	
- Other auditors*	410	358	
Fees on non-audit services paid/payable to ³ :			
- Auditor of the Company	125	120	
- Other auditors*	210	212	
	<u>1,185</u>	<u>1,076</u>	

*Includes the network of member firms of PricewaterhouseCoopers International Limited (PwCIL).

(e) Appointment of auditors

SGX 1207(6)(c)

The Group has complied with Rules 712 and Rule 715 or 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors⁴.

(f) Review of the provision of non-audit services by the auditors⁵

The Audit Committee has undertaken a review of non-audit services provided by the auditor⁵ and they would not, in the opinion of the Audit Committee's opinion, affect their independence⁶.

SGX 1207(6)(b)

(g) Internal controls⁷

Please refer to information disclosed in Section (C.5) of the Corporate Governance Report.

SGX 1207(10)

Additional Disclosure Requirements

For the financial year ended 31 December 2012

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

(h) Properties of the Group

Major properties held for development

SGX 1207(10)(a)

<u>Location</u>	<u>Description</u>	<u>Intended Use</u>	<u>Stage of completion</u>	<u>Expected date of completion</u>	<u>Site area (sq m)</u>	<u>Gross floor area (sq m)</u>	<u>Group's effective interest in the property</u>
Upper Thomson Road	3-storey building	Commercial	20%	June 2013	400	1,122	100%

Major properties held for development

SGX 1207(10)(b)

<u>Location</u>	<u>Description</u>	<u>Existing Use</u>	<u>Tenure</u>	<u>Unexpired term of lease</u>
Cairnhill, Singapore	Apartment unit	Residential	Freehold	–
Jurong East, Singapore	2-storey apartment unit	Residential	Leasehold	95
Tampines, Singapore	5-storey building	Commercial	Leasehold	70

(i) Interested person transactions

Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 each)

SGX 1207(16)
SGX 907

<u>Name of interested person</u>	<u>Transactions not conducted under shareholders' mandate pursuant to Rule 920</u>		<u>Transactions conducted under shareholders' mandate pursuant to Rule 920</u>	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Abacus Subsidiary Pte Ltd: - sale of goods	–	–	470	729
Sandoz Family Business Pte Ltd: - sale of plant and equipment	600	–	–	–
ABAS Consultancy Pte Ltd: - purchase of professional services	–	361	–	–

Additional Disclosure Requirements

For the financial year ended 31 December 2012

Guidance notes

Additional requirements of Singapore Exchange Securities Trading Listing Manual

Material contracts

1. Disclosure is required of material contracts of the Company and its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year. Where no material contract has been entered into, the following negative statement can be considered:

SGX 1207(8)

“There are no material contracts entered into by the Company or any of its subsidiaries involving the interest of the chief executive officer, any director or controlling shareholder, either still subsisting at the end of the year or entered into since the end of the previous financial year.”

Directors' remuneration

2. With effect from 29 September 2011, a listed entity must make disclosure as recommended in the Code of Corporate Governance, or otherwise disclose and explain any deviation from the recommendation.

SGX 1207(11)

Auditors' fees

3. With effect from 29 September 2011, disclosure must be made on the aggregate of the fees paid to the auditors, broken down into audit and non-audit services. If there are no audit or non-audit fees paid, an appropriate negative statement shall be made.

SGX 1207(6)a

There may also be fees paid to the auditor of the Company which are not included in determining the Group/Company's profit from operations, for example, those fees that are capitalized or charged immediately to equity. It is appropriate to include such fees for this disclosure note.

4. With effect from 19 September 2011, the annual report shall include a confirmation by the Audit Committee that it has undertaken a review of all non-audit services provided by the auditors and they would not, in the Audit Committee's opinion, affect the independence of the auditors.

SGX 1207(6)(b)

5. With effect from 1 April 2004, a public company shall undertake a review of the fees, expenses and emoluments of its auditor to determine whether the independence of the auditor has been compromised under prescribed conditions, and the outcome of the review shall be sent to all persons entitled to receive notice of general meetings of the Company. This outcome is normally communicated through the Directors' Report or the Corporate Governance Report.

CA 206(1A)

This review shall be undertaken if the total amount of the fees paid to the auditor for non-audit services in any financial year of the company exceeds 50% of the total amount of fees paid to the auditor in that financial year.

6. The Audit Committee shall also provide a confirmation in the annual report that it has undertaken a review of non-audit services provided by the auditor and they would not, in the Audit Committee's opinion, affect the independence of the auditor.

SGX 1207(6)(b)

Internal controls

7. With effect from 29 September 2011, the Board with the concurrence of the Audit Committee shall provide an opinion on the adequacy of the internal controls, addressing financial, operational and compliance risks.

SGX 1207(10)

Additional Disclosure Requirements

For the financial year ended 31 December 2012

Shareholders' information as at 12 March 2013¹

Preference shareholdings

SGX 1207(9)(a)

Issued and Paid-Up Capital : \$30,000,000
 Class of Shares : Preference shares
 Voting Rights : No voting rights

The preference shares are held entirely by PwC Corporate Limited, the immediate holding corporation of the Company.

SGX 1207(9)(b)

Ordinary shareholdings

SGX 1207(9)(a)

Issued and Paid-Up Capital : \$41,495,000
 Class of Shares : Ordinary shares
 Voting Rights : One vote per share

	No. of shareholders	%	No. of ordinary shares	%
No. of ordinary shares held				
1 – 999	4,436	75.73	4,224,050	17.56
1,000 – 5,000	1,402	23.93	2,254,930	9.38
5,001 – 10,000	2	0.03	19,240	0.08
More than 10,000	18	0.31	17,551,780	72.98
	5,858	100.00	24,050,000	100.00

SGX 1207(9)(b)

Substantial shareholders

SGX 1207(9)(c)

As shown in the Register of Substantial Shareholders:

	← Direct interests	Number of ordinary shares	→ Beneficial interests
PwC Corporate Limited	7,130,825	–	7,130,825
Mr David Grey	1,270,000	1,500,000	2,770,000
Mr Sandoz Wood	3,609,905	–	3,609,905
Sun Holdings (Pte) Ltd	3,609,905	–	3,609,906

Mr David Grey is deemed to have an interest in 1,500,000 ordinary shares in PwC Holdings Ltd via his holdings of 1,000,000 ordinary shares in PwC Global Limited, which in turn holds 10,000,000 ordinary shares in PwC Corporate Limited.

Additional Disclosure Requirements

For the financial year ended 31 December 2012

Shareholders' information as at 12 March 2013¹ (continued)

Twenty largest ordinary shareholders

SGX 1207(9)d

As shown in the Register of Members and Depository Register:

	No. of ordinary shares	%
PwC Corporate Limited	7,130,825	29.65
Mr Sandoz Wood	3,609,905	15.01
Sun Holdings (Pte) Ltd	3,609,905	15.01
Mr David Grey	2,770,000	11.52
MacPherson Investments Pte Ltd	103,415	0.43
Mr Ang Boon Chew	97,000	0.40
Sembawang Private Ltd	36,075	0.15
Mr Soh Koh Hong	26,455	0.11
Sommerset Holdings Ptd Ltd	26,455	0.11
Geylang Investments Co Pte Ltd	24,050	0.10
Tanglin Halt (Pte) Ltd	21,645	0.09
Changi Holdings Pte Ltd	14,430	0.06
Ms Tham Lee Keng	14,430	0.06
Padang Consolidated Ltd	14,430	0.06
Whitley Investments Ltd	14,430	0.06
Cairnhill Co Pte Limited	14,430	0.06
Bukit Timah Haulage Co Ltd	11,875	0.05
Bedok nominees Ltd	12,025	0.05
Madam Ng Pin Pin	9,620	0.04
Kranji Equity Ltd	9,620	0.04
	17,571,020	73.06

Based on the information available to the Company as at 12 March 2013, approximately 22.11% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

SGX 1207(9)e

Guidance notes

Shareholders' information

- Shareholders' information shall be made up to a date not earlier than one month from the date of notice of the annual general meeting or summary financial statements, whichever is earlier.

SGX 1207(9)

Additional Illustrative Disclosures

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9. Early adoption of FRS 110, 111, 112 (FRS 27 (revised) and amended FRS 28 for annual periods beginning on or after 1 January 2014)	272
10. Early adoption of FRS 113 (for annual periods beginning or after 1 January 2013)	286
Appendix 2	Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Ltd Group
	293

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income

Scenario 1: One-statement presentation of statement of comprehensive income based on a classification of expenses by nature

	Note	2012 ³	2011 ³	
		\$'000	\$'000	
Continuing operations⁴				
Sales	4	210,214	112,360	FRS 1(82)(a)
Other income	7	3,898	1,166	FRS 1(102)
Other losses – net	8	(1,383)	(1,611)	
Expenses				
- Purchases of inventories		(59,401)	(23,688)	FRS 1(102)
- Amortisation, depreciation and impairment	5	(23,100)	(10,097)	FRS 1(102)
- Employee compensation	6	(40,090)	(15,500)	FRS 1(102)
- Sub-contractors charges		(12,400)	(7,700)	
- Advertising		(10,871)	(6,952)	
- Rental on operating leases		(10,588)	(8,697)	FRS 17 (35)(c)
- Research		(473)	(200)	FRS 38 (126)
- Transportation		(7,763)	(5,876)	
- Reversal of inventory write-down/(inventory write-down)		200	(350)	FRS 2(36)(e,f)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(b)
- Other		(1,478)	(672)	
Changes in inventories and construction contract work-in-progress		7,279	2,950	FRS 1(102)
Total expenses		(165,758)	(85,842)	
Share of (loss)/profit of associated companies ⁵		(174)	145	FRS 1(82)(c)
Profit before income tax		46,797	26,218	
Income tax expense	10(a)	(14,902)	(7,724)	FRS 1(82)(d)
Profit from continuing operations⁴		31,895	18,494	
Discontinued operations⁴				
Profit/(loss) from discontinued operations	11	100	(480)	FRS 1(82)(e) FRS 105(33)(a)
Total profit⁴		31,995	18,014	FRS 1(82)(f)
Other comprehensive income⁷:				FRS 1(82)(g)
Items that may be reclassified subsequently to profit or loss ⁹ :				FRS 1(82A)
Available-for-sale financial assets				
- Fair value gains		582	72	
- Reclassification ⁸		(164)	–	
Cash flow hedges				
- Fair value gains		342	331	
- Reclassification ⁸		(279)	(315)	
Share of other comprehensive income of associated companies	23	27	–	FRS 1(82)(h)
Currency translation differences arising from consolidation				
- Gains/(losses)		2,334	(118)	
- Reclassification ⁸		(1,200)	–	
		1,642	(60)	
Items that will not be reclassified subsequently to profit or loss ⁹ :				FRS 1(82A)
Revaluation gains on property, plant and equipment ¹⁰		207	894	
Other comprehensive income, net of tax	10(c)	1,849	864	
Total comprehensive income		33,844	18,878	FRS 1(82)(i)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Scenario 1: One-statement presentation of statement of comprehensive income based on a classification of expenses by nature (continued)

	Note	2012 ³	2011 ³	
		\$'000	\$'000	FRS 1(83)(a)
Profit attributable to:				
Equity holders of the Company		29,446	17,085	
Non-controlling interest		2,549	929	
		<u>31,995</u>	<u>18,014</u>	FRS 1(83)(b)
Total comprehensive income attributable to:				
Equity holders of the Company		30,738	17,836	
Non-controlling interest		3,106	1,042	
		<u>33,844</u>	<u>18,878</u>	FRS 33(66)
Earnings per share⁶ for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)				
Basic earnings per share	12			
- From continuing operations		1.31	0.89	
- From discontinued operations		*	(0.02)	FRS 33(68)
Diluted earnings per share	12			
- From continuing operations		1.16	0.87	
- From discontinued operations		*	(0.02)	

* Less than \$0.01

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Scenario 2: Two-statement presentation of statement of comprehensive income based on a classification of expenses by function

Consolidated income statement:

	Note	2012 ³ \$'000	2011 ³ \$'000	
Continuing operations⁴				
Sales	4	210,214	112,360	FRS 1(82)(a)
Cost of sales		(77,366)	(46,682)	FRS 1(103)
Gross profit		132,848	65,678	FRS 1(103)
Other income	7	3,898	1,166	FRS 1(103)
Other losses - net	8	(1,383)	(1,611)	
Expenses				
- Distribution and marketing		(52,140)	(19,993)	FRS 1(103)
- Administrative		(29,179)	(10,107)	FRS 1(103)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(b)
Share of (loss)/profit of associated companies ⁵		(174)	145	FRS 1(82)(c)
Profit before income tax		46,797	26,218	
Income tax expense	10(a)	(14,902)	(7,724)	FRS 1(82)(d)
Profit from continuing operations⁴		31,895	18,494	
Discontinued operations⁴				FRS 1(82)(e)
Profit/(loss) from discontinued operations	11	100	(480)	FRS 105(33)(a)
Total profit⁴		31,995	18,014	FRS 1(82)(f)
Attributable to:				
Equity holders of the Company		29,446	17,085	FRS 1(83)(a)
Non-controlling interests		2,549	929	
		31,995	18,014	
Earnings per share⁶ for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)				FRS 33(66)
Basic earnings per share	12			FRS 33(68)
- From continuing operations		1.31	0.89	
- From discontinued operations		*	(0.02)	
Diluted earnings per share	12			
- From continuing operations		1.16	0.87	
- From discontinued operations		*	(0.02)	

* Less than \$0.01

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Scenario 2: Two-statement presentation of statement of comprehensive income based on a classification of expenses by function (continued)

Consolidated statement of comprehensive income:

	Note	2012 ³ \$'000	2011 ³ \$'000	
Profit for the year		31,995	18,014	
Other comprehensive income⁷:				
Items that may be reclassified subsequently to profit or loss ⁹ :				FRS 1(82A)
Available-for-sale financial assets				
- Fair value gains		582	72	
- Reclassification ⁸		(164)	–	
Cash flow hedges				
- Fair value gains		342	331	
- Reclassification ⁸		(279)	(315)	
Share of other comprehensive income of associated companies	23	27	–	FRS 1(82)(h)
Currency translation differences arising from consolidation				
- Gains/(losses)		2,334	(118)	
- Reclassification ⁸		(1,200)	–	
		<u>1,642</u>	<u>(60)</u>	
Items that will not be reclassified subsequently to profit or loss ⁹ :				FRS 1(82A)
Revaluation gains on property, plant and equipment ¹⁰		207	894	
Other comprehensive income, net of tax	10(c)	<u>1,849</u>	<u>864</u>	
Total comprehensive income		<u>33,844</u>	<u>18,878</u>	FRS 1(82)(i)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Scenario 3: Two-statement presentation of statement of comprehensive income based on a classification of expenses by nature

Consolidated income statement:

	Note	2012 ³ \$'000	2011 ³ \$'000	
Continuing operations⁴				
Sales	4	210,214	112,360	FRS 1(82)(a)
Other income	7	3,898	1,166	FRS 1(102)
Other losses – net	8	(1,383)	(1,611)	
Expenses				
- Purchases of inventories		(59,401)	(23,688)	FRS 1(102)
- Amortisation, depreciation and impairment	5	(23,100)	(10,097)	FRS 1(102)
- Employee compensation	6	(40,090)	(15,500)	FRS 1(102)
- Sub-contractors charges		(12,400)	(7,700)	
- Advertising		(10,871)	(6,952)	
- Rental on operating leases		(10,588)	(8,697)	FRS 17 (35)(c)
- Research		(473)	(200)	FRS 38 (126)
- Transportation		(7,763)	(5,876)	
- Reversal of inventory write-down/(inventory write-down)		200	(350)	FRS 2(36)(e,f)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(b)
- Other		(1,478)	(672)	
Changes in inventories and construction contract work-in-progress		7,279	2,950	FRS 1(102)
Total expenses		(165,758)	(85,842)	
Share of (loss)/profit of associated companies ⁵		(174)	145	FRS 1(82)(c)
Profit before income tax		46,797	26,218	
Income tax expense	10(a)	(14,902)	(7,724)	FRS 1(82)(d)
Profit from continuing operations⁴		31,895	18,494	
Discontinued operations⁴				
Profit/(loss) from discontinued operations	11	100	(480)	FRS 1(82)(e) FRS 105(33)(a)
Total profit⁴		31,995	18,014	FRS 1(82)(f)
Attributable to:				FRS 1(83)(a)
Equity holders of the Company		29,446	17,085	
Non-controlling interests		2,549	929	
		31,995	18,014	
Earnings per share⁶ for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)				FRS 33(66)
Basic earnings per share	12			
- From continuing operations		1.31	0.89	
- From discontinued operations		*	(0.02)	
Diluted earnings per share	12			FRS 33(68)
- From continuing operations		1.16	0.87	
- From discontinued operations		*	(0.02)	

* Less than \$0.01

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Scenario 3: Two-statement presentation of statement of comprehensive income based on a classification of expenses by nature (continued)

Statement of comprehensive income:

	Note	2012 \$'000	2011 \$'000	
Profit for the year		31,995	18,014	
Other comprehensive income:				FRS 1(82)(g)
Items that may be reclassified subsequently to profit or loss ⁹ :				FRS 1(82A)
Available-for-sale financial assets				
- Fair value gains		582	72	
- Reclassification ⁸		(164)	–	
Cash flow hedges				
- Fair value gains		342	331	
- Reclassification ⁸		(279)	(315)	
Share of other comprehensive income of associated companies	23	27	–	FRS 1(82)(h)
Currency translation differences arising from consolidation				
- Gains/(losses)		2,334	(118)	
- Reclassification ⁸		(1,200)	–	
		<u>1,642</u>	<u>(60)</u>	
Items that will not be reclassified subsequently to profit or loss ⁹ :				FRS 1(82A)
Revaluation gains on property, plant and equipment ¹⁰		207	894	
Other comprehensive income, net of tax	10(c)	<u>1,849</u>	<u>864</u>	
Total comprehensive income		<u>33,844</u>	<u>18,878</u>	FRS 1(82)(i)
Total comprehensive income attributable to:				FRS 1(83)(b)
Equity holders of the Company		30,738	17,836	
Non-controlling interest		3,106	1,042	
		<u>33,844</u>	<u>18,878</u>	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 2: Revenue recognition – multi-element arrangements

Extracts of significant accounting policies:

Revenue recognition

Multiple-element arrangements

FRS 18(13)

The Group offers certain arrangements where a customer can purchase certain electronic equipment, together with a two-year maintenance contract. When such multiple-element arrangements exist, the amount recognised as revenue upon the sale of the equipment is the fair value of the equipment in relation to the fair value of the arrangement taken as a whole and is recognised when the equipment is delivered and the customer accepted the delivery. The revenue relating to the service element, which represents the fair value of the maintenance arrangement in relation to the fair value of the arrangement taken as a whole, is recognised over the maintenance period evenly. The fair value of each element is determined based on the current market price when the elements are sold separately.

Where the Group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the Group determines the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration. To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Provision for dismantlement, removal and restoration

Extracts of significant accounting policies:

Property, plant and equipment

Measurement

Components of costs

FRS 16(16)(c)

“.....The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.”

Provisions

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

FRS 37(14)

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

FRS 37(36)

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

INT FRS 101(5)

Extracts of notes to the financial statements:

Dismantlement, removal or restoration of property, plant and equipment

FRS 37(85)(a)

The Group uses various chemicals in the manufacture of component parts. A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that \$[] will be used during 2013 and \$[] during 2014. Total expected costs to be incurred are \$[] (2011: \$[]).

Movement in this provision is as follows:

	<u>Group</u>		<u>Company</u>		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	[]	[]	[]	[]	FRS 37(84)(a)
Provision made	[]	[]	[]	[]	FRS 37(84)(b)
Provision utilised	[]	[]	[]	[]	FRS 37(84)(c)
Amortisation of discount	[]	[]	[]	[]	FRS 37(84)(e)
End of financial year	[]	[]	[]	[]	FRS 37(84)(a)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: Post-employment benefits – pension and medical benefits

Extracts of significant accounting policies:

Employee compensation

(a) Pension benefits

The Group operates both defined benefit and defined contribution post-employment benefit plans.

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

FRS 19(7)

FRS 19(44)

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

FRS 19(7)

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

FRS 19(54)

FRS 19(64)

FRS 19(78)

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

FRS 19(93-93D)

FRS 19(120A)(a)

Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

FRS 19(96)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Extracts of significant accounting policies (continued):

(b) Post-employment medical benefits

Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Actuarial gains and losses¹ are recognised in other comprehensive income in the period when they arise. These obligations are valued annually by independent qualified actuaries.

FRS 19(120A)(b)

FRS 19(120A)(a)

Guidance notes

Post-employment benefits

1. There are three approaches to account for actuarial gains and losses, namely:

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

FRS 19(92-93)

FRS 19(93A)

FRS 19(93)

2. When an entity has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings as are considered to be more useful. It may be useful to distinguish groupings by criteria such as follows:

FRS 19(122)

- (a) the geographical location of the plans, e.g. by distinguishing domestic plans from foreign plans; or
- (b) whether plans are subject to materially different risks, e.g. by distinguishing flat salary pension plans from final salary pension plans and from post-employment medical plans.

When an entity provides disclosures in total for a grouping of plans, such disclosures are provided in the form of weighted averages or of relatively narrow ranges.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Extracts of notes to the financial statements (continued):

	2012 \$'000	Group 2011 \$'000
Obligations recognised in the balance sheet for:		
Pension benefits	3,225	1,532
Post-employment medical benefits	1,410	701
	<u>4,635</u>	<u>2,233</u>
Expenses charged to profit or loss:		
Pension benefits	755	488
Post-employment medical benefits	149	107
	<u>904</u>	<u>595</u>

(a) Pension benefits

	2012 \$'000	Group 2011 \$'000
The amount recognised in the balance sheet is determined as follows:		
Present value of funded obligations	6,155	2,943
Fair value of plan assets	(5,991)	(2,797)
	<u>164</u>	<u>146</u>
Present value of unfunded obligations	3,206	1,549
Unrecognised past service cost	(145)	(163)
Liability recognised in the balance sheet	<u>3,225</u>	<u>1,532</u>

FRS 19(120A)(d,f)

	2012 \$'000	Group 2011 \$'000
The amounts recognised in profit or loss are as follows:		
Current service cost	751	498
Interest cost	431	214
Expected return on plan assets	(510)	(240)
Past service cost	18	16
Curtailment	65	–
	<u>755</u>	<u>488</u>

FRS 19(120A)(g)

Included in:		
Cost of goods sold	516	319
Administrative expenses	239	169
	<u>755</u>	<u>488</u>

FRS 19(120A)(g)

Actual return on plan assets	<u>495</u>	<u>235</u>
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FRS 19(120A)(m)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Extracts of notes to the financial statements (continued):

Movement in the defined benefit obligation is as follows:

FRS 19(120A)(c)

	2012	Group 2011
	\$'000	\$'000
Beginning of financial year	4,492	3,479
Current service cost	751	498
Interest cost	431	214
Contributions by plan participants	55	30
Actuarial (gains)/losses	(15)	495
Currency translation differences	(43)	(103)
Benefits paid	(66)	(121)
Subsidiaries acquired	3,691	–
Curtailments	65	–
End of financial year	9,361	4,492

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

FRS 19(120A)(e)

	2012	Group 2011
	\$'000	\$'000
Beginning of financial year	2,797	2,264
Expected return on plan assets	510	240
Actuarial losses	(15)	(5)
Currency translation differences	25	(22)
Contributions by the employer	908	411
Contributions by plan participants	55	30
Benefits paid	(66)	(121)
Subsidiaries acquired	1,777	–
End of financial year	5,991	2,797

The principal actuarial assumptions used were as follows:

FRS 19(120A)(n)

	2012	Group 2011
Discount rate	7.0%	6.8%
Expected return on plan assets	8.5%	8.3%
Future salary increases	5.0%	4.5%
Future pension increases	3.0%	2.5%

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Extracts of notes to the financial statements (continued):

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in each territory.

The average remaining life expectancy in years of a pensioner retiring at age 65 is as follows:

	2012	2011
Male	18.5	18.5
Female	22.0	22.0

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the Philippines. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

FRS 19(120A)(a,b)

In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of 8.0% a year (2011: 7.6%).

FRS 19(120A)(n)

The amount recognised in the balance sheet is determined as follows:

FRS 19(120A)(d,f)

	2012	Group 2011
	\$'000	\$'000
Present value of funded obligations	705	340
Fair value of plan assets	(620)	(302)
	85	38
Present value of unfunded obligations	1,325	663
Liability recognised in the balance sheet	1,410	701

The amounts recognised in profit or loss are as follows:

FRS 19(120A)(g)

	2012	Group 2011
	\$'000	\$'000
Current service cost	153	107
Interest cost	49	25
Expected return on plan assets	(53)	(25)
	149	107

Included in:

Cost of goods sold	102	71
Administrative expenses	47	36
	149	107

FRS 19(120A)(g)

Actual return on plan assets

	51	24
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FRS 19(120A)(m)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Extracts of notes to the financial statements (continued):

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

FRS 19(120A)(c)

	Group	
	2012	2011
	\$'000	\$'000
Beginning of financial year	1,003	708
Current service cost	153	107
Interest cost	49	25
Actuarial (gains)/losses	(2)	204
Currency translation differences	25	(41)
Subsidiaries acquired	802	–
End of financial year	2,030	1,003

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

FRS 19(120A)(e)

	Group	
	2012	2011
	\$'000	\$'000
Beginning of financial year	302	207
Expected return on plan assets	53	25
Actuarial losses	(2)	(1)
Currency translation differences	5	(2)
Contributions by the employer	185	73
Subsidiaries acquired	77	–
End of financial year	620	302

The effect of a 1% change in the assumed medical cost trend rate is as follows:

FRS 19(120A)(o)

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

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Extracts of notes to the financial statements (continued):

The amounts recognised in other comprehensive income for pension and post-employment medical benefits were as follows:

	2012 \$'000	2011 \$'000	
Actuarial losses recognised during financial year	–	705	FRS 19(120A)(h)
Cumulative actuarial losses recognised	<u>705</u>	<u>705</u>	FRS 19(120A)(i)

Plan assets of pension and post-employment medical benefits comprise the following: FRS 19(120A)(j)

	Group			
	2012		2011	
	\$'000	%	\$'000	%
Equity securities	3,256	49	1,595	51
Debt securities	2,571	39	855	28
Other	784	12	649	21
	<u>6,611</u>	<u>100</u>	<u>3,099</u>	<u>100</u>

Plan assets include the Company's ordinary shares with a fair value of \$136,000 (2011: \$126,000) and a building occupied by the Group with a fair value of \$612,000 (2011: \$609,000). FRS 19(120A)(k)

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets. FRS 19(120A)(l)

Expected contributions to pension post-employment medical benefit plans for the financial year ending 31 December 2012 are \$1,150,000. FRS 19(120A)(q)

	Group				
	2012	2011	2010	2009	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year					
Present value of defined benefit obligation	11,391	5,495	4,187	3,937	
Fair value of plan assets	(6,611)	(3,099)	(2,471)	(2,222)	
Deficit	<u>4,780</u>	<u>2,396</u>	<u>1,716</u>	<u>1,715</u>	
Experience adjustments on plan liabilities	(326)	125	55	–	
Experience adjustments on plan assets	<u>(17)</u>	<u>(6)</u>	<u>(197)</u>	<u>–</u>	

FRS 19(120A)(p)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 5: Defaults and breaches of loans payable

Defaults of loan payments

Extracts of notes to the financial statements on borrowings:

Scenario 1:

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

FRS 107(18)

The Company has experienced a temporary shortage of funding because cash outflows in the second quarter for business expansion in [countries] were higher than anticipated. As a result, interest payables of \$[] on the Company’s loan with Bank A due by [date] remained unpaid as at 31 December 2012. The carrying amount of the loan payable in default as at 31 December 2012 is \$[].

In January 2013, the Company obtained a new loan with Bank B having a maturity of three years to settle its existing debt with Bank A. The loan with Bank A was settled on 27 January 2013.

The loan with Bank A is presented as current liability as at 31 December 2012.

FRS 1(73)

Scenario 2:

Defaults of loan payments and classification of loan as “non-current” at reporting date

Interest payments of \$[] on the Company’s bank borrowings with a carrying amount of \$[] was overdue as at 30 September 2012. The Company experienced a temporary shortage of funding because cash outflows in the second and third quarters for business expansion in [countries] were higher than anticipated. As a result, interest payables of \$[] due by [date] remained unpaid.

FRS 107(18)

Subsequently during the fourth quarter the Company has paid all overdue amounts (including additional interest and penalties for the late payment). As a result, the outstanding balance is presented as a non-current liability as at 31 December 2012.

FRS 1(73,74)

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

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Breaches of loan covenants

Extracts of notes to the financial statements on borrowings:

Scenario 1:

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

FRS 107(19)

Some of the Company’s loan agreements (classified as non-current during the year) are subjected to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for a credit line of \$[], of which the Company has currently drawn an amount of \$[].

FRS 1 (73),(74)

FRS 1(135)(e)

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of \$[]. The outstanding balance is presented as a current liability as at 31 December 2012.

The bank had not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors. Management is in the process of renegotiating the terms of the loan agreement with the bank and expects that a revised loan agreement will be in place in the second quarter of 2013.

Scenario 2:

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

FRS 107(19)

Some of the Company’s loan agreements are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for a credit line of \$[], of which the Company has currently drawn an amount of \$[].

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of \$[].

However, prior to the end of the financial year, the bank has agreed to a period of grace ending in first quarter of 2013.

FRS 1(75)

FRS 1(135)(e)

The outstanding balance is presented as a non-current liability as at 31 December 2012.

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

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 6: Convertible foreign currency bonds – classify as liability in entirety

Extracts of significant accounting policies:

Convertible foreign currency bonds

On issuance of convertible foreign currency bonds, the proceeds are allocated between the embedded equity conversion option and the liability component. The embedded option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option.

FRS 39 AG28

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in profit or loss. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

Extracts of notes to the financial statements:

Other losses - net

	<u>Group</u>	
	2012	2011
	\$'000	\$'000
Fair value gains on equity conversion option in convertible bonds	4,083	–

FRS 107(20)(a)(v)

Finance expenses

	<u>Group</u>	
	2012	2011
	\$'000	\$'000
Interest expense:		
- Convertible bonds	16,966	–

FRS 107(20)(b)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 6: Convertible foreign currency bonds – classify as liability in entirety (continued)

Extracts of notes to the financial statements (continued):

Convertible foreign currency bonds

FRS 107(17,34)

On 1 October 2012, the Group issued zero coupon convertible bonds at a nominal value of US\$500 million (equivalent to \$720 million) due on 4 October 2016. The bonds will be redeemed on 4 October 2015 at their nominal value or can be converted into shares of the Company (the “conversion option”) at the holder’s option at a conversion price of US\$2.20 per share at any time on and after 14 November 2012 up to the close of business on 24 September 2016 if not called for redemption. On full conversion, up to 320,000,000 conversion shares (“Conversion Ratio”) are expected to be issued and allotted to the holders of the bonds.

The convertible bonds recognised in the balance sheet are analysed as follows:

	\$'000
Face value of convertible bonds issued, net of transaction costs	700,000
Embedded equity conversion option	(4,083)
Liability component at initial recognition	695,917
Accumulated amortisation of interest expense	16,966
Currency translation differences	(5,898)
Liability component at end of financial year	706,985

The fair value of the liability component of the convertible bonds at 31 December 2012 is \$706,985,000. The fair value is calculated using cash flows discounted at a borrowing rate of 6.48%.

FRS 107(25,27)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 7: Third balance sheet disclosure under FRS 1R on reclassification

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

	Note	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	FRS 1(54,77) SGX 1207(5)(a) SGX 1207(5)(b)
ASSETS					
Current assets					
Cash and cash equivalents	13	22,010	36,212	31,221	FRS 1(60)
Financial assets, at fair value through profit or loss	14	10,785	8,326	9,571	FRS 1(54)(f)
Derivative financial instruments	15	1,069	452	410	FRS 1(54)(d)
Financial assets, available-for-sale	16	1,950	646	1,000	FRS 1(54)(d)
Trade and other receivables	17	19,510	16,399	17,305	FRS 1(54)(h)
Inventories	18	24,258	17,094	19,250	FRS 1(54)(g)
Construction contract work-in-progress	19	262	147	347	
		79,844	79,276	79,104	
Disposal group classified as held-for-sale	11	3,333	–	–	FRS 105(38)
		83,177	79,276	79,104	FRS 1(54)(j)
Non-current assets					
Derivative financial instruments	15	395	112	215	FRS 1(60)
Financial assets, available-for-sale	16	15,298	12,291	10,958	FRS 1(54)(d)
Trade and other receivables	20	3,322	1,990	2,512	FRS 1(54)(h)
Investments in associated companies	23	8,208	8,569	8,133	FRS 1(54)(e)
Investment properties	26	5,550	5,455	3,365	FRS 1(54)(b)
Financial assets, held-to-maturity	27	2,122	1,593	–	FRS 1(54)(d)
Property, plant and equipment	28	153,611	97,890	104,328	FRS 1(54)(a)
Intangible assets	29	24,930	19,600	19,966	FRS 1(54)(c)
Deferred income tax assets	36	3,319	3,228	1,578	FRS 1(54)(o)
		216,755	150,728	151,055	
Total assets		299,932	230,004	230,159	
LIABILITIES					
Current liabilities					
Trade and other payables	30	16,441	10,556	5,767	FRS 1(60)
Current income tax liabilities	10	2,942	3,833	9,595	FRS 1(54)(k)
Derivative financial instruments	15	440	240	300	FRS 1(54)(n)
Borrowings	31	9,524	15,670	12,131	FRS 1(54)(m)
Provisions	35	2,126	2,295	2,120	FRS 1(54)(l)
		31,473	32,594	29,913	
Liabilities directly associated with disposal group classified as held-for-sale	11	220	–	–	FRS 105(38)
		31,693	32,594	29,913	FRS 1(54)(p)
Non-current liabilities					
Trade and other payables	30	350	–	91	FRS 1(60)
Derivative financial instruments	15	135	44	2,320	FRS 1(54)(k)
Borrowings	31	118,300	89,214	95,606	FRS 1(54)(m)
Deferred income tax liabilities	36	11,646	8,406	5,040	FRS 1(54)(o)
Provisions	35	1,655	1,585	1,342	FRS 1(54)(l)
		132,086	99,249	104,399	
Total liabilities		163,779	131,843	134,312	
NET ASSETS		136,153	98,161	95,847	
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	37	41,495	32,024	32,024	FRS 1(78)(e)
Treasury shares	37	(1,418)	(900)	–	FRS 1(78)(e)
Other reserves	38	9,628	6,419	5,046	FRS 1(78)(e)
Retained profits	39	78,196	58,852	57,503	FRS 1(78)(e)
		127,901	96,395	94,573	FRS 1(54)(r)
Non-controlling interests		8,252	1,766	1,274	FRS 1(54)(q)
Total equity		136,153	98,161	95,847	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 7: Third balance sheet disclosure under FRS 1R on reclassification (continued)

Extracts of notes to accounts¹:

The following reclassifications have been made to the prior year's financial statements so as to remove offsets in the balance sheet.

The effects of the restatement is as below:

	2012	Group 2011 (restated)	2010 (restated)
	\$'000	\$'000	\$'000
ASSETS			
Trade and other receivables	(428)	(345)	(499)
LIABILITIES			
Trade and other payables – Advances from Customers	428	345	499

Guidance notes

Presentation of a third balance sheet and related notes

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

FRS1(10)(f)

FRS1(39)

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

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

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

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 8: Related party disclosures for government-related entities

Extracts of notes to accounts¹:

Government S, indirectly, owns 75% of Company's outstanding shares. In addition to the related party information and transactions disclosed elsewhere in the financial statements, the Company's significant transactions with Government S and other entities controlled, jointly controlled or significantly influenced by Government S include approximately 90% of power supply is derived from [.....], a government controlled entity.

In addition, during the year ended December 2011, Government S has sold a piece of land to the Company for a total consideration of \$400,000, settled partly in cash and partly on credit terms.

Loan equivalent to 60% of its purchase price is repayable in quarterly instalments over the next two years. Interest is charged on the loan at a rate of 2.15%, which is comparable to that charged on Company's bank loans.

Guidance notes

Related party disclosures

1. The disclosure is relevant for transactions among government related entities and the Government. Specifically, a reporting entity is exempt from the general disclosure requirements of FRS 24 in relation to related party transactions and outstanding balances (including commitments) with the government and other government related entities. However, where a reporting entity is exempt from the general disclosure requirements above, the revised FRS 24 requires the reporting entity to disclose the following information about the transactions and related outstanding balances:
 - the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);
 - the following information in sufficient detail about:
 - the nature and amount of each individually significant transaction; and
 - for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

FRS24(26)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

This appendix illustrates disclosure that would be required if an entity early adopt FRS 110, FRS 111, FRS 112, FRS 27 (revised) and amended FRS 28.

The adoption of the above new or revised Standards may also require the preparation of an opening balance sheet as at the beginning of the earliest period presented, however this is not illustrated in this appendix.

Extracts of significant accounting policies:

2.1 Basis of preparation

New or amended Standards and Interpretations effective in 2012

The Group has early adopted the following new and amended standards, together with the consequential amendments to other FRSs, for the financial year ended 31 December 2012.

FRS 110, “Consolidated financial statements” – FRS 110 was issued in May 2011 and replaces all the guidance on control and consolidation in FRS 27, ‘Consolidated and separate financial statements’ and INT FRS 12 Consolidation – Special Purpose Entities. Under FRS 110, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

FRS110 (5, 6, 7)

FRS110 (20)

The Group has applied FRS110 retrospectively in accordance with the transitional provisions of FRS110. The adoption of FRS 110 did not result in substantial changes to the Group’s financial statements.

FRS8 (28)

FRS 111, “Joint arrangements” – FRS 111 was issued in May 2011 and supersedes FRS 31 “Interests in joint ventures” and INT FRS 13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. Under FRS 111, interests in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Interests in joint operations are accounted for by the Group recognising its own assets, liabilities, income and expenses relating to the joint operation, and its share of the assets, liabilities, income and expenses of the joint operation. Interests in joint ventures as recognised as a single investment and accounted for using the equity method of accounting per FRS 28 (Amended) ‘Investments in Associates and Joint Ventures’.

FRS111 (6)

FRS111 (20)

FRS111 (24)

The Group has applied FRS 111 retrospectively from 1 January 2011 in accordance with the transitional provisions of FRS 111. The adoption of FRS 111 resulted in the Group changing its accounting policy for its investments in joint ventures.

FRS8 (28)

In prior years, the Group’s interest in PwC JV Logistics (PRC) Co., Ltd was accounted for by proportionate consolidation. The Group combined its share of the jointly controlled entity’s individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group’s financial statements.

FRS31 (57)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Extracts of significant accounting policies (continued):

On adoption of FRS 111, the Group recognised its investment in joint venture at 1 January 2011 at the net carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. The Group has applied equity accounting as described in its accounting policy note 2.4 (c) from 1 January 2011 onwards.

FRS111 (C2)

The effects of the change in accounting policies on the balance sheet, comprehensive income and the cash flows of the Group at 1 January 2011 and 31 December 2011 are summarised below^{1,2}. The change in accounting policy has had no significant impact on earnings per share.

FRS111 (C2)

Impact of change in accounting policy on balance sheet

	As at 31 December 2011 (previously stated)	Change in accounting policy	As at 31 December 2011 (restated)	As at 1 January 2011 (previously stated)	Change in accounting policy	As at 1 January 2011 (restated)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Non-current assets	150,728	(762)	149,966	151,055	(1,124)	149,931
Includes:						
- Property, plant and equipment	97,890	(2,024)	95,866	104,328	(2,237)	102,091
- Intangible assets	19,600	(100)	19,500	19,966	(140)	19,826
- Investments in associated companies and joint venture	-	1,362	1,362	-	1,253	1,253
Current assets	79,276	(717)	78,559	79,104	(301)	78,803
Includes:						
- Trade and other receivables	16,399	(197)	16,202	17,305	(201)	17,104
- Cash and cash equivalents	36,212	(520)	35,692	31,221	(100)	31,121
Total assets	230,004	(1,479)	228,525	230,159	(1,425)	228,734
LIABILITIES						
Non-current liabilities	99,249	(1,073)	98,176	104,399	(1,080)	103,319
Includes:						
- Borrowings	89,214	(1,000)	88,214	95,606	(1,007)	94,599
- Provisions	1,585	(73)	1,512	1,342	(73)	1,269
Current liabilities	32,594	(406)	32,188	29,913	(345)	29,568
Includes:						
- Trade and other payables	10,556	(251)	10,305	5,767	(125)	5,642
- Current income tax liabilities	3,833	(55)	3,778	9,595	(20)	9,575
- Borrowings	15,670	(100)	15,570	12,131	(200)	11,931
Total liabilities	131,843	(1,479)	130,364	134,312	(1,425)	132,887
NET ASSETS	98,161	-	98,161	95,847	-	95,847

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Extracts of significant accounting policies (continued):

Impact of change in accounting policy on balance sheet (continued)

EQUITY

Capital and reserves

attributable to equity holders of the Company	96,395	-	96,395	94,573	-	94,573
Non-controlling interests	1,766	-	1,766	1,274	-	1,274
Total equity	98,161	-	98,161	95,847	-	95,847

Impact of change in accounting policy on the statement of comprehensive income

	For period ended 31 December 2011	Change in accounting policy	For period ended 31 December 2011 (Restated)
	\$'000	\$'000	\$'000
Statement of comprehensive income			
Sales	112,360	(778)	111,582
Cost of sales	(46,682)	355	(46,327)
Gross profit	65,678	(423)	65,255
Other income	1,166	-	1,166
Other losses – net	(1,611)	-	(1,611)
Expenses			
- Distribution and marketing	(19,993)	78	(19,915)
- Administrative	(10,107)	66	(10,041)
- Finance	(9,060)	10	(9,050)
Share of profit of investments accounted for using the equity method	145	109	254
Profit before income tax	26,218	(160)	26,058
Income tax expense	(7,724)	160	(7,564)
Profit/(loss) from continuing operations	18,494	-	18,494
Profit/(loss) from discontinued operations	(480)	-	(480)
Total profit/(loss)	18,014	-	18,014
Other comprehensive income, net of tax	864	-	864
Includes:			
- Share of other comprehensive income of associates companies and joint ventures	-	-	-
Total comprehensive income	18,878	-	18,878

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Extracts of significant accounting policies (continued):

Impact of change in accounting policy on the statement of cash flows

	For period ended 31 December 2011	Change in accounting policy	For period ended 31 December 2011 (Restated)
	\$'000	\$'000	\$'000
Statement of cash flows			
Cash flows from operating activities	25,256	(560)	24,696
Includes:			
- Cash generated from operations	45,791	(782)	45,009
- Interest paid	(9,574)	10	(9,564)
- Income tax paid	(10,974)	212	(10,762)
Cash flows from investing activities	(6,557)	(70)	(6,627)
Includes:			
- Disposal of property, plant and equipment	2,995	(70)	2,925
Cash flows from financing activities	(6,474)	110	(6,364)
Includes:			
- Interest paid	(450)	10	(440)
- Repayment of borrowings	(36,745)	100	(36,645)
Net increase in cash and cash equivalents	12,225	(520)	11,705

FRS 112, 'Disclosure of interests in other entities' – FRS 112 was issued in May 2011 when FRS 110 was published and sets out the disclosure requirements on interests in subsidiaries, associated companies, joint ventures, and unconsolidated structured entities. Certain new disclosures with respect to these entities are introduced under FRS112³.

FRS 27, 'Separate financial statements' – FRS 27 was amended in May 2011 when FRS 110 was published. The adoption of FRS 27 (revised) did not result in substantial changes to these financial statements.

FRS 28, 'Investments in associates and joint ventures' – FRS 28 was amended in May 2011 when FRS 111 was published. The adoption of amended FRS 28 did not result in substantial changes to the Group's financial statements.

Guidance notes

Basis of preparation

Disclosure of impact of adopting the new or revised Standards

- Under the amended transition guidance for FRS 110 and FRS 111, the Group is not required to present the impact arising from the change in accounting policy for the current period.
- FRS 8 'Accounting policies, changes in accounting estimates and errors' requires entities to disclose the amount of the adjustment resulting from applying a new accounting policy for each financial statement line item affected. The following illustration is merely one of the ways to present the changes to the line items. An alternative presentation format can be found on page 92 to this publication.

Amendments to
FRS110 (C2A),
Amendments to
FRS111 (C1B)
FRS8 (28)(f)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Guidance notes (continued)

Basis of preparation (continued)

Disclosures related to investments in associated companies/joint ventures

3. Disclosures for interests in associates are not illustrated in this appendix, as the requirements are identical to those for interests in joint ventures (illustrated in note 24 of this publication on page 169).

FRS 112 requires disclosures for interests in associated companies/joint ventures, such as summarised financial information, for each associated company/joint venture that is individually material to the entity and in aggregate for the remaining associated companies and remaining joint ventures.

FRS112 (21)

Extracts of significant accounting policies (continued):

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

FRS110 (5, 6, 7)

FRS110 (20)

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

FRS110 (19), (B86), (B87)

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

FRS110 (22)

FRS110 (B94)

** Accounting policies for acquisition and disposal of interest in subsidiary is not reproduced here as there are no changes to these policies. Please refer to page 97 of this publication.*

(b) Associated companies and Joint ventures¹

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

FRS28 (5)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Extracts of significant accounting policies (continued):

2.4 Group accounting (continued)

(b) Associated companies and Joint ventures¹ (continued)

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

FRS111 (16)

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

FRS28 (16)

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associate or joint venture over the Group's share of the fair value of the identifiable net assets of the associate or joint venture and is included in the carrying amount of the investments.

FRS27 (10)(a)

FRS103 (32)

FRS28 (32)(a)

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies and joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated and joint venture companies are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated or joint venture company equals or exceeds its interest in the associated or joint venture company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated or joint venture company.

FRS28 (10)

FRS28 (38)

FRS28 (39)

Unrealised gains on transactions between the Group and its associated and joint venture companies are eliminated to the extent of the Group's interest in the associated and joint venture companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated and joint venture companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

FRS28 (28)

FRS28 (29)

FRS28 (35)

(iii) Disposals

Investments in associated and joint venture companies are derecognised when the Group loses significant influence or joint control and any retained interest in the former associate or joint venture is a financial asset. Such retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost and its fair value is recognised in profit or loss.

FRS28 (22)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Extracts of significant accounting policies (continued):

2.4 Group accounting (continued)

(iii) Disposals (continued)

Gains and losses arising from partial disposals or dilutions in investments in associated and joint venture companies in which significant influence or joint control is retained are recognised in profit or loss.

FRS28 (22) (b)

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

Guidance note

Group accounting

Joint operations

1. Joint arrangements may also be classified as joint operation. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator shall recognise in relation to its interest in a joint operation:

FRS111 (15)

- (a) Its assets, including its share of any assets held jointly;
- (b) Its liabilities, including its share of any liabilities incurred jointly;
- (c) Its revenue from the sale of its share of the output arising from the joint operation;
- (d) Its share of the revenue from the sale of the output by the joint operation; and
- (e) Its expenses, including its share of any expenses incurred jointly.

FRS111(20)

3 Critical accounting estimates, assumptions and judgements¹

3.1 Critical judgements in applying for the entity's accounting policies

FRS112 (7)

- (a) Consolidation of an entity in which the Group holds less than 50%.

FRS112 (7)(a)

The directors have determined that the Group has control of PwC Components (Singapore) Pte Ltd even though the Group has less than 50% of voting rights at shareholders' meetings. Under a shareholder agreement, the Group has the ability to nominate a majority of the directors at the Board of PwC Components (Singapore) Pte Ltd.

- (b) Determinants of joint control over an entity

FRS112 (7)(b)

The Company has a 60% equity interest 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 decisions over the activities that significantly affect the returns of PwC JV Logistics require the unanimous approval of its venturers.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Guidance note

Critical judgements in applying for the entity's accounting policies

- Examples of situation that could give rise to significant judgements are:
 - The entity has majority of voting rights but has no power over another entity;
 - The entity does not have majority of voting rights but has power over another entity (e.g. de facto control);
 - Determination of classification of joint arrangements as joint operations or joint ventures;
 - Whether the entity, when having power over another entity, is acting as a principal or as an agent on behalf of other investors.

FRS112(9)(a)

FRS112 (9)(b)

FRS112 (7)(c)

FRS112 (9)(c)

Extracts of notes to the financial statements:

24. Investment in a joint venture

Set out below are the joint venture of the Group as at 31 December 2012. The joint venture as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

<u>Name of company</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Ownership interest held by the Group %</u>	<u>Nature of the relationship</u>	
<i>Significant joint venture held by the Company</i>					
PwC JV Logistics (PRC) Co., Ltd	Provision of logistics services	China	60	Note 1	FRS112 (21)(a)

Note 1: PwC JV Logistics is a strategic partnership for the Group, providing logistics services and support for its Component and Furniture business in the People's Republic of China.

PwC JV Logistics (PRC) Co., Ltd is a private company and there is no quoted market price available for its shares¹.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Extracts of notes to the financial statements (continued):

24. Investment in a joint venture (continued)

The following amounts represent summarised financial information of the joint venture²:

FRS112 (B12)

	Group		
	2012	2011	
	\$'000	\$'000	
ASSETS			
Current assets	1,338	1,195	
Includes:			
- Cash and cash equivalents	943	867	FRS112 (B13)
Non-current assets	4,550	3,540	
LIABILITIES			
Current liabilities	(647)	(677)	
Includes:			
- Borrowings	(167)	(167)	FRS112 (B13)
Non-current liabilities	(1,802)	(1,788)	
Includes:			
- Borrowings	(1,667)	(1,667)	
NET ASSETS	3,439	2,270	DV
Sales	1,833	1,297	
Expenses			
Includes:			
- Depreciation and amortisation	(281)	(210)	FRS112 (B13)
- Interest income	10	-	FRS112 (B13)
- Interest expense	(10)	(17)	FRS112 (B13)
Profit before tax	1,243	448	
Income tax	(373)	(267)	FRS112 (B13)
Total profit	870	182	
Other comprehensive income, net of tax			
Available-for-sale financial assets – fair value gains	299	-	
Total comprehensive income	1,169	182	
Dividend received from joint venture	-	-	FRS112 (B12)(a)
Capital commitments in relation to interest in joint venture	-	250	FRS112 (23)(a)
Proportionate interest in joint venture's capital commitments	90	92	FRS112(B18)

The information above reflects the amounts included in the financial statements of the joint venture (and not PwC Holdings Ltd's share of those amounts), adjusted to reflect adjustments made by the Group when applying the equity method of accounting

FRS112 (B14)

There are no contingent liabilities relating to the Group's interest in the joint venture¹.

DV

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Extracts of notes to the financial statements (continued):

24. Investment in a joint venture (continued)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the joint venture: FRS112 (B14)

	2012 \$'000	2011 \$'000
Net assets as at 1 January 2012	2,270	2,088
Profit for the period	870	182
Other comprehensive income	299	-
Net assets as at 31 December 2012	3,439	2,270
Interest in JV @ 60%	2,064	1,362
Goodwill	-	-
Carrying value	2,064	1,362

Guidance notes

Investment in joint ventures and associated companies

Disclosure of certain information where applicable only

- FRS 112 requires certain disclosures in relation to interests in joint ventures and associates when certain conditions/circumstances are met. Examples of such disclosures are:
 - The disclosure of the fair value of the investment in joint venture or associate when there is a quoted market price for the investment.
 - Significant restrictions on the ability of the joint ventures or associates to transfer funds to the entity or repay loans and advances made by the entity.
 - The reporting period of the financial statements of the associates or joint ventures used for equity accounting when that period differs from that of the entity.
 - Commitments and contingent liabilities (including the entity's share of commitments and contingent liabilities incurred jointly with other investors) relating to interests in joint ventures and associates.

FRS112 (21)-(23)

When such conditions/circumstances are not met, entities may want to disclose that fact. Such disclosure is on a voluntary basis.

Summarised financial information for joint ventures and associated companies

- FRS112 is prescriptive as to which items of balance sheet and statement of comprehensive income of associated companies and joint ventures to disclose in the summarised financial information. This is in contrast with the disclosure of summarised financial information for subsidiaries with material non-controlling interests, where the extent of the disclosures is left to the appreciation of the preparers (refer to guidance note 4 on investments in subsidiaries)

FRS112 (B10), (B12), (B13)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Guidance notes (continued)

Investment in joint ventures and associated companies (continued)

Summarised financial information for joint ventures and associated companies (continued)

The amounts to be disclosed as summarised financial information for joint ventures and associates shall be the amounts included in the FRS financial statements of the joint ventures and associates (not the entity's share), adjusted to reflect adjustments made by the entity when applying equity accounting (fair value adjustments at acquisition date, differences in accounting policies). Previously, FRS 31 required disclosing the entity's share of amounts included in the financial statements of the joint ventures, while FRS 28 was not explicit. Both FRS 28 and 31 were also not explicit on whether the amounts disclosed needed to reflect equity accounting adjustments or not.

FRS112 (B14)

FRS31 (56)
FRS28 (37)(b)

Extracts of notes to the financial statements (continued):

25 Investments in subsidiaries^{1, 2, 3}

25.1 Information about principal subsidiaries

Set out below are the Group's principal subsidiaries at 31 December 2012. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Company and the proportion of ownership interests held equals to the voting rights held by Group. The country of incorporation or registration is also their place of principal place of business.

FRS112 (10)(a)

FRS112(12)(b), (d)

Name of company	Principal activities	Country of business/ incorporation	Ownership interest held by the Group		Ownership interest held by the NCI		FRS112 (12) (a) to (d) FRS27(16)(b)
			2012	2011	2012	2011	
			%	%	%	%	

Significant subsidiaries held by the Company

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 ^(b)	Sale of furniture	China	85	85	15	15	
PwC Components (Singapore) Pte Ltd ^(a)	Manufacture of component parts	Singapore	45	45	55	55	
PwC Components (PRC) Co., Ltd ^(b)	Manufacture of c component parts	China	80	80	20	20	
PwC Components (China) Pte Ltd ^{(b),(c)}	Manufacture of component parts	China	70	-	30	n/a	
PwC Furniture (Philippines) Pte Ltd ^(c)	Sale of furniture	Philippines	70	70	30	30	
PwC Logistics Pte Ltd ^(a)	Provision of logistics services	Singapore	-	100	n/a	-	
PwC Glass Sdn Bhd ^(d)	Manufacture of glass	Malaysia	70	70	30	30	

(a) Audited by PricewaterhouseCoopers LLP, Singapore

(b) Audited by Great Wall CPA Company Limited, People's Republic of China

(c) Audited by PricewaterhouseCoopers LLP, Philippines

(d) Audited by Tan & Co., Malaysia

(e) Financial year ends on 30 September as they are acquired during the financial year.

FRS112 (11)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Extracts of notes to the financial statements (continued):

25.1 Information about principal subsidiaries (continued)

The accumulated non-controlling interest as at 31 December 2012 is \$8,247,000, of which \$4,745,000 is for PwC Components (China) Pte Ltd, \$2,691,000 is attributed to PwC Furniture (PRC) Co., Ltd. The non-controlling interest in respect of PwC Components (Singapore) Pte Ltd, PwC Components (PRC) Co., Ltd, PwC Furniture (Philippines) Pte Ltd, and PwC Glass Sdn Bhd are not material.

FRS112 (12)(f)

25.2 Summarised financial information on subsidiaries with material non-controlling interests⁴

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

FRS112 (12)(g)

The information below is the amount before inter-company eliminations.

FRS112 (B11)

Summarised balance sheet

	PwC Components (China) Pte Ltd		PwC Furniture (PRC) Co., Ltd	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Assets				
- Current assets	3,330	-	4,911	12,455
- Non-current assets	62,169	-	38,341	48,141
	65,499	-	43,252	60,596
Liabilities				
- Current liabilities	(2,556)	-	(2,737)	(1,968)
- Non-current liabilities	(42,868)	-	(22,574)	(40,211)
	(45,424)	-	(25,311)	(42,179)
Net assets	20,075	-	17,941	18,417

FRS112 (B10)(b)

Summarised statement of comprehensive income

	PwC Components (China) Pte Ltd		PwC Furniture (PRC) Co., Ltd	
	Financial year		Financial year	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Sales	33,048	-	39,355	15,621
Profit before income tax	8,140	-	4,190	6,289
Income tax expense	(1,899)	-	(457)	(582)
Total profit	6,241	-	3,733	5,707

FRS112 (B10)(b)

Other comprehensive income:

Available-for-sale financial assets	62	-	-	-
- Fair value gains				
Total comprehensive income	6,303	-	3,733	5,707

Profit allocated to NCI	1,872	-	560	856
Dividends paid to NCI	948	-	700	428

FRS112 (12)(e)

FRS112 (B10)(a)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Extracts of notes to the financial statements (continued):

25.2 Summarised financial information on subsidiaries with material non-controlling interests⁴ (continued)

Summarised statement of cash flows

Summarised statement of cash flows					FRS112 (B10)(b)
	PwC Components (China) Pte Ltd		PwC Furniture (PRC) Co., Ltd		
	As at 31 December		As at 31 December		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
Operating cash inflows	7,423	-	2,973	6,687	
Investing cash outflows	(4,157)	-	912	(1,022)	
Financing cash outflows	(3,200)	-	(4,744)	(2,854)	
Total cash (outflows)/inflows	(66)	-	(859)	2,811	

25.3 Changes in the Group's ownership interest in subsidiaries without losing control

There were no changes during the period (2011: Nil) in the Group's ownership interest in its significant subsidiaries.

FRS112 (18)

An example of the disclosure required in case of change of ownership interest in a subsidiary without losing control is illustrated in the main section of this publication under guidance note 2 in accounting policy note 2.4 (b).

25.4 Disposal of a subsidiary

On 28 June 2012, the Company disposed of its entire interest in PwC Logistics Pte Ltd for a cash consideration of \$983,000. Refer to note 13 for a disclosure of the impact to the consolidated financial statements. A loss on disposal of \$945,000 was recognised and included in 'Other losses – net' in the Consolidated Statement of Comprehensive Income.

FRS112 (19)

Guidance notes

Investments in subsidiaries

Significant restrictions

- Entities should disclose the nature and extent of significant restrictions on their ability to access or use the assets and settle the liabilities of the Group. Such restrictions may include:
 - Statutory restrictions (e.g. foreign exchange, capital restriction that may restrict the transfer of cash within the Group)
 - Contractual restrictions (e.g. guarantees that may restrict distributions to be made or loans and advances to be repaid)
 - Regulatory restrictions
 - Protective rights given to non-controlling interest as a result of contractual arrangements (e.g. prior approval from non-controlling interests required to settle liabilities of a subsidiary)

FRS112(13)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Early adoption of FRS 110, 111, 112, FRS 27 (revised) and amended FRS 28 (for annual periods beginning on or after 1 January 2014) (continued)

Guidance notes (continued)

Investments in subsidiaries (continued)

Nature of risks associated with interests in consolidated structured entities

FRS112 (A)

2. A structured entity is defined as ‘an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements’.

Entities shall disclose the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the Group to a loss. Disclosure would also include the financial support provided without a contractual obligation to do so, any intention to provide such support and whether such support resulted in controlling the entity. Such disclosures are not illustrated in this appendix.

FRS112 (14) to (17)

Nature of risks associated with interests in unconsolidated structured entities

3. Entities shall disclose information that enables users of the financial statements:

FRS112 (24) to (31)

- (a) to understand the nature and extent of their interests in unconsolidated structured entities; and
- (b) to evaluate the nature of, and changes in, the risks associated with their interests in unconsolidated structured entities.

Such disclosures do not need to include the comparative period in the first year of adoption of FRS 112. They are not illustrated in this appendix.

Amendments to
FRS112(C2B)

Summarised financial information for subsidiaries with material non-controlling interests

4. FRS112 does not prescribe the specific items to be presented in the summarised financial information for subsidiaries with material non-controlling interests. Entities shall disclose information to enable users to understand the interest that non-controlling interest have in the entities’ activities and cash flows.

FRS112 (B10)(b)

In contrast, specific items of balance sheet and statement of comprehensive income are required to be disclosed in the summarised financial information for joint ventures and associates (refer to guidance note 2 on investments in joint ventures and associates).

FRS112 (B12), (B13)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 10: Early adoption of FRS 113 (for annual periods beginning on or after 1 January 2013)

This Appendix illustrates disclosures that will be required under FRS 113 “Fair Value Measurement” for investment properties and biological assets measured at fair value. IAS 41 has certain other disclosure requirements for investment properties, which are not reproduced in this Appendix. Those disclosures are illustrated under note 26 Investment properties in the main section of this publication.

Extracts of notes to the financial statements:

Note 26. Investment properties

	Completed investment properties ¹ \$'000	Investment property under construction ¹ \$'000	Total \$'000	DV
2012				
Beginning of financial year	5,455	-	5,455	FRS40 (76)
Additions:				
- Subsequent expenditure on investment property	218	-	218	
Net fair value (loss) recognised in profit or loss (Note 8)	(123)	-	(123)	FRS40 (76)(a)
End of financial year	5,550	-	5,550	FRS40 (76)(d)
2011				
Beginning of financial year	3,165	200	3,365	
Additions:				
- Subsequent expenditure on investment property	235	1,805	2,040	
Transfer to completed properties	2,005	(2,005)	-	
Net fair value gain recognised in profit or loss (Note 8)	50	-	50	DV
End of financial year	5,455	-	5,455	

At the balance sheet date, the details of the Group's investment properties are as follows³:

Location	Description/existing use	Tenure	
188 Cross Street	Office building	Leasehold with 25 years lease expiring on 15 April 2030	SGX1207 (11)(b)
Capital Square	Office building	Freehold	

Fair value hierarchy

Description	Fair value measurements at 31 December 2012 ² using			FRS113 (93)(a)(b)
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	\$'000	\$'000	\$'000	
Recurring fair value measurements				
Investment properties:				
- Office buildings – Singapore	-	5,550	-	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 10: Early adoption of FRS 113 (for annual periods beginning on or after 1 January 2013) (continued)

Extracts of notes to the financial statements (continued):

Note 26. Investment properties (continued)

Valuation techniques used to derive Level 2 fair values^{4,5}

FRS113 (93)(d)

Level 2 fair values of office buildings have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square metre.

Valuation processes of the group

FRS113 (93)(g)

FRS113 (IE65)

FRS40 (75)(e)

The group engages external, independent and qualified valuers to determine the fair value of the group's properties at the end of every financial year. As at 31 December 2012, the fair values of the properties have been determined by ABC Property Surveyors Limited.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, AC and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Guidance notes

Reconciliation of carrying amount of investment properties

1. Entities are required to present a reconciliation of the carrying amount of investment properties at the beginning and end of the period. This publication illustrates a breakdown of the reconciliation between completed investment properties and investment properties under construction. This presentation may be useful for readers of the financial statements to appreciate the changes in the carrying amounts. It may also be appropriate if completed properties and properties under construction are not categorised in the same level of the fair value hierarchy. It is however not a required disclosure and therefore such presentation is on a voluntary basis.

FRS40 (76)

FRS113 (94)

Comparative information

2. FRS 113 shall be applied prospectively from the beginning of the annual period in which it is initially applied (1 January 2012 in this publication). Comparative information is not required in the year of adoption.

FRS113 (C3)

Details of investment properties

3. When the aggregate value for all properties for development, sale or for investment purposes held by the Group represent more than 15% of the value of the consolidated net tangible assets or contribute more than 15% of the pre-tax operating profit, the issuer must disclose certain information on the properties held for development and/or sale, and on the properties held for investment. The latter is illustrated in this publication.

SGX1207 (11)

Description of valuation methodologies

4. Entities are required to describe the valuation methodologies, the inputs used, and whether or not there has been a change in the valuation methodologies used.

FRS113 (93)(d)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 10: Early adoption of FRS 113 (for annual periods beginning on or after 1 January 2013) (continued)

Extracts of notes to the financial statements (continued):

Note 26. Investment properties (continued)

Guidance notes (continued)

Description of valuation methodologies (continued)

5. This Appendix illustrates investment properties measured using sales comparison (Direct Market Comparison Approach). Under this approach, properties are valued using transacted prices for similar properties, with appropriate adjustment to reflect the characteristics of the properties being valued. There are other approaches commonly used for valuing properties that fall under an income approach methodology: The income capitalisation approach, where a yield is applied to a fixed income stream, and the discounted cash flow approach, which involves the estimation and projection of an income stream over a period and discounting the future income stream to arrive at a present value.

New IVS ED, June
2010

Additional disclosures for Level 3 fair value measurements

6. When significant unobservable inputs are used in the fair value measurement, the properties would be classified under Level 3 of the fair value hierarchy. Additional disclosures are then required, including quantitative information about the significant unobservable inputs that is reasonably available to the entity, a reconciliation of movements between the opening and closing balance, a description of the valuation processes used and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs. An example of those disclosures for investment properties and biological assets can be found in guidance note 8 in the next page.

FRS113 (93)
(d),(e),(f),(g),(h)

Transfers between Levels of fair value measurement

7. Entities are required to disclose the amounts of any transfers between Level 1 and Level 2, and in and out of Level 3 of the fair value hierarchy, the reasons for those transfers and the policies for determining when such transfers are deemed to have occurred. For investment properties, it would be rare for a single property to be quoted in an active market. As a result, most investment properties will be classified either under Level 2 or Level 3 of the fair value hierarchy, and the requirement will apply for transfers between these 2 levels.

FRS113 (93)(c),(e)

Additional disclosures for Level 3 fair value measurements

8. Below is an illustration of the disclosures that would be required for investment properties and biological assets categorised under Level 3 of the fair value hierarchy.

The following are examples of situations that may result in the valuation of an investment property being categorised under Level 3. It is not meant to be an exhaustive list, and should not replace a proper assessment of the significant inputs used in the valuation methodologies used:

- The investment property is of a specialised nature (e.g. specialised plant, historical buildings, etc)
- The investment property is in a remote area with no history of transactions or observable yields.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 10: Early adoption of FRS 113 (for annual periods beginning on or after 1 January 2013) (continued)

Extracts of notes to the financial statements (continued):

Note 26. Investment properties (continued)

Guidance notes (continued)

Additional disclosures for Level 3 fair value measurements (continued)

- The investment property is under construction and the estimated costs to completion and profit margin for the remaining construction activities are significant in the fair value measurement.

Fair value hierarchy

Description	Fair value measurements at 31 December 2012 using		
	Quoted prices inactive markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Investment properties:			
- Shopping mall – Asia Pacific	-	-	10,520
Biological assets:			
- Palm oil plantation	-	-	6,815

Reconciliation of movements in Level 3 fair value measurements

	Shopping mall – Asia Pacific \$'000	Palm oil plantation \$'000	FRS113 (93)(e)
Opening balance	-	4,312	
Transfers to/(from) Level 3 (Note 1)	9,302	-	
Additions	989	1,003	
Gains and losses recognised in profit and loss	229	1,500	
Gains and losses recognised in other comprehensive income	-	-	
Closing balance	10,520	5,715	
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under 'Other gains'	229	1,500	FRS113 (93)(e)(i)
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	103	653	FRS113 (93)(f)

Note 1: The Group commenced a re-development of its shopping mall in the current year. Prior to the redevelopment, the property was valued using the sales comparison approach. Upon redevelopment, the Group had to revise its valuation technique for the property under construction. The revised valuation technique uses significant unobservable inputs, which resulted in the fair value measurement of the shopping mall being transferred from Level 2 to Level 3.

FRS113 (93)(e)(iv)

FRS113 (93)(d)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 10: Early adoption of FRS 113 (for annual periods beginning on or after 1 January 2013) (continued)

Extracts of notes to the financial statements (continued):

Note 26. Investment properties (continued)

Guidance notes

The revised valuation technique uses, as a starting point, the sales comparison approach to derive the fair value of the mall, as if the re-development was already completed at balance sheet date. The following were then deducted from the valuation to reflect the current condition of the mall:

- estimated construction and other costs to completion that would be incurred by a market participant; and
- estimated profit margin that a market participant would require to hold and develop the property to completion, based on the state of the property as at 31 December 2012.

Other than as described above, there were no other changes in valuation techniques during the year.

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties and biological assets categorised under Level 3 of the fair value hierarchy:

Description	Fair value at 31 Dec 2012 (\$'000)	Valuation technique(s)	Unobservable inputs ¹	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Office buildings – Asia Pacific	10,520	Adjusted sales comparison approach	Estimated costs to completion	\$'2,780,000 – \$3,220,000 (\$3,000,000)	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	10%–15% (12.5%) of property value	The higher the profit margin required, the lower the fair value

FRS113 (93)(d)

FRS113 (93)(c), (e)(iv)

FRS113 (93)(d), (h)(i)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 10: Early adoption of FRS 113 (for annual periods beginning on or after 1 January 2013) (continued)

Guidance notes (continued)

Valuation techniques and inputs used in Level 3 fair value measurements (continued)

Description	Fair value at 31 Dec 2012 (\$'000)	Valuation technique(s)	Unobservable inputs ¹	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Palm oil plantation	6,815	Discounted cash flow	Palm oil yield – fresh fruit bunches per hectare	15–20 (18) per year	The higher the palm oil yield, the higher the fair value
			Market price of palm oil	US\$780–820 (800) per tonne	The higher the market price, the higher the fair value
			Discount rate	9%–11% (10%)	The higher the discount rate, the lower the fair value

¹ There were no significant inter-relationships between unobservable inputs.

Valuation processes of the group

The finance department of the group includes a team that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every quarter, in line with the group's quarterly reporting dates.

The main Level 3 inputs used by the group are derived and evaluated as follows:

- *Shopping mall – estimated costs to completion and profit margin required*
These are estimated by ABC Property Surveyors Limited based on market conditions as at 31 December 2012. The estimates are largely consistent with the budgets developed internally by the group based on management's experience and knowledge of market conditions.

FRS113 (93)(g)

FRS113 (IE65)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 10: Early adoption of FRS 113 (for annual periods beginning on or after 1 January 2013) (continued)

Guidance notes (continued)

Valuation techniques and inputs used in Level 3 fair value measurements (continued)

- *Biological assets – palm oil yield*
These have been estimated by management based on management's experience and historical data and are in line with internal budgets used within the group.
- *Discount rates*
These are estimated based on the weighted average cost of capital of public companies that are, in the opinion of the group, comparable with the businesses being valued. The group has subscriptions to information brokers that allow the group to gather such information.

Additional Illustrative Disclosures

Appendix 2 – Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Ltd Group

Critical accounting estimates, assumptions and judgements

The following critical accounting estimates, assumptions and judgements may be applicable, among many other possible areas not presented in PwC Holdings Limited Group's financial statements.

(a) Useful lives of electrical component division's plant and equipment

FRS 1 (122,125)

The costs of plant and equipment for the manufacture of electronic component parts are depreciated on a straight-line basis over the machineries' useful lives. Management estimates the useful lives to be between 5 to 7 years, based on the estimated useful lives for similar machineries in the same industry and the projected life-cycles for its products. These estimates can change significantly as a result of expected usage or abandonment, technological innovations and competitors' actions, leading to potential changes in future depreciation charges, impairment losses and/or write-offs.

If the actual useful lives of the technology division plant and equipment differ by 10% from management's estimates, the carrying amount of the plant and equipment will be an estimated \$1,000,000 higher or \$970,000 lower.

(b) Post-employment pension obligations

The present value of the post-employment pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have a tenure approximating the tenure of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

If the discount rate used differs by 1% from management's estimates, the carrying amount of pension obligations will be an estimated \$425,000 lower or \$450,000 higher.

Additional Illustrative Disclosures

Appendix 2 – Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Ltd Group

Critical accounting estimates, assumptions and judgements (continued)

(c) Warranty claims

FRS 1 (122,125))

The Group gives two-year warranties for its personal computer products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs.

If costs of claims differ by 10% from management's estimates, the warranty provisions will be an estimated \$2,000,000 higher or \$1,875,000 lower.

(d) Property, plant and equipment

The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to profit or loss. The Group reviews the residual values and useful lives of property, plant and equipment at each reporting date in accordance with the accounting policy in Note 2.5. The estimation of the residual values and useful lives involves significant judgement. The net book value of property, plant and equipment at 31 December 2012 is \$153.6 million and the annual depreciation charge for the financial year ended 31 December 2012 is \$17.7 million.

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

(e) Share-based compensation

The Group's equity-settled, share-based compensation plan is significant and the amount of the employee services received in exchange for the grant of options recognised as an expense forms a significant component of total expenses charged to profit or loss. At each balance sheet date, the Group reviews and revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

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

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