Trust, insight, opportunity

Illustrative Annual Report 2015

About PricewaterhouseCoopers

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.

Printed in Singapore.

Publication Guide

Scope

This publication, Illustrative Annual Report 2015, provides a sample annual report of a fictitious group of companies for the financial year ending 31 December 2015. 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 2015.

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.

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.

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.

Seek professional advice

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

Foreword

2015 is the year to reflect and brace for major changes in the financial reporting landscape. While there are relatively fewer updates to the FRS that are effective in 2015, the next big wave of new standards is fast-approaching with promises of consequential changes to financial reporting. FRS 115 *Revenue from contracts with customers* and FRS 109 *Financial Instruments* were issued in 2014 (see pages 11 to 15 of Practical Guide), and on the global arena, the new standards on leases and insurance contracts are underway. In a nutshell, the leases standard will require on-balance sheet recognition of a right-of-use asset and the related lease obligation, while the insurance contracts standard will introduce an entirely new accounting model.

While the forthcoming changes are taking shape, 2015 is an opportune time for preparers and standard-setters to take stock and iron out remaining financial reporting issues. Implementing new standards is not an easy ride but the challenges along the way create a perfect opportunity to sift through the reports and disclosures to identify gaps and strengthen the quality and relevance of information reported to users of the financial statements. Such a process is imperative to continue building trust and creating value in a complex and rapidly evolving business and economic environment.

Regulators continue to support and uphold their initiatives of raising the bar on financial reporting in Singapore. The inaugural report issued by Accounting and Corporate Regulatory Authority ("ACRA") of the result of its first review cycle under Financial Reporting Surveillance Programme (FRSP) reinforces the need for more robust review and higher level of scrutiny of the disclosures in the financial statements. A copy of the report can be found in ACRA's website *(https://www.acra.gov.sg/Financial_Reporting_Surveillance_Programme_Reports.aspx).*

Auditors need to also hit the ground running and prepare for the new auditor reporting standards effective for annual periods ending on or after 15 December 2016. The enhanced reporting requirement is in response to calls from investors and other financial statement users for a more informative and transparent auditor's report. The most significant innovation in the new standards is the introduction of 'key audit matters' that will provide insights on those matters which were of most significance in the audit of listed companies. Audit committees, preparers, and financial auditors are expected to work more closely to understand the key changes and assess impact of these new reporting requirements. Detailed discussions about the new reporting standard can be found in PwC's website *(http://www.pwc.com/gx/en/services/audit-assurance/publications/new-auditor-reporting-standard-iaasb-2015.html).*

The 2015 edition of PwC's Illustrative Annual Report entitled "Trust, insight, opportunity" aims to help preparers achieve high-quality financial reporting that conveys relevant information for users of the financial statements. In addition, this publication provides concise example disclosures of new reporting requirements effective for the current year, notably in respect of the following key changes:

- *Amendments in Directors' statement and Independent auditor's report following the changes in the Companies Act in July 2015.* Changes in Directors' statement (page 65) are effective for financial years ended on or after 1 July 2015, while the revised Independent auditor's report (page 73) is applicable for reports dated on or after 1 July 2015.

- *Amendment in FRS 108 Operating Segment as part of the 2010-2012 Annual Improvement Cycle (page 8 of the Practical Guide.* The amendment is effective for annual periods beginning on or after 1 July 2014 and requires additional disclosures about aggregation of segments. The disclosure requirement is illustrated in Note 46.

The accompanying publication, "A Practical Guide to New Singapore Financial Reporting Standards for 2015", outlines the new standards and amendments that come into effect on or after 2015, and provides insights on how those changes might impact you.

Striving to be your trusted advisor, we are committed to delivering value to you. We trust that you will find this publication an excellent resource to assist you in the preparation of your companies' annual reports. Do consult your regular PwC contact if you have any questions or comments on this publication or on the implementation of new accounting standards.

Sim Hwee Cher
Singapore Assurance Leader
October 2015

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Notes To The Financial Statements (continued)

Abbreviations used

References are made in this publication to the legislation, guideline or listing rule that requires a particular disclosure. 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 Report 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

Corporate Governance

Board of Directors
Corporate Governance Report

Board of Directors

As at 19 March 2016

Reference

SGX 1207(4)(b)(iii), CG Guideline 2.3 and 4.7

Mr Tan Cheng Eng
Independent, Non-executive Director | **Aged 58, Singaporean**

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

Mr Tan Cheng Eng was appointed to the Board on 1 February 2007 and appointed as the Chairman of the Board and of the Remuneration Committee on 13 September 2010. 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 2014.

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 Balachandran Nair
Independent, Non-executive Director | **Aged 62, Singaporean**

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

Mr Balachandran Nair joined the Board on 2 July 2007 and was last re-elected on 1 July 2014. 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 fellow of the Institute of Singapore Chartered Accountants (ISCA).

He has 42 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 1998 and 2007. He is the Chief Financial Officer of the Asia Pacific operations of Efficient Shipping Ltd, a company listed on the New York Stock Exchange since 2008. He is also the Chairman of the Trustees of Singapore Healthcare Fund, Asia Pacific Development Fund and Global Diversified Fund since 2005.

Board of Directors

As at 19 March 2016

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 2008 and was last re-elected on 31 July 2014.

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 1998. She has been the managing director of Leading Real Estate Marketing Pte Ltd since 2007.

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 2 July 2007. He was re-elected as a Director and appointed as the Chairman to the Nomination Committee on 1 May 2014.

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 1991. In 2006, he became the managing director of Moonstar Ltd, a telecommunication company listed on the Singapore Stock Exchange.

Board of Directors

As at 19 March 2016

Mr Lee Chee Wai
Independent, Non-executive Director — **Aged 56, Singaporean**

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

Mr Lee Chee Wai joined the Board on 1 May 2015.

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

He began his career with an international law firm in 1980, and was subsequently employed as the Company Secretary and Legal Advisor of a multinational group of companies in Singapore in 1984. He commenced his professional practice in 1989 and is currently an Advocate & Solicitor of Lee, Lim & Tan, a legal firm, where he has been a partner for the past 20 years.

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 2006 and was last re-elected on 17 May 2014. 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 2002 and was a Council Member of the Institute of Biomedical Practitioners, United Kingdom between 2007 and 2011.

Board of Directors

As at 19 March 2016

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 17 February 2012 and was last re-elected on 17 May 2014. He joined PwC Components (Singapore) Pte Ltd, a subsidiary of PwC Holdings Ltd, in 1993 and became its Chief Executive Officer on 1 October 2004. He was subsequently appointed as the General Manager of PwC Holdings Ltd on 2 November 2009 and became its Chief Executive Officer on 17 February 2013.

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 48, American

- Member of Board of Directors
- Member of Risk Committee

Dr Ran Jedwin Gervasio joined the Board on 26 February 2016. 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 2002, and a non-executive director of Routers Electronics Inc., a corporation listed on the New York Stock Exchange since 2005.

Corporate Governance Report

For the financial year ended 31 December 2015

Reference

> 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 Monetary Authority of Singapore ("MAS") issued the revised Code of Corporate Governance on 2 May 2012 and is effective for annual reports relating to financial years commencing from 1 November 2012. The 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 2015, 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 May 2012, focusing on areas such as internal control, risk management, financial reporting, internal and external audits.

The Board confirms the Group 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) Shareholder Rights and Responsibilities

(A) BOARD MATTERS

The Board of Directors as at 19 March 2016 comprises:

Mr Tan Cheng Eng (Chairman and Non-executive Director)
Mr Balachandran Nair (Non-executive Director)
Madam Wan Oon Kee (Non-executive Director)
Mr Michael Philip White (Non-executive Director)
Mr Lee Chee Wai (Non-executive Director)
Mr David Grey (Non-executive Director)
Mr Ang Boon Chew (Chief Executive Officer)
Dr Ran Jedwin Gervasio (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 has overall responsibility for establishing and maintaining a framework of good corporate governance in the Group, including the risk management systems and internal control to safeguard shareholders' interests and the Group's assets. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy (including social and environmental issues), performance, resources and standards of conduct and ethics. The Board regularly reviews the Group's strategic business plans, the assessment of key risks by management and the operational and financial performance of the Group to enable the Group to meet its objectives. CG Guideline 1.1

Reference

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; and

(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 further in this report. 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 matters. CG Guideline 1.4

Corporate Governance Report

For the financial year ended 31 December 2015

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

CG Guideline 1.4

	Board of Directors			Audit Committee			Nomination Committee			Remuneration Committee			Risk Committee		
		Number of meetings[1]			Number of meetings[1]			Number of meetings[1]			Number of meetings[1]			Number of meetings[1]	
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
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	-	-	-	-	-	-	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 2016
M – Member as at 19 March 2016

[1] *Number of meetings held/attended during the financial year/period from 1 January 2015 (or from date of appointment of Director, where applicable) to 31 December 2015*
[2] *Resigned on 5 January 2016*
[3] *Appointed on 26 February 2016*
[4] *Appointed on 1 May 2015*
[5] *Resigned on 1 May 2015*

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 Director[1] 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 obligations.

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

A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations. The Company 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 financial reporting 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% shareholders[2]. No individual or small group of individuals should be allowed to dominate the Board's decision making.

[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.

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 family[3] members;

(c) the Chairman is part of the management team; or

(d) the Chairman is not an independent director.

[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. Independent and non-executive directors make up more than half of the Board. CG Principle 2, CG Guidelines 2.1, 2.2 and 2.3

Reference

CG Guideline 2.3

An "independent" director is one who has no relationship with the company, its related corporations[4], 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, payments[5] 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[6] a 10% shareholder of the company, in the current or immediate past financial year.

[4] *The term "related corporation", in relation to the company, shall have the same meaning as currently defined in the Companies Act, i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.*

[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.*

[6] *A director will be considered "directly associated" with a 10% shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% shareholder in relation to the corporate affairs of the corporation. A director will not be considered "directly associated" with a 10% shareholder by reason only of his or her appointment having been proposed by that 10% shareholder.*

Reference

All directors are required to disclose any relationships or appointments which would impair their independence to the Board timely. The Board based on the evaluations and results of a review conducted by the Nomination Committee, views all the non-executive directors of the Company, save for Mr David Grey, are 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

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 Guideline 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 more than half 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 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 Principle 2, CG Guidelines 2.1 and 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.

Reference

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. Mr Ang Boon Chew has experience specifically in the electrical component parts industry, the core business of the Group. Madam Wan Oon Kee, Dr Ran Jedwin Gervasio and Mr Lee Chee Wai 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 Guideline 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 Company and aids the non-executive directors to constructively challenge and help develop proposals on strategy, review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. The non-executive directors meet regularly on their own without management 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 and non-executive 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 one 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.

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 approved by the Board.

CG Principle 3, 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 and adequately debated at Board meetings. 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 approved by the Board.

CG Guideline 3.2

Reference

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 Finance Director 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 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.

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 2006. The Committee held three meetings during the financial year. All members of this Committee are independent and non-executive directors.

CG Guideline 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.

Roles and Responsibilities of the Nomination Committee

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:

CG Principle 4, CG Guidelines 4.1 and 4.2

- making recommendations to the Board on all board appointments;
- evaluation of performance of the Board, its committees, members and directors;
- reviewing the adequacy of the Board's training and professional development programmes; and
- reviewing the Board's succession plans for directors, in particular the Chairman and CEO.

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.

Reference

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 commitments[7]. 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.

[7] *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 was 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 4.4

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.

Reference

The Nomination Committee does not have a practice of appointing alternate directors except for limited periods in exceptional cases such as when a director has a medical emergency. There were no alternate directors in this financial year. CG Guideline 4.6

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 Nomination Committee identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the 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, recommendations from the Singapore Institute of Directors are considered and 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 Nomination Committee evaluates several criteria including, qualifications, contributions and independence of the directors. CG Guideline 4.6

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 academic and professional qualifications, shareholdings, relationships (if any), directorship and other principal commitments is presented in the "Board of Directors" and "Directors' Statement" section of this annual report. CG Guideline 4.7

Reference

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.

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 the Chairman and 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 seventh 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 (which have not changed from prior years):

CG Principle 5, CG Guidelines 5.1 and 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.

Reference

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.

The Nomination Committee performs individual director evaluations assessing each director if he or she contributes effectively and demonstrates commitment and provides feedback to the Chairman of the Board. The Chairman, in consultation with the Nomination Committee, proposes new directors to be appointed to the Board or seeks the resignation of directors. 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 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 meetings. 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 Principle 6, CG Guidelines 6.1 and 6.2

- 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 and monthly financial statements, any material variance between the budgets and projections and actual results is disclosed and explained to the Board;

Reference

- Major operational and financial issues;
- Statistics on key performance indicators; and
- Statistics on customer satisfaction.

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 financial statements which present a balanced and understandable assessment of the Group's performance, position and prospects. The latest set of monthly management financial statements 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 and takes the minutes of all key decisions taken and issues discussed. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required. CG Guideline 6.3

Reference

CG Guideline 6.4

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

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. CG Principle 7

CG Guideline 7.1

The Board should establish 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.

Reference

Remuneration Committee

The Remuneration Committee comprises the following non-executive and independent directors: CG Guideline 7.1

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

> **CG Guideline 7.2**
>
> The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel[8]. 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.
>
> [8] *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.*

Roles and Responsibilities of the Remuneration Committee

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, share-based incentives and awards, and benefits in kind); CG Guidelines 7.1 and 7.2

(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 7.3**
>
> 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 and 7.3

Reference

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.

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.

Reference

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. Principle 8, 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 and promote the long-term success of the Group. Principle 8, CG Guideline 8.1

(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.

Reference

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' Statement 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.

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 Remuneration Committee 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

Besides the basic fee, every director will receive:

- The Chairman's allowance if he is Chairman of the Board;
- The relevant allowance (depending on whether he is 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.

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.

Reference

Corporate Governance Report

For the financial year ended 31 December 2015

The Annual Remuneration Report

CG Principle 9, CG Guidelines 9.1, 9.2, 9.3

	Basic salary[1] $'000	Fees[1] $'000	Bonus $'000	Benefits-in-kind $'000	Termination benefit $'000	Fair value of share options granted[2] $'000	Total 2015 $'000	Total 2014 $'000	Total fair value of options granted in[9] 2015 $'000	2014 $'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	530	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	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 2015.*
(5) *Joined the Group as a key executive on 1 March 2015 (upon the acquisition of PwC Components (Philippines) Pte Ltd) and was appointed as a director of PwC Holdings Ltd on 26 February 2016.*
(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 2015.*
(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 2015.*
(9) *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.*

Reference

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. Disclosure of remuneration should be in incremental bands of S$50,000. The company need only show 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 $168,000 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 Principle 10, 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

Reference

Board members receive monthly financial statements, operational and other reports from management containing analysis and explanations of variances against budget and projections 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 11.2

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.

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 (through the Audit Committee and the Risk Committee) 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 Principle 11, CG Guideline 11.1

Risk Committee

CG Guideline 11.4

The Risk Committee consists of the following three Directors:

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

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.

Reference

Roles and Responsibilities of the Risk Committee

The Risk Committee has written Terms of Reference which is endorsed by the Board and sets out the Committee's duties and responsibilities. During the meetings of the Risk 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 Guidelines 11.1 and 11.4

- 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 to 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 is adequate. Management has appropriately defined and the Board, on recommendation by the Risk Committee, has approved the risk appetite of the Group.

"Near-Miss" Programme

In addition, management has implemented a "near-miss" programme, with the Risk Committee's and 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 their 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 risks 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

Reference

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, the Risk Committee 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 Risk Committee and the Board.

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 over financial, operational, compliance and information technology risks. The assessment considered issues dealt with in reports reviewed by the Risk Committee, the Audit 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 2015.

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 Audit committee; and
- the incidence of significant internal controls weaknesses that were identified during the financial year.

Reference

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 written assurance from the CEO and CFO: CG Guideline 11.3

(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 and internal control systems.

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 including financial, operational, compliance and information technology controls, were adequate as at 31 December 2015. SGX Listing Rule 1207 (10)

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 duties.[9]

[9] 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.

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.

The Audit Committee comprises the following Directors:

CG Principle 12, CG Guidelines 12.1 and 12.8

Mr Balachandran Nair (Chairman)
Mr Tan Cheng Eng
Mr David Grey
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

During the year, the Audit Committee attended at least eight 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 shared 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.

Reference

Roles and Responsibilities of the Audit Committee

The Audit Committee has written 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 judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- reviewing the adequacy of the Group's internal 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;
- 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;

ACGC Guidebook Page 125, Appendix A2

- 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.

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

ACGC Guidebook Page 91, Para 1.2.1

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.

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 any executive of the Group being present, twice during the financial year to:

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

- 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 as well as over other operational, compliance and information technology areas.

CG Guideline 12.5, ACGC Guidebook Page 13, Para 1.2.16, Page 102, Para 1.2.4, Page 76, Para 1.2.7, Page 56, Para 1.2.1 and Page 78, Para 1.2.8.2

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 of the Group for the financial year ended 31 December 2015 was:

CG Guideline 12.6

	$'000
Audit fees	850
Non-audit fees	335
Total fees	1,185

The Audit Committee has reviewed the non-audit services rendered by the external auditors for the financial year ended 31 December 2015 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired.

Reference

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.

Whistle-blowing Policy

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.

ACGC Guidebook Page 112, Para 1.2.3 and CG Guideline 12.7

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.

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.

Reference

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 Risk Committee, Audit Committee and the Board in monitoring risks and internal controls of the Group. CG Principle 13, CG Guideline 13.1

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 Guidelines 13.2 and 13.3

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. 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

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

Reference

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).
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 initiation, processing, recording, authorisation of transactions, physical security controls, user access controls, segregation of duties and performance reviews. IAD also obtained an understanding of how the Group has responded to risks arising from information technology and assessed the adequacy of automated application controls.
4. Monitoring of controls: IAD continued to ensure that management adequately monitors internal controls as part of the control activities noted above, especially in processes, people and systems.

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

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

Reference

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 Principle 14, CG Guidelines 14.1, 14.2, 14.3 and 16.5

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 in favour and against 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.

Reference

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 select group, companies should make the same disclosure publicly to all others as promptly as possible.

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 Principle 15, 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.

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 Guidelines 15.1, 15.2 and 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

Reference

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. Companies should make the appropriate provisions in their Articles of Association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders.

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. Principle 16, 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 Chairman 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 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

Reference

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 are available on the Group's website at www.pwcholdings.com.sg. CG Guideline 16.4

Sustainability Report

Consolidated Statement of Environmental
and Social Performance

PwC Holdings Ltd and its Subsidiaries

Consolidated Statement of Environmental and Social Performance

For the financial year ended 31 December 2015

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 2016.

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 2015 as compared with 2014, overall increases in energy consumption, water use and waste were driven by the acquisition of PwC Components (China) Pte Ltd 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.

Consolidated Statement of Environmental and Social Performance

For the financial year ended 31 December 2015

Sustainability guideline 1

Guidance for defining report content

1.1 Defining report content

In order to ensure a balanced and reasonable presentation of the organisation'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 organisation's purpose and experience, and the reasonable expectations and interests of the organisation's stakeholders. (GRI sustainability reporting guidelines 1.1)

1.2 Materiality

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

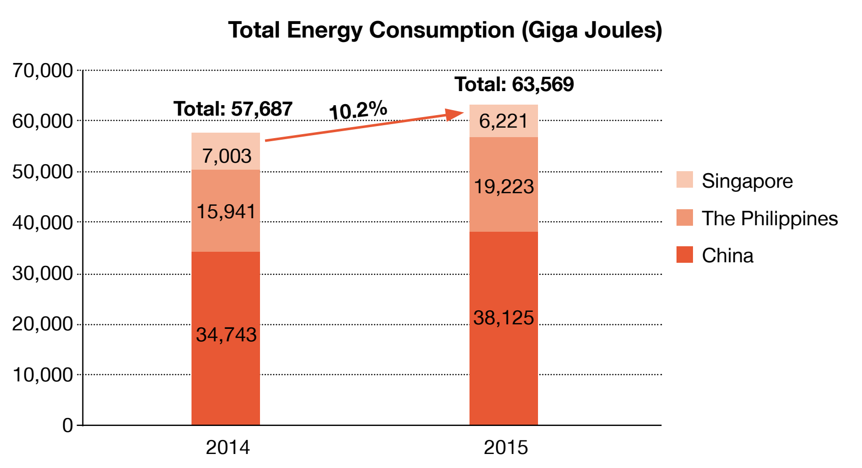
1.3 Reporting principles for defining quality

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

Environmental performance (continued)

1.1 Energy consumption

Total energy consumption in 2015 increased by 10.2% as compared to 2014 consumption, due to the acquisition of PwC Components (China) Pte Ltd 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.



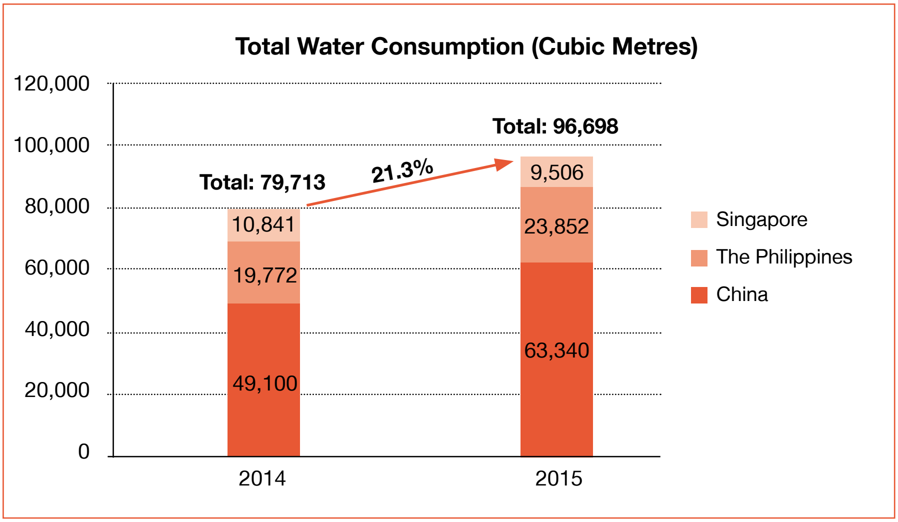
Consolidated Statement of Environmental and Social Performance

For the financial year ended 31 December 2015

Environmental performance (continued)

1.2 Water consumption

Total water consumption increased by 21.3% in 2015 as compared to 2014 in all locations due to the acquisition of PwC Components (China) Pte Ltd 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 PwC Components (China) Pte Ltd in China and increased operations in the Philippines.

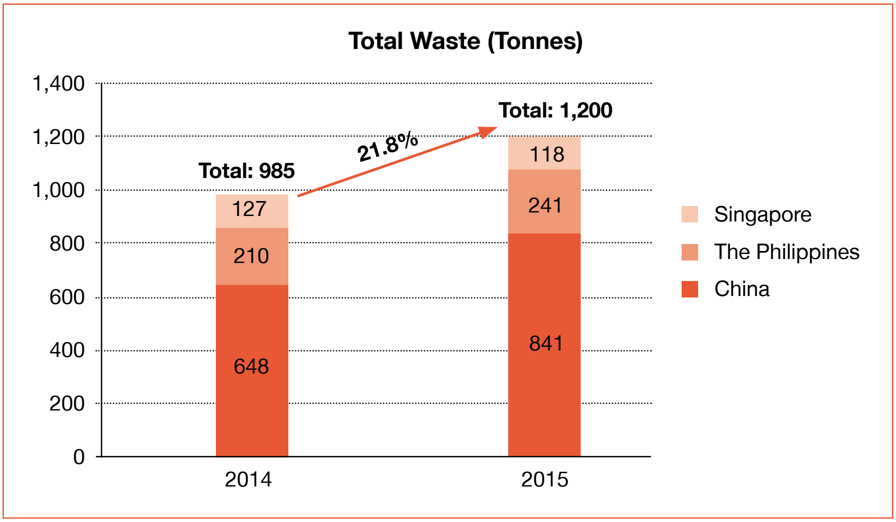
	Types	2015 Tonnes	2014 Tonnes
Singapore	Hazardous	**2.26**	3.82
	Non-Hazardous	**115.99**	123.58
China	Hazardous	**52.29**	30.11
	Non-Hazardous	**788.22**	617.89
The Philippines	Hazardous	**20.71**	15.29
	Non-Hazardous	**220.54**	194.31
Total		**1,200.01**	985.00

Consolidated Statement of Environmental and Social Performance

For the financial year ended 31 December 2015

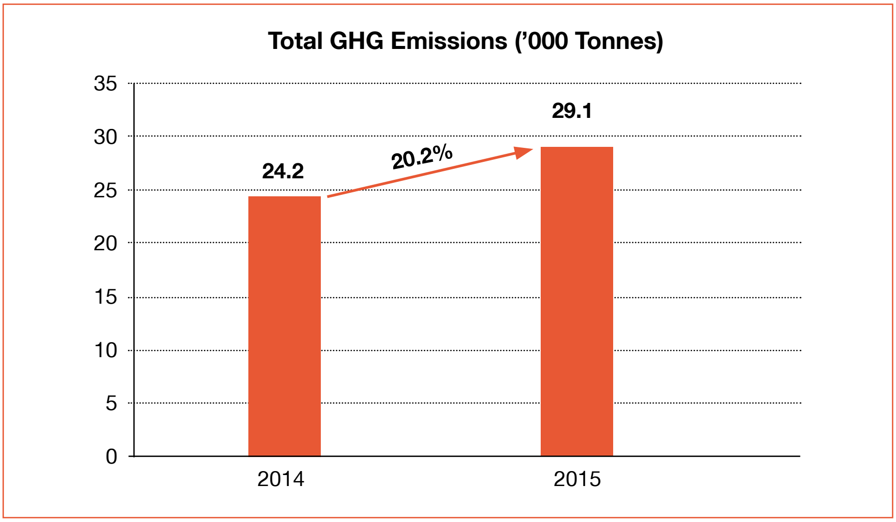
Environmental performance (continued)

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 PwC Components (China) Pte Ltd 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 2015 as compared to 2014, arising from the energy efficiency improvements in all commercial buildings and manufacturing facilities.



Consolidated Statement of Environmental and Social Performance

For the financial year ended 31 December 2015

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 organisation 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 organisation's water use. The total volume withdrawn provides an indication of the organisation'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 organisation 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 organisation 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)

Consolidated Statement of Environmental and Social Performance

For the financial year ended 31 December 2015

Sustainability guideline 2

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 (UNFCC) 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 2015 compared with 2014. This reflected rigorous efforts to increase diversity at the Management and Executive level workforce, 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 2014 and the increase is mainly due to 98 employees who joined the Group as a result of the acquisition of PwC Components (China) Pte Ltd in China. Of the 1,242 people employed in 2015, 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%.

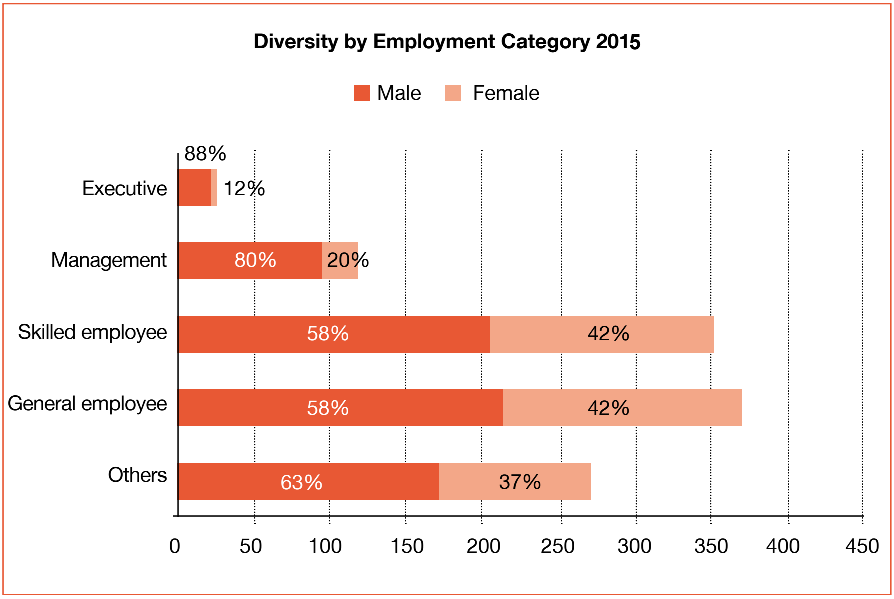
	2015	2014
No. of employees	**1,242**	1,136
Turnover (%)	**15**	14.7
Average training hours per employee	**40.4**	24.5
No. of occupational injuries	**15**	20

2 Labour rights and practices (continued)

2.1.1 Workforce diversity – employment category and gender

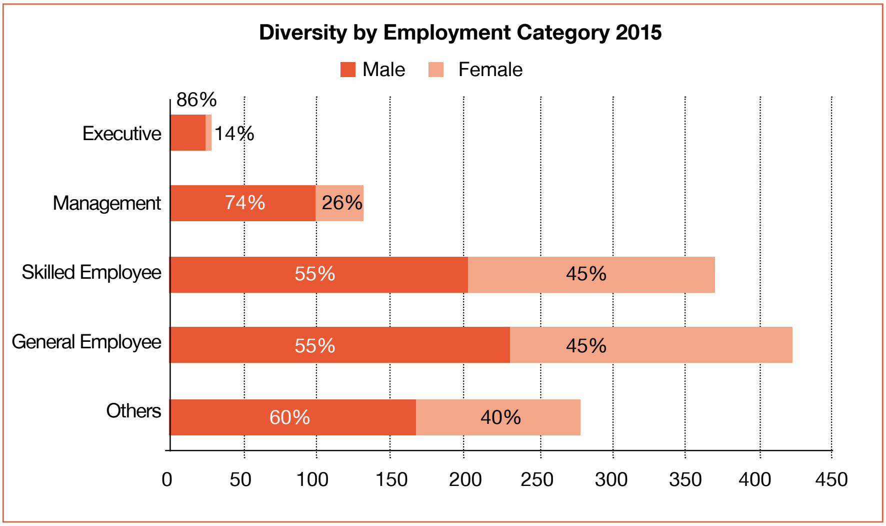
Diversity across the Group with respect to gender (percentage of female employed) in each of the respective employment categories increased. The percentage of female employed at the Management level increased from 19.7% in 2014 to 25.6% in 2015 while that at the Executive level and from 12.0% in 2014 to 14.3% in 2015.

	Others	General employee	Skilled employee	Management	Executive
2015					
Male	**169**	**234**	**204**	**99**	**24**
Female	**112**	**193**	**169**	**34**	**4**
2014					
Male	172	213	205	94	22
Female	100	157	147	23	3



2 Labour rights and practices (continued)

2.1.1 Workforce diversity – employment category and gender (continued)

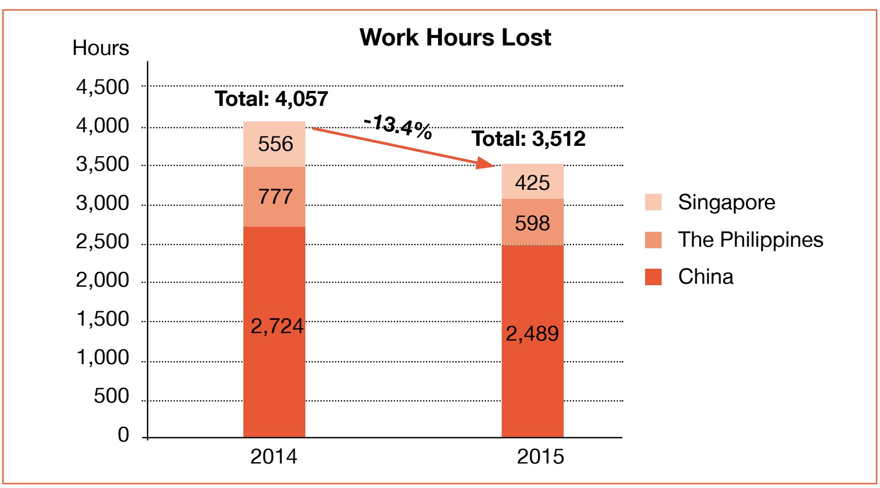


2.2 Occupational Health and Safety ("OHS")

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 2014. 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.



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 2014 to 40.4 hours in 2015. 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 organisation structures its human resources to implement its overall strategy. It also provides insight into the organisation's business model, and offers an indication of job stability and the level of benefits the organisation offers. As a basis for calculations in several other indicators, the size of the workforce is a standard normalising 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 organisation'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 organisation 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 organisation's core operations. Turnover results in changes to the human and intellectual capital of the organisation 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)

Consolidated Statement of Environmental and Social Performance

For the financial year ended 31 December 2015

Sustainability guideline 3

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 organisation'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

<u>Average hours of training per year per employee by employee category</u>

Relevance: Maintaining and improving human capital, particularly through training that expands the knowledge base of employees, is a key element in organisational development. This indicator provides insight into the scale of the organisation'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.

Consolidated Statement of Environmental and Social Performance

For the financial year ended 31 December 2015

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.

CO_2 emissions from energy consumption

The amount of CO_2 emissions from energy consumption covers consumption related to production measured in metric tonnes. The CO_2 emissions from energy consumption are calculated according to the GHG Protocol. Emissions of CO_2 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.

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Statutory Report

Directors' Statement
Independent Auditor's Report

Directors' Statement

For the financial year ended 31 December 2015

Reference

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015. CA 201(16)

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 77 to 278 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements[1,2,3]; and Section 1, Twelfth Schedule

(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.

Directors

The directors of the Company in office at the date of this statement are as follows: Section 7, Twelfth Schedule

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 2015)[4]
Dr Ran Jedwin Gervasio	(appointed on 26 February 2016)[4]

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" in this statement. Section 8, Twelfth Schedule CA 164(1)(c,d)

Directors' interests in shares or debentures[5]

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations[6], except as follows: Section 9, Twelfth Schedule CA 164(1)(a,b)

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2015	At 1.1.2015 or date of appointment if later	**At 31.12.2015**	At 1.1.2015 or date of appointment if later
PwC Holdings Ltd (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 2016)[4]	**200,000**	200,000	**–**	–

Directors' Statement

For the financial year ended 31 December 2015

Directors' interests in shares or debentures[5] (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" below. CA 164(1)(c)

	No. of unissued ordinary shares under option	
	At 31.12.2015	At 1.1.2015 or date of appointment, if later
Mr Ang Boon Chew		
2013 Options	**–**	30,000
2014 Options	**50,000**	50,000
2015 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 7(4A)

	At 31.12.2015	At 1.1.2015 or date of appointment, if later
PwC Components (China) Pte Ltd - No. of ordinary shares	**2,000,000**	–
PwC Components (Singapore) Pte Ltd - No. of ordinary shares	**1,300,000**	1,300,000
PwC Furniture (Phillippines) Pte Ltd - No. of ordinary shares	**700,000**	700,000
PwC Furniture (PRC) Co., Ltd - Registered and issued share capital	**RMB 8,500,000**	RMB 8,500,000
PwC Glass Sdn Bhd - No. of ordinary shares	**70,000**	70,000

(d) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2016 were the same as those as at 31 December 2015. SGX 1207(7)

Reference

Directors' Statement

For the financial year ended 31 December 2015

Share options

(a) PwC Employee Share Option Scheme[7]

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 2012.

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.

Section 2(c), Twelfth Schedule
Sections 2(d) & 6, Twelfth Schedule

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 shares of the Company on the day preceding that date.

The Company granted options under the Scheme to subscribe for 2,050,000 ordinary shares of the Company on 1 January 2013 ("2013 Options") and 1,965,000 ordinary shares on 1 January 2014 ("2014 Options"). Particulars of these options were set out in the Directors' statement for the financial years ended 31 December 2013 and 31 December 2014 respectively[8].

Section 3, Twelfth Schedule

On 1 January 2015, the Company granted options to subscribe for 964,000 ordinary shares of the Company at exercise price of $2.95 per share ("2015 Options"). The 2015 Options are exercisable from 1 January 2017 and expire on 31 December 2020. The total fair value of the 2015 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:

Section 2(a) & (b), Twelfth Schedule

SGX 852(1)(b)(i)

	No. of unissued ordinary shares of the Company under option			
Name of director	Granted in financial year ended 31.12.2015	Aggregate granted since commencement of scheme to 31.12.2015	Aggregate exercised since commencement of scheme to 31.12.2015	Aggregate outstanding as at 31.12.2015
Mr Ang Boon Chew	50,000	130,000	30,000	100,000

Reference

Share options (continued)

(a) PwC Employee Share Option Scheme[7] (continued)

No options have been granted to controlling shareholders of the Company or their associates[9] (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited). SGX 852(2,1(b)(ii))

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 2013 Options. Section 5, Twelfth Schedule

(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: Section 6, Twelfth Schedule

	No. of unissued ordinary shares under option at 31.12.2015	Exercise price	Exercise period
2013 Options	1,000,000	$1.31	1.1.2015 - 31.12.2018
2014 Options	1,532,000	$1.28	1.1.2016 - 31.12.2019
2015 Options	964,000	$2.95	1.1.2017 - 31.12.2020
	3,496,000		

Audit Committee[10]

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

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

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

 Reference

Directors' Statement

For the financial year ended 31 December 2015

Audit Committee[10] (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 2015 before their submission to the Board of Directors.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, 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 directors[11]

Tan Cheng Eng	Ang Boon Chew
Director	Director

19 March 2016[12,13]

Reference

Guidance notes

Directors' Statement

Compliance with Singapore Financial Reporting Standards ("FRS")

1. Directors are required to present statutory financial statements that comply with FRS unless: CA 201(5)

   (a) the Company has obtained the approval of the ACRA for such non-compliance with FRS requirements; or CA 201(12)
   (b) such compliance will not give a true and fair view of the consolidated financial statements. In this regard, the following disclosure is needed: CA 201(13)
      (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 consolidated financial statements to give a true and fair view of the matter concerned; CA 201(14)
      (ii) particulars of the departure, the reason therefor and its effect, if any; and
      (iii) such further information and explanations as will give a true and fair view of that matter.

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

2. Companies with primary listing on the Singapore Exchange are required to present their statutory financial statements that comply with FRS, or International Financial Reporting Standards ("IFRS") or United States Generally Accepted Accounting Principles ("US GAAP"), and financial statements that are prepared in accordance with IFRS or US GAAP need not be reconciled to FRS. Companies with secondary listing on the Singapore Exchange need only be reconciled to FRS or IFRS or US GAAP. CA 201(15) Companies Order 2003 S2/2003 SGX 220(1, 2)

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 Directors' Statement 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 financial position of the Company and of the Group as at 31 December 2015, the financial performance, 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.

Reference

Guidance notes

Directors' Statement (continued)

Directors in office at the date of the statement

4. The names of the directors that are holding office at the date of the Directors' Statement are required to be disclosed. There is no requirement to give details of director(s) who resigned during the financial year/period and up to the date of the Directors' Statement. If a director is appointed during the financial year/period and remains in office at the date of the Directors' Statement, the date of the appointment, although not required, is recommended to be disclosed to clearly identify the new director. Section 7, Twelfth Schedule

Directors' interests in shares or debentures

5. 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. Section 9, Twelfth Schedule

   Interests in rights or share options are also required to be disclosed. Section 2, Twelfth Schedule

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

   If none of the directors has 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."

6. Related corporations include the Company's holding companies, subsidiaries and fellow subsidiaries. CA 6

Share options

7. The disclosures required by Section 2 of the Twelve Schedule 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 2 of the Twelve Schedule in the Directors' Statement. The share options shall however be accounted for in accordance with FRS 102 *Share-Based Payment* in the financial statements. Section 2, Twelfth Schedule

8. Where such disclosures have been made in a previous statement, reference may be made to that statement. Section 3, Twelfth Schedule

The accompanying notes form an integral part of these financial statements

Reference

Guidance notes

Directors' Statement (continued)

Definition of associates

9. The SGX Listing Manual defines associates differently to that in paragraph 3 of FRS 28 *Investment in Associates and Joint Ventures*. 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): SGX (General – Definitions)

      (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.

Audit Committee

10. The details and functions of the audit committee shall be included in the Directors' Statement of listed companies if the statutory financial statements (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. CA 201B(9)

Signing of statement

11. This phrase is not necessary if the Company has only two directors.

Date of Directors' Statement

12. The Directors' Statement 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 statement shall specify the day on which it was made out and be signed by two directors of the Company. CA 203(1) SGX 707(2) CA 201(16)

Date of AGM

13. AGMs for listed companies shall be held within four months after the end of their financial year. AGMs for non-listed companies shall be held within six months after the end of their financial year. CA 201(1)(a,b) SGX 707(1) CA 201(5)(a)(i,ii)

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 77 to 278, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, and the consolidated statement of comprehensive income[2], 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 Standards[3], 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 financial statements 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 Standards[3] so as to give a true and fair view of the financial position of the Group and of the Company[1] as at 31 December 2015, and of the financial performance, 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 subsidiary corporations 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 Chartered Accountants

Singapore, 19 March 2016[4]

Independent Auditor's Report

For the financial year ended 31 December 2015

Reference

Guidance notes

Independent Auditor's Report

Inclusion of company's statement of changes in equity

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

   "We *have audited the accompanying financial statements of PwC Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages [ ] to [ ], which comprise the consolidated balance sheet and balance sheet of the Company as at 31 December 2015, the consolidated statement of changes in equity of the Group and statement of changes in equity of the Company, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the financial year then ended…*

   SSA 700 AGS 1 (Guidance to Example 1C)

   … in our opinion, the consolidated financial statements of the Group, the balance sheet and 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 financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, 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."

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 the consolidated income statement, in addition to the consolidated statement of comprehensive income.

Compliance with Singapore Financial Reporting Standards

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

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. CA 201(4A) In general, the Independent Auditor's Report will be dated on the same date as the Directors' Statement. 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. SSA 700(41) 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.

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Primary Statements

Consolidated Statement of Comprehensive Income
Balance Sheet – Group
Balance Sheet – Company
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows

PwC Holdings Ltd and its Subsidiaries

Consolidated Statement of Comprehensive Income[1, 2]

For the financial year ended 31 December 2015

Reference

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

	Note	2015[3] $'000	2014[3] $'000	Reference
Continuing operations[4]				
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 gains and losses	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 and joint ventures[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 operations[4]		**31,895**	18,494	
Discontinued operations[4]				FRS 1(82)(ea)
Profit/(loss) from discontinued operations	11	**100**	(480)	FRS 105(33)(a)
Total profit[4]		**31,995**	18,014	
Other comprehensive income[7]:				FRS 1(82A)
Items that may be reclassified subsequently to profit or loss:				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**	–	
Currency translation differences arising from consolidation				
- Gains/(losses)		**2,334**	(118)	
- Reclassification[8]		**(1,200)**	–	
		1,642	(30)	
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gains on property, plant and equipment[9]		**207**	894	
Other comprehensive income, net of tax	10(c)	**1,849**	864	
Total comprehensive income		**33,844**	18,878	

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

Reference

Consolidated Statement of Comprehensive Income[1, 2]

For the financial year ended 31 December 2015

	Note	2015[3] $'000	2014[3] $'000	
Profit attributable to:				
Equity holders of the Company		**29,446**	17,085	FRS 1(81B)(a)
Non-controlling interests		**2,549**	929	
		31,995	18,014	
Profit/(loss) attributable to equity holders of the Company relates to:				
Profit from continuing operations		**29,376**	17,421	FRS105(33)(d)
Profit/(loss) from discontinued operations		**70**	(336)	
		29,446	17,085	
Total comprehensive income attributable to:				
Equity holders of the Company		**30,738**	17,836	FRS 1(81B)(b)
Non-controlling interests		**3,106**	1,042	
		33,844	18,878	
Earnings per share[6] for profit from continuing and discontinued operations attributable to equity holders of the Company ($ per share)				FRS 33(66)
Basic earnings per share				
From continuing operations	12(a)	**1.31**	0.89	FRS 33(68)
From discontinued operations		*	(0.02)	
Diluted earnings per share				
From continuing operations	12(b)	**1.16**	0.87	
From discontinued operations		*	(0.02)	

** Less than $0.01*

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 2015

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 110), 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. FRS 1 (99)

   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). FRS 1 (104)

   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 (IN13b)

Financial years/periods of different length

3. Where the current reporting period and the comparative reporting period are of unequal time frame, 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. FRS 1(36)

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 and joint ventures

5. The share of results of associated companies and joint ventures refers to the group's share of associated companies and joint ventures' results after tax and non-controlling interests accounted for in accordance with FRS 28 *Investments in Associates and Joint Ventures*. 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 2015

Guidance notes

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) FRS 39(50)

   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 shall 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. 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)

Profit attributable to equity holders of the company

10. The amount of income from continuing operations and from discontinued operations attributable to owners of the parent should be disclosed either in the notes or in the statement of comprehensive income. These financial statements illustrate the disclosure of such income in the notes (see Note 11). FRS 105(33)(d)

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(85)

PwC Holdings Ltd and its Subsidiaries

Balance Sheet – Group[1]

As at 31 December 2015

	Note	31 December 2015 $'000	2014 $'000	Reference
				FRS 1(54,77) SGX 1207(5)(a) SGX 1207(5)(b)
ASSETS				
Current assets				FRS 1(60)
Cash and cash equivalents	13	**22,010**	36,212	FRS 1(54)(i)
Financial assets, at fair value through profit or loss	14	**10,785**	8,326	FRS 1(54)(d)
Derivative financial instruments	15	**1,069**	452	FRS 1(54)(d)
Available-for-sale financial assets	16	**1,950**	646	FRS 1(54)(d)
Trade and other receivables	17	**19,510**	16,399	FRS 1(54)(h)
Inventories	18	**24,258**	17,094	FRS 1(54)(g)
Construction contract work-in-progress	19	**262**	147	
		79,844	79,276	
Asset of disposal group classified as held for sale	11	**3,333**	–	FRS 105(38)
		83,177	79,276	FRS 1(54)(j)
Non-current assets				FRS 1(60)
Derivative financial instruments	15	**395**	112	FRS 1(54)(d)
Available-for-sale financial assets	16	**15,298**	12,291	FRS 1(54)(d)
Trade and other receivables	20	**3,322**	1,990	FRS 1(54)(h)
Investments in associated companies	23	**7,008**	6,404	FRS 1(54)(e)
Investment in joint venture	24	**1,200**	2,165	
Investment properties	26	**5,550**	5,455	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	FRS 1(54)(a)
Intangible assets	29	**24,930**	19,600	FRS 1(54)(c)
Deferred income tax assets	36	**3,319**	3,228	FRS 1(54)(o)
		216,755	150,728	
Total assets		**299,932**	230,004	
LIABILITIES				
Current liabilities				FRS 1(60)
Trade and other payables	30	**16,441**	10,556	FRS 1(54)(k)
Current income tax liabilities	10	**2,942**	3,833	FRS 1(54)(n)
Derivative financial instruments	15	**440**	240	FRS 1(54)(m)
Borrowings	31	**9,524**	15,670	FRS 1(54)(m)
Provisions	35	**2,126**	2,295	FRS 1(54)(l)
		31,473	32,594	
Liabilities directly associated with disposal group classified as held-for-sale	11	**220**	–	FRS 105(38) FRS 1(54)(p)
		31,693	32,594	
Non-current liabilities				FRS 1(60)
Trade and other payables	30	**350**	–	FRS 1(54)(k)
Derivative financial instruments	15	**135**	44	FRS 1(54)(m)
Borrowings	31	**118,300**	89,214	FRS 1(54)(m)
Deferred income tax liabilities	36	**11,646**	8,406	FRS 1(54)(o)
Provisions	35	**1,655**	1,585	FRS 1(54)(l)
		132,086	99,249	
Total liabilities		**163,779**	131,843	
NET ASSETS		**136,153**	98,161	
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	37	**41,495**	32,024	FRS 1(78)(e)
Treasury shares	37	**(1,418)**	(900)	FRS 1(78)(e)
Other reserves	38	**9,628**	6,419	FRS 1(78)(e)
Retained profits	39	**78,196**	58,852	FRS 1(78)(e)
		127,901	96,395	FRS 1(54)(r)
Non-controlling interests		**8,252**	1,766	FRS 1(54)(q)
Total equity		**136,153**	98,161	

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

Reference

Balance Sheet – Company[1]

As at 31 December 2015

	Note	31 December 2015 $'000	2014 $'000	
				FRS 1(54,77) SGX 1207(5)(a) SGX 1207(5)(b)
ASSETS				
Current assets				FRS 1(60)
Cash and cash equivalents	13	**16,252**	2,977	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 asset classified as held for sale	11	**1,000**	–	
		27,296	5,556	
Non-current assets				FRS 1(60)
Derivative financial instruments	15	**34**	6	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	**95,160**	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)
		103,765	104,264	
Total assets		**131,061**	109,820	
LIABILITIES				
Current liabilities				FRS 1(60)
Trade and other payables	30	**707**	549	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				FRS 1(60)
Derivative financial instruments	15	**12**	2	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 – Company[1]

As at 31 December 2015

Reference

Guidance notes

Statement of financial position/balance sheet

Comparative

1. An entity shall present a third statement of financial position as at the beginning of the preceding period if: FRS 1(38) FRS 1(40A)

   (a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and
   (b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

   In the above circumstances, an entity shall present three statements of financial position as at: FRS 1(40B)

   (a) the end of the current period;
   (b) the end of the preceding period; and
   (c) the beginning of the preceding period.

   When an entity is required to present an additional statement of financial position in the above circumstances, it need not present the related notes to the opening statement of financial position as at the beginning of the preceding period. FRS 1(40C)

   The date of that opening statement of financial position shall be as at the beginning of the preceding period regardless of whether an entity's financial statements present comparative information for earlier periods (as permitted in FRS 1 paragraph 38C). FRS 1(40D)

   Refer to Appendix 1 Example 2 for illustrative disclosure.

Alternative format

2. An entity has the choice of presenting the statement of financial position of the Group and of the Company side by side.

PwC Holdings Ltd and its Subsidiaries

Consolidated Statement Of Changes In Equity[1,2]

For the financial year ended 31 December 2015

	Note	Share capital	Treasury shares	Share option reserve	Capital 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	Reference
		← Attributable to equity holders of the Company										→			
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	
2015															
Beginning of financial year		**32,024**	**(900)**	**1,892**	**–**	**127**	**24**	**2,376**	**–**	**2,000**	**58,852**	**96,395**	**1,766**	**98,161**	
Profit for the year		–	–	–	–	–	–	–	–	–	29,446	29,446	2,549	31,995	
Other comprehensive income for the year		–	–	–	–	445	63	582	–	202	–	1,292	557	1,849	
Total comprehensive income for the year[2]		**–**	**–**	**–**	**–**	**445**	**63**	**582**	**–**	**202**	**29,446**	**30,738**	**3,106**	**33,844**	FRS 1(106)(d)(i) FRS 1(106A)
Purchase of treasury shares	37	–	(2,072)	–	–	–	–	–	–	–	–	(2,072)	–	(2,072)	FRS 32(33)
Employee share option scheme															
- Value of employee services	38(b)(i)	–	–	690	–	–	–	–	–	–	–	690	–	690	FRS 102(7)
- Treasury shares re-issued	37	–	1,554	(946)	374	–	–	–	–	–	–	982	–	982	FRS 32(33)
- Excess tax	38(b)(ii)		–	–	114	–	–	–	–	–	–	114	–	114	
Issue of new shares	37	9,884	–	–	–	–	–	–	–	–	–	9,884	–	9,884	FRS 1(106)(d)(iii)
Share issue expenses	37	(413)	–	–	–	–	–	–	–	–	–	(413)	–	(413)	FRS 1(106)(d)(iii)
Convertible bond															
- equity component	38(b)(vi)	–	–	–	–	–	–	–	1,685	–	–	1,685	–	1,685	FRS 32(28)
Dividend relating to 2014 paid	40	–	–	–	–	–	–	–	–	–	(10,102)	(10,102)	(1,920)	(12,022)	FRS 1(106)(d)(iii)
Disposal of subsidiary	13	–	–	–	–	–	–	–	–	–	–	–	(300)	(300)	FRS 1(106)(d)(iii)
Acquisition of a subsidiary	47	–	–	–	–	–	–	–	–	–	–	–	5,600	5,600	FRS 1(106)(d)(iii)
Total transactions with owners, recognised directly in equity		**9,471**	**(518)**	**(256)**	**488**	**–**	**–**	**–**	**1,685**	**–**	**(10,102)**	**768**	**3,380**	**4,148**	FRS 1(106)(d)(iii)
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.

Reference

Consolidated Statement of Changes in Equity[1,2]

For the financial year ended 31 December 2015

	Note	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	Reference
		← Attributable to equity holders of the Company →											
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	
2014													
Beginning of financial year		**32,024**	**–**	**1,270**	**55**	**8**	**2,454**	**1,259**	**57,503**	**94,573**	**1,274**	**95,847**	
Profit for the year		–	–	–	–	–	–	–	17,085	17,085	929	18,014	
Other comprehensive income for the year		–	–	–	72	16	(78)	741	–	751	113	864	
Total comprehensive income for the year[2]		**–**	**–**	**–**	**72**	**16**	**(78)**	**741**	**17,085**	**17,836**	**1,042**	**18,878**	FRS 1(106)(d)(ii) FRS 1(106)A
Purchase of treasury shares	37	–	(900)	–	–	–	–	–	–	(900)	–	(900)	
Employee share option scheme													FRS 32(33)
- Value of employee services	38(b)(i)	–	–	622	–	–	–	–	–	622	–	622	FRS 102(7)
Dividend relating to 2013 paid	40	–	–	–	–	–	–	–	(15,736)	(15,736)	(550)	(16,286)	FRS 1(106)(d)(iii)
Total transactions with owners, recognised directly in equity		**–**	**(900)**	**622**	**–**	**–**	**–**	**–**	**(15,736)**	**(16,014)**	**(550)**	**(16,564)**	
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

1. 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. FRS 1(106)(d)

   Components of equity include, e.g., each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained profits. FRS 1(108)

2. 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 Statement of Changes in Equity. This presentation illustrates the former. FRS 1(106A)

Reference

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000	FRS 7(1) SGX 1207(5)(c)
Cash flows from operating activities[1]				
Total profit		**31,995**	18,014	FRS 7(10,18(b))
Adjustments for:				FRS 7(20)(b,c)
- Income tax expense		**14,939**	7,537	
- Employee share option expense		**690**	622	
- Amortisation, depreciation and impairment[2]		**23,100**	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 and joint ventures		**174**	(145)	
- Unrealised currency translation losses[6,7]		**1,074**	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 to 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 financial assets, held-to-maturity		**(472)**	(372)	FRS 7(16)(c)
Disposal of a subsidiary, net of cash disposed of	13	**179**	–	FRS 7(39,42)
Disposal of property, plant and equipment		**4,974**	2,995	FRS 7(16)(b)
Disposal of investment property		**70**	–	
Disposal of 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.

Reference

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

	Note	**2015 $'000**	2014 $'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		**982**	–	FRS 7(17)(a)
Share issue expense[8]		**(413)**	–	
Proceeds from issuance of convertible bond		**50,000**	–	FRS 7(17)(a,c)
Proceeds from issuance of redeemable preference shares		**–**	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 paid[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)

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

Reference

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

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)

FRS 7 App2A

FRS 7(19)

	2015 $'000	2014 $'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

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 2015

Guidance notes

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 a 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 whose 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.

Non-cash transactions

9. Investing and financing transactions that do not require the use of cash or cash equivalent shall be excluded from a statement of cash flows. FRS 7(43)

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Significant Accounting Policies

Notes to the Financial Statements

For the financial year ended 31 December 2015

Reference

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 logistics 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): FRS 1(138)

   (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(51)(a)

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

   Disclosure of this change during the year should be made in both the directors' statement and notes to the financial statements.

   Further, all references to the company's name in the directors' statement, auditors' report and financial statements should be based on the new name, followed by the words *"Formerly known as [old name]."*

Reference

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 <u>must be tailored</u> if they are adopted by other reporting entities to suit the particular circumstances and needs of readers of those financial statements.** FRS 1(119)

2. **Disclosure of accounting policies is particularly useful to users when there are alternatives allowed in Standards and Interpretations.** Example include measurement bases used for classes of property, plant and equipment (FRS 16). FRS 1(119)

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. **Omissions or misstatements of items are <u>material if they can, individually or collectively, influence the economic decisions of users</u> 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(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. DV

Reference

Guidance notes

Basis of preparation

Compliance with FRS

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

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. FRS 1(25)

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 and even if the circumstance which led to that decision arose after the balance sheet date. FRS 10(14)

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".* FRS 1(25)

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)

Reference

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations of 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. FRS 8(28)

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 following:

FRS 108 Operating segments FRS 108

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual periods beginning on or after 1 July 2014. It sets out the required disclosures on the judgements made by management in aggregating operating segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to entity's assets when segment assets are reported.

The Group has included the additional required disclosures in Note 46 of the financial statements.

Guidance notes

Basis of preparation – New or amended Standards and Interpretations effective for 2015 calendar year-ends

1. 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: FRS 8(28)

   Effective for annual periods beginning on or after 1 July 2014:

   - Amendments to FRS 19 (R) *Employee Benefits* (Defined benefit plans: Employee Contributions)

   - Annual improvements 2012
     - FRS 102 *Share-Based Payment* (Definition of vesting condition)
     - FRS 103 *Business Combinations* (Accounting for contingent consideration in a business combination)
     - FRS 16 *Property, Plant and Equipment* and FRS 38 Intangible assets (Revaluation method - proportionate restatement of accumulated depreciation)
     - FRS 24 *Related Party Disclosures* (Key management personnel)

   - Annual improvements 2013
     - FRS 103 *Business Combinations* (Scope exceptions for joint ventures)
     - FRS 113 *Fair Value Measurement* (Scope of portfolio exception)
     - FRS 40 *Investment property* (Clarifying interrelationship between FRS 103 and FRS 40 when classifying property as investment property or owner-occupied property)

Notes to the Financial Statements

For the financial year ended 31 December 2015

Guidance notes

Basis of preparation – New or amended Standards and Interpretations effective after 1 January 2015

2. The following are the new or amended Standards and Interpretations (issued up to 31 August 2015) that are not yet applicable, but may be early adopted for the current financial year.

Annual periods commencing on	**Description**
1 January 2016	FRS 114 *Regulatory deferral accounts* Amendments to: - FRS 27 *Separate financial statements* (Equity method in separate financial statements) - FRS 16 *Property plant and equipment* and FRS 38 *Intangible assets* (Clarification of acceptable methods of depreciation and amortisation) - FRS 16 *Property plant and equipment* and FRS 41 *Agriculture* (Agriculture: Bearer plants) - FRS 111 *Joint arrangements* (Accounting for acquisitions of interests in joint operations) - FRS 110 *Consolidated financial statements* and FRS 28 *Investments in associates and joint ventures* (Sale or contribution of assets between an investor and its associate or joint venture) - FRS 1 *Presentation of financial statements* (Disclosure initiative) - FRS 110 *Consolidated financial statements* and FRS 28 *Investments in associates* and joint ventures (Investment entities: Applying the consolidation exception) **Annual improvements 2014** - FRS 105 *Non-current assets held for sale and discontinued operations* (Methods of disposal) - FRS 34 *Interim Financial reporting* (Information disclosed elsewhere in the interim Financial information) - FRS 107 *Financial instruments: Disclosures* (Servicing contracts and interim financial statements) - FRS 19 *Employee benefits* (Determining the discount rates for post-employment benefit obligations)
1 January 2018	FRS 109 *Financial instruments*
1 January 2017*	FRS 115 *Revenue from contract with customers* *The effective date of IFRS 15 *Revenue from contracts with customers* has been deferred from 1 January 2017 to 1 January 2018. No such deferral has been made for FRS 115 *Revenue from contracts with customers* as at the date of this publication.

Refer to Practical Guide on Singapore Financial Reporting Standards for 2015 for details of the above amendments/new accounting standards.

Effects on adoption of new accounting standards

3. The tax-related implications of any changes in accounting policy should be considered. For the purposes of this illustration we have assumed that the tax impact is not significant.

Reference

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 tax[3], rebates and discounts, and after eliminating sales within the Group.

FRS 18(9)

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. 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(8)
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.

DV

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

FRS 18(14)(a,b)

(c) *Rendering of service – Logistics services*

Revenue from logistics services is recognised when the services are rendered. 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.

Reference

2.2 Revenue recognition (continued)

(e) Interest income[4]

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method. FRS 18(30)(a)

(f) Dividend income[5]

Dividend income is recognised when the right to receive payment is established. FRS 18(30)(c)

(g) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term[6]. 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 store will be given purchase credits entitling them to a discount on subsequent purchase. 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."

2. Please refer to Appendix 1 Example 3 for an illustrative disclosure example on a contract with multiple-element arrangements. FRS 18(13)

3. If the group operates predominantly in Singapore, the term "value-added tax" may be replaced by "goods and services tax".

Reference

Guidance notes

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 are 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.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. FRS 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 income[1]. FRS 20(12)

Government grants relating to assets are deducted against the carrying amount of the assets[2]. 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 in reporting the related expense. FRS 20(29)

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(24)

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

Reference

2.4 Group accounting[1]

(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 on that control ceases.

FRS 110(5,6,7)
FRS 110(20)
FRS 110(25)

In preparing the consolidated financial statements[2], 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 110(B86)
FRS 110(19,B87)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that 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 110(B94)

(ii) *Acquisitions*

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

FRS 103(4)

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

FRS 103(37)
FRS 103(39)

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)
FRS 103(20)

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)

Reference

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

The excess of (a) 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 (b) fair value of the identifiable net assets acquired is recorded as goodwill[4]. 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's 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 110(B98)

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 110(B98)(b)(iii)

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

Reference

Guidance notes

Group accounting – (a) Subsidiaries

Exemption from preparing consolidated financial statements

1. When a parent is exempted under paragraph 4(a) of FRS 110 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 110(4)(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." FRS 27(16)(a)

   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, principal place of business (and if different, country of incorporation), proportion of ownership interest (and if different, proportion of voting rights held) and a description of the method used to account for these investments. FRS 27(16)(b,c)

Exception from consolidation – when a parent is an investment entity

2. When an investment entity that is a parent (other than a parent covered by paragraph 16 of FRS 27) prepares, in accordance with paragraph 8A of FRS 27 *Separate Financial Statements* as its only financial statements, the following disclosure can be considered: FRS 110(4)(c)

   "These financial statements are the separate financial statements of [Company name]. The Company has not prepared consolidated financial statements as the Company has determined that it meets the definition of an Investment Entity per paragraph 27 of FRS 110 Consolidated Financial Statements. Accordingly, the Company has measured its investment in subsidiaries at fair value through profit or loss in accordance with FRS 39 Financial Instruments: Recognition and Measurement." FRS 27(16A)

   The investment entity that is a parent shall also present the disclosures relating to investment entities required by FRS 112 *Disclosure of Interests in Other Entities.* FRS 112(9A-B) FRS 112(19A-G)

Reference

Guidance notes

Group accounting – (a) Subsidiaries (continued)

Reporting dates of parent and its subsidiaries

3. This publication illustrates the situation where the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements have 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 110(B92-93) FRS 112(11)

   A similar requirement applies to the financial statements of associated companies and joint ventures used for the purpose of equity accounting. FRS 112(22)(b)

Bargain purchase

4. 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]. 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 110(23)

Reference

Guidance notes

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

1. FRS 110 requires a parent to treat transactions with non-controlling interests as transactions with equity holders. The entity should adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The entity shall recognise directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received. FRS 110(B96)

2.4 Group accounting (continued)

(c) Associated companies and joint ventures

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%. FRS 28(3) FRS 28(5)

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. FRS 111(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. FRS 28(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 associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments[4]. FRS 27(10)(a) FRS 28(10) FRS 28(32)

Reference

2.4 Group accounting (continued)

(c) Associated companies and joint ventures (continued)

(ii) Equity method of accounting FRS 28(10)

In applying the equity method of accounting, the Group's share of its associated companies' or 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 companies or joint ventures are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. FRS 28(38) FRS 28(39)

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group. FRS 28(28) FRS 28(29) FRS 28(35,36)

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at 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 and any proceeds on partial disposal, is recognised in profit or loss[3]. FRS 28(22)

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

Reference

Guidance notes

Group accounting – (c) Associated companies and joint ventures

Reporting dates of investor and its associated companies

1. Please refer to guidance note 3 under Group accounting – (a) Subsidiaries. FRS 28(33,34)

Exemption from applying equity accounting

2. Exemption from applying equity accounting to its investments in associated companies or joint ventures is available to an entity when it meets the same conditions as those required under FRS 110 to be exempted from preparing consolidated financial statements. Please refer to guidance note 1 under Group accounting – (a) Subsidiaries. FRS 28(17)

   In addition, when an investment in associated company or joint venture, or a portion of an investment in associated company or joint venture, is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities, the entity may elect to measure investments in those associated companies and joint ventures, or the portion of those investments, at fair value through profit or loss in accordance with FRS 39. If the entity makes that election, the entity shall apply the equity method to any remaining portion of its investments in associated companies or joint ventures. FRS 28(18,19)

Decrease in interest in associated companies

3. When significant influence or joint control is not lost, only a proportionate share of the amounts previously recognised in other comprehensive income relating to that associated company or joint venture are reclassified to profit or loss and form part of the gain or loss on partial disposal. On the other hand, when significant influence or joint control is lost, the entire amounts previously recognised in other comprehensive income relating to that associated company or joint venture are reclassified to profit or loss. FRS 28(22(c),23)

Bargain purchase

4. When the group's share of the fair value of the identifiable net assets of the associated company or joint venture 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(32)(b)

Reference

2.4 Group accounting (continued)

(d) Joint operations

The Group's joint operations are joint arrangements whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets, and obligations to the liabilities, relating to the arrangement. FRS 111(15)

The Group recognises, in relation to its interest in the joint operation: FRS 111(20)
- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets. FRS 111(B34,B35)

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses 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 the assets to be purchased or an impairment loss. FRS 28(29)

The accounting policies of the assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group. FRS 111(21)

The Company applies the same accounting policy on joint operations in its separate financial statements. DV

Reference

2.5 Property, plant and equipment

(a) *Measurement*[1]

(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(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)

(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 attributable[5] 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)

Reference

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 4. FRS 16(16)(c)

Computer software licence and development costs

3. Computer software licence and development costs shall be accounted for as intangible assets using FRS 38 when they are not an integral part to the related hardware. Computer software that is an integral part to the related hardware shall be accounted for as PPE using FRS 16. FRS 38(4)

Spare parts and servicing equipment

4. Minor spare parts and servicing equipment are typically carried as inventory and recognised in profit or loss as consumed. Major spare parts and stand-by equipment are carried as PPE when an entity expects to use them during more than one period or when they can be used only in connection with an item of PPE. FRS 16(8)

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)

Reference

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 lives[1] as follows: FRS 16(73)(b) FRS 16(50) FRS 16(73)(c)

	Useful lives
Leasehold land	99 years
Buildings	25 – 50 years
Motor vehicles	4 years
Furniture and fittings	5 years
Plant and equipment	5 – 10 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 entity 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 gains and losses". 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

1. 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(7,13,14, 43)

Reference

Guidance notes

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(32)(a)

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

Goodwill on associated companies and joint ventures is included in the carrying amount of the investments. FRS 28(32)(a)

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

Reference

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, which is the shorter of their estimated useful lives and periods of contractual rights.

FRS 38(74)
FRS 38(118)(a,b)
FRS 38(94,97)

(c) Acquired computer software licences[2]

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 expensed off 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 previously charged to shareholders' equity

1. 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.

Guidance notes

Intangible assets (continued)

Development of software

2. 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 can be determined by applying a capitalisation rate to the expenditure 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)

Reference

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 measured[2] 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 activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

FRS 11(39)(c)
FRS 11(31)

At the balance sheet date, the cumulative costs incurred plus recognised 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 billings[3], 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". Advances[3] received are included within "trade and other payables".

Reference

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. FRS 11(30)

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(41)

2.9 Investment properties

Investment properties include those portions[1] of office buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases[2] 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(5) FRS 40(6,10) FRS 40(75)(b) FRS 40(8)

Investment properties are initially recognised at cost and subsequently carried at fair value[3], determined annually by independent professional valuers on the highest and best use[4] 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. FRS 40(17) The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred. FRS 40(18)

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)

Reference

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….." FRS 40(56)

   When the cost model is applied, <u>the fair value of investment property shall be disclosed</u> <u>at each reporting date.</u> 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.

Reference

Guidance notes

Investment properties (continued)

Determination of fair value

4. FRS 113, issued in September 2011, amended the definition of fair value in FRS 40. Under FRS 113, a fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. However, an entity's current use of a financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset. FRS 40(5) FRS 113(27-33) FRS 113(93)(i)

Transfer in and out of investment properties

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

2.10 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures 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(10)(a) FRS 27(16,17)

Guidance notes

Investments in subsidiaries, associated companies and joint ventures

Investments accounted for in accordance with FRS 39

1. When separate financial statements of the company are prepared, investments in subsidiaries, associated companies and joint ventures that are not classified as held-for-sale, shall be accounted for either: (a) at cost; or (b) in accordance with FRS 39. FRS 27(10)

2. If an entity elects, in accordance with paragraph 18 of FRS 28, to measure its investments in associated companies and joint ventures at fair value through profit or loss in accordance with FRS 39, it shall also account for those investments in the same way in its separate financial statements. FRS 27(11)

3. If a parent is required, in accordance with paragraph 31 of FRS 110, to measure its investment in a subsidiary at fair value through profit or loss in accordance with FRS 39, it shall also account for its investment in a subsidiary in the same way in its separate financial statements. FRS 27(11A)

Reference

Guidance notes

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

Dividends received from subsidiaries, associated companies and joint ventures

4. Dividends received from subsidiaries, associated companies and joint ventures are recognised in profit or loss in the separate financial statements of the company. FRS 27(12)

5. The receipt of a dividend from a subsidiary, associated company or a joint venture is an indicator of impairment of the relevant investment when: FRS 36(12)(h)

   (a) the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill; or
   (b) the dividend exceeds the total comprehensive income of the subsidiary, associate or joint venture in the period the dividend is declared.

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(8,90) 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 reversed[1] 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(42)

 Reference

2.11 Impairment of non-financial assets (continued)

(b) *Intangible assets*
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures (continued)

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 amount[2], in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease. FRS 36(60)

An impairment loss for an asset other than goodwill is reversed 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. FRS 36(114)
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(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 amount[2], in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset[2] was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss. FRS 36(119)

Reference

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.

2.12 Financial assets

(a) Classification FRS 107(21)

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 recognition[1] 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)

Reference

2.12 Financial assets (continued)

(a) Classification (continued)

(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)

(b) Recognition and derecognition

Regular way[2] 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)

Reference

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. FRS 39(50D)
   - 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(50B)

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 dividends[1], are recognised in profit or loss when the changes arise. FRS 39(55)(a) FRS 107 AppB5(e) FRS 21(30)

Reference

2.12 Financial assets (continued)

(d) Subsequent measurement (continued)

Interest and dividend income[1] 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)

Guidance notes

Financial assets – (d) Subsequent measurement

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

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

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

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

   This policy choice is however not available to 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) FRS 107 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 account[1] 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)

(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)

Reference

Guidance notes

Financial assets – (e) Impairment

1. 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. FRS 39(63)

2. 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. INT FRS 110(8)

2.13 Offsetting of 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)

2.14 Financial guarantees[1,2]

The Company has issued corporate guarantees to banks for bank 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 consolidation[3].

Reference

Guidance notes

Financial guarantees

Definition of financial guarantee

1. A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Where the financial guarantee is given with respect to a banking facility, that facility must be drawn down before the definition of financial guarantee is met as a debt (or debtor) only comes into existence upon draw-down. FRS 39(9)

Financial guarantees versus insurance contracts

2. Financial guarantees shall be accounted for under FRS 39, unless the issuer has previously asserted explicitly that it regards certain financial guarantees as insurance contracts and has accounted for them as insurance contracts, in which case the issuer may then elect to apply either FRS 39 or FRS 104 for these contracts. The issuer shall make the election contract by contract, but once the election is made, it is irrevocable. FRS 104(4)(d) FRS 39(2)(e)

Financial guarantees for associated companies and joint ventures

3. Where the entity has issued financial guarantees to banks for bank borrowings of its associated companies and joint ventures, these financial guarantees shall be recognised in both the entity's separate and consolidated financial statements as these transactions will not be fully eliminated on equity accounting or proportionate consolidation. The relevant disclosures as required by FRS 24 shall also be made. FRS 24(17)

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.

Reference

2.15 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 shares*[2]

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 bonds*[3]

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 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

Reference

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 a 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 7 of this publication. FRS 32(15,16,28) 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.

   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. INT FRS 119(9)

   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.

Reference

2.16 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)

2.17 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)

Reference

2.17 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)

Reference

2.18 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 113(70)

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 113(61,62)

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.

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

2.19 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)

Reference

2.19 Leases (continued)

(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 rents[2] are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor[3]:

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

(i) Lessor – Finance leases

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 rents[2] are recognised as income in profit or loss when earned.

Reference

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."

Reference

2.20 Inventories[1]

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 inventories[5]. 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(25, 36(a))
FRS 2(10)
FRS 23(6,7)
FRS 39(98(b),99)
FRS 2(6)

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. FRS 2(10,11)

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. FRS 2(11)

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(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.

Reference

Guidance notes

Inventories (continued)

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. INT FRS 115

2.21 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 FRS 12(47)

2.21 Income taxes (continued)

(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 sale. 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(61A) FRS 12(66)

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised. FRS 12(34)

2.22 Provisions[1]

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. FRS 37(14,24)
Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. 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)

Reference

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."

2.23 Employee compensation[1]

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset. FRS 19(11)(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(8)

(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 employees[4].

Reference

2.23 Employee compensation[1] (continued)

(c) *Termination benefits*[5]

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of FRS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

FRS 19(159)
FRS 19(165)
FRS 19(169)(b)

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 5 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."

Group share-based payment arrangements

3. A share-based payment transaction may be settled by another group entity (or a shareholder of any group entity) on behalf of the reporting entity who receives the services. FRS 102 is applicable in such cases. FRS 102(3A)

Share-based compensation – Modification

4. 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."

Reference

Guidance notes

Employee compensation (continued)

Share-based compensation – Transfer of share option reserve

5. 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

6. 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(164)

Post-employment benefits versus other long-term benefits

7. 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(153)

   The measurement of these benefits follows that of post-employment defined benefits except that remeasurements are not recognised in other comprehensive income. FRS 19(154)

Profit sharing and bonus plans

8. If such benefits are material, the following disclosure is suggested: FRS 19(19)

   "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."

9. 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(20)

Short-term compensated absences

10. If such benefits are material, the following disclosure is suggested: FRS 19(9,11)

   "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."

Reference

2.24 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. FRS 21(54)

2. When the financial statements are presented in a currency different from the company's functional currency, the following are required to be disclosed: FRS 21(53)

   (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. DV

(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 exchange 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.

2.24 Currency translation (continued)

(b) Transactions and balances (continued)

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 gains and losses".

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 date[1]. FRS 21(47)

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.

Reference

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments. FRS 108(5)(b)

2.26 Cash and cash equivalents

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. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents. FRS 7(45)

2.27 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account[1]. 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)

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)

Reference

2.28 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)

2.29 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;

(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

Reference

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 (CGU) 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 2015, which reduced the carrying amount of goodwill allocated to the China furniture CGU from $4,680,000 to $27,000. If the estimated gross margin used in the value-in-use calculation for this CGU had been 10% lower than management's estimates at 31 December 2015, the Group would have recognised a further impairment charge on goodwill of $30,000, and an impairment charge on property, plant and equipment in this CGU of $350,000[3]. The carrying amount of the property, plant and equipment in this CGU was $20,213,000 at 31 December 2015.

If the estimated weighted cost of capital used in determining the pre-tax discount rate applied to the discounted cash flows for the China furniture CGU had been 1% higher than management's estimates (for example, 14.8% instead of 13.8%) at 31 December 2015, the Group would have recognised a further impairment charge on goodwill and property, plant and equipment in this CGU of $30,000 and $250,000 respectively[3].

(b) *Uncertain tax positions*

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management 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.

Reference

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 respectively[3].

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 respectively[3].

(d) *Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management 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 higher/lower by $584,000 and $220,000 respectively[3].

(e) *Fair value estimation on unlisted securities* FRS 113(93)(h)(ii)

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 higher/lower by $196,000 and increased by $209,000 respectively[3].

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 the financial year 2015, 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 2015 financial statements, being the reclassification of the fair value loss included in the fair value reserve to profit or loss[3].

(c) *Revenue recognition*

The Group started to design and sell a line of furniture to a new customer during 2015. 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 2015. If the sale is rescinded, the Group will recognise an estimated loss of $700,000 in its 2016 financial statements, $665,000 being the reversal of 2015 profits and $35,000 being the costs for returning the inventory to the warehouse[3].

Reference

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

(d) Investment in PwC A Components (Philippines) Pte Ltd FRS 112(7(b),9(e))

Management has assessed the level of influence that the Group has on PwC A Components (Philippines) Pte Ltd (Note 51) and determined that it has significant influence even though the shareholding is below 20%, because of its representation at shareholders' meetings and contractual terms. Consequently, this investment has been classified as an associated company.

(e) Joint arrangements FRS 112(7(b),7(c))

The Company holds 60% of the voting rights of its joint arrangement, PwC JV Logistics (PRC) Co., Ltd. (Note 24). The Company has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Company's joint arrangement is structured as a limited company and provides the Company and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a joint venture.

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. FRS 1(128)

Reference

Guidance notes

Critical accounting estimates, assumptions and judgements (continued)

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(129) FRS 1(126)

4. Examples of situations which could give rise to significant judgements and assumptions are:
   - The entity has more than half of the voting rights but has no control over the entity; FRS 112(9)(a)
   - The entity has less than of the voting rights but has control (e.g. de facto control); FRS 112(9)(b)
   - Whether the entity is an agent or a principal; FRS 112(9)(c)
   - The entity does not have significant influence even though it holds 20% or more of the voting rights; FRS 112(9)(d)
   - The entity holds less than 20% of the voting rights but has significant influence; and FRS 112(9)(e)
   - Determination of the classification of joint arrangements as joint operations or joint ventures. FRS 112(7)(c)

   Entities are required to disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions). These significant judgements and assumptions include those made by the entity when changes in facts and circumstances are such that the conclusion about whether it has control, joint control or significant influence changes during the reporting period. FRS 112(7) FRS 112(8)

5. When a parent determines that it is an investment entity in accordance with paragraph 27 of FRS 110, the investment entity shall disclose information about significant judgements and assumptions it has made in determining that it is an investment entity. If the investment entity does not have one or more typical characteristics of an investment entity (see paragraph 28 of FRS 110), it shall disclose its reasons for concluding that it is nevertheless an investment entity. FRS 112(9A)

   When an entity becomes, or ceases to be, an investment entity, it shall disclose the change of investment entity status and the reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including: FRS 112(9B)

   (a) the total fair value, as of the date of change of status, of the subsidiaries that cease to be consolidated;
   (b) the total gain or loss, if any, calculated in accordance with paragraph B101 of FRS 110; and
   (c) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Reference

4. Revenue

	Group 2015 $'000	2014 $'000	Reference
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 - logistic services	**7,659**	3,929	FRS 18(35)(b)(ii)
	210,086	112,310	
Reclassification from hedging reserve (Note 38(b)(iv))[1,2]	**128**	50	FRS 107(23)(d)
Total sales	**210,214**	112,360	

Guidance notes

Revenue

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

2. The ineffectiveness on cash flow hedges should be classified consistently with the results of the trading derivatives (please refer to Note 8 to the financial statements). There is limited guidance on where such derivative gains and losses should be presented on the income statement. Such gains and losses are usually most appropriately shown within 'other operating gains and losses', or 'other operating income and expense', or as a separate line item, if the amount is significant. However, it may be appropriate to classify fair value changes in other financial statement line items after considering the nature and purpose of the derivative and the entity's risk management policy. The manner of presentation policy should be applied consistently from period to period.

Reference

5. Expenses by nature[1]

	Group 2015 $'000	Group 2014 $'000	Reference
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	
Write-down of inventories[2]	**–**	350	FRS 2(36)(e)
Reversal of inventory write-down[2]	**(200)**	–	FRS 2(36)(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 (2014: $45,000). The contingent rent was computed based on annual inflation rates published by the Singapore Department of Statistics. FRS 17(31)(c,e(i))

Guidance notes

Expenses by nature

1. This disclosure is required only 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. FRS 1(104)

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: FRS 1(97,98)

   (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) discontinued operations;
   (g) other reversals of provisions;
   (h) minimum lease payments; and
   (i) contingent rents and sub-lease payments.

Reference

6. Employee compensation

	Group 2015 $'000	Group 2014 $'000	Reference
Wages and salaries	**28,514**	11,679	
Employer's contribution to defined contribution plans[1]	**9,246**	3,717	FRS 19(46)
Termination benefits	**1,600**	–	FRS 19(171),DV
Other long-term benefits	**300**	282	
Share option expense (Note 38(b)(i))	**690**	622	FRS 102(50,51(a))
	40,350	16,300	
Less: Amounts attributable to discontinued operations	**(260)**	(800)	
Amounts attributable to continuing operations (Note 5)	**40,090**	15,500	

Guidance notes

Employee compensation

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

Reference

7. Other income[1]

FRS 1(97,98)

	Group 2015 $'000	Group 2014 $'000	Reference
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 (2014: $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 (2014: $62,000). The contingent rent was computed based on sales achieved by the lessees.

FRS 17(56)(b)

Guidance notes

Other income

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

Interest and dividend income

2. As indicated in the guidance notes 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)

Reference

8. Other gains and losses

FRS 1(97,98)

	Group 2015 $'000	Group 2014 $'000	Reference
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			FRS 107(20)(a)(ii)
- Impairment loss (Note 16)	**(575)**	–	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 exchange 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 gains and losses

Ineffectiveness on hedges

1. Please see guidance notes under Note 4 to the financial statements.

Currency exchange differences

2. Currency exchange differences arising from operating activities should form part of other gains and losses while those arising from financing activities should form part of finance expenses.

Offsetting of income and expenses

3. Consider the size, nature, incidence of the items aggregated and presented net in the Income Statement and if they are permitted to be offset.

   Offsetting is generally prohibited because it detracts from giving users a full and proper understanding of the transactions, and of other events and conditions that have occurred and assess the entity's future cash flows [FRS 1 paragraphs 32 and 33].In addition, gains and losses arising from groups of similar transactions are not reported on a net basis, unless they are immaterial [FRS 1 paragraph 35].

9. Finance expenses

	Group		Reference
	2015	2014	
	$'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
	(9,812)	(7,884)	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 exchange gains/(losses) – net	**2,578**	(1,540)	FRS 21(52)(a)
	2,610	(1,310)	
Less: Borrowing costs capitalised in investment property and property, plant and equipment	**129**	125	FRS 23(26)(a)
Finance expenses recognised in profit or loss	**(7,073)**	(9,060)	

Borrowing costs on general financing were capitalised at a rate of 6.2% per annum (2014: 5.6% per annum). FRS 23(26)(b)

Reference

10. Income taxes

(a) Income tax expense

	Group 2015 $'000	Group 2014 $'000	Reference
Tax expense attributable to profit is made up of:			FRS 12(79)
- Profit for the financial year:			
From continuing operations			
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	
From discontinued operations			
Current income tax			
- Foreign (Note 11(a))	**37**	(187)	FRS 12(81)(h)
	14,939	7,437	
- Under provision in prior financial years:			
From continuing operations			
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(a))	**37**	(187)	
	14,939	7,537	

Reference

10. Income taxes (continued)

(a) Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows: FRS 12(81)(c)

	Group 2015 $'000	Group 2014 $'000
Profit before tax from		
- continuing operations	**46,797**	26,218
- discontinued operations (Note 11(a))	**137**	(667)
	46,934	25,551
Share of loss/(profit) of associated companies and joint ventures net of tax	**174**	(145)
Profit before tax and share of loss/(profit) of associated companies and joint ventures	**47,108**	25,406
Tax calculated at tax rate of 17% (2013: 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)
- under provision of tax in prior financial years	**–**	100
- others	**11**	(14)
Tax charge	**14,939**	7,537

(b) Movement in current income tax liabilities

DV

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Beginning of financial year	**3,833**	9,595	**325**	285
Currency translation differences	**14**	316	**–**	–
Acquisition of subsidiary (Note 47(c))	**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 (2014: $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

Reference

10. Income taxes (continued)

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

Group	2015			2014			
	Before tax $'000	**Tax charge $'000**	**After tax $'000**	Before tax $'000	Tax charge $'000	After tax $'000	FRS 12(81)(a)
Fair value gains and reclassification adjustments on available-for-sale financial assets	**510**	**(92)**	**418**	88	(16)	72	FRS 1(90)
Fair value gains and reclassification adjustments on cash flow hedges	**77**	**(14)**	**63**	20	(4)	16	FRS 1(90)
Currency translation differences arising from consolidation and disposal of subsidiary	**1,134**	**–**	**1,134**	(118)	–	(118)	FRS 1(90)
Revaluation gains on property, plant and equipment	**253**	**(46)**	**207**	1,133	(239)	894	FRS 1(90)
Share of other comprehensive income of associated companies	**27**	**–**	**27**	–	–	–	FRS 1(90)
Other comprehensive income	**2,001**	**(152)**	**1,849**	1,123	(259)	864	

Reference

10. Income taxes (continued)

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

	Group	
	2015	2014
	$'000	$'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 2016. The tax expense of the Group and the Company for the financial year ended [31 December 2015] 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."

Reference

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

Following the approval of the Group's management and shareholders on 31 May 2015 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 2016. FRS 105(41)(a,b,d)

(a) The results[2] of the discontinued operations and the re-measurement of the disposal group are as follows: FRS 105(33)(b)

	Group		
	2015	2014[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	FRS 12(81)(h)(ii)
Profit/(loss) after tax from discontinued operations	**144**	(480)	
Pre-tax loss recognised on the re-measurement of disposal group to fair value less cost to sell	**(60)**	–	
Tax	**16**	–	FRS 12(81)(h)(ii)
After tax loss recognised on the re-measurement of disposal group to fair value less costs to sell	**(44)**	–	
Profit/(loss) for the year from discontinued operations	**100**	(480)	

(b) The impact of the discontinued operations on the cash flows of the Group is as follows: FRS 105(33)(c)

	Group	
	2015	2014
	$'000	$'000
Operating cash inflows[3]	**300**	790
Investing cash outflows[3]	**(103)**	(20)
Financing cash outflows[3]	**(295)**	(66)
Total cash (outflows)/inflows	**(98)**	704

Reference

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

		Group 2015 $'000	Reference
(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	

		Group 2015 $'000	Reference
(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	

In accordance with FRS 105, the assets of disposal group classified as held-for-sale and liabilities directly associated with disposal group classified as held-for-sale were written down to their fair value less costs to sell of $3,113,000. This is a non-recurring fair value which has been measured using observable inputs, being the prices for recent sales of similar businesses, and is therefore within Level 2 of the fair value hierarchy. The fair value has been measured by calculating the ratio of transaction price to annual revenue for the similar businesses and applying the average to PwC Glass Sdn Bhd.

		Group		
		2015	2014	
		$'000	$'000	
(e)	Cumulative income/(expense) recognised in other comprehensive income relating to disposal group classified as held-for-sale are as follows: - Currency translation differences	**200**	(100)	FRS 105(38)

		Company	Reference
(f)	Details of assets in non-current asset classified as held-for-sale are as follows:		FRS 105(38)
		2015	
		$'000	
	Investment in subsidiary	**1,000**	

Reference

Guidance notes

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

Comparative

1. An entity shall re-present the prior period's results for the discontinued operations. FRS 105(34)

Results of the discontinued operations and the re-measurement of the disposal group

2. The analysis of the results of the discontinued operations and the re-measurement of the disposal group shall be disclosed either in the notes or on the face of the statement of comprehensive income. This publication illustrates the disclosure when the entity elects to disclose in the notes to the financial statements. FRS 105(33)(b)

   If the entity elects to present the analysis of the results of the discontinued operations on the face of the statement of comprehensive income, the analysis should be presented in a section identified as relating to discontinued operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see FRS 105(11)).

Presentation of cash flows for discontinued operations

3. 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.

Other disclosure requirements

4. 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) FRS 105(5B)

   (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 113 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.

Reference

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		
	2015	2014	**2015**	2014	**2015**	2014	
Net profit/(loss) attributable to equity holders of the Company ($'000)	**29,376**	17,421	**70**	(336)	**29,446**	17,085	FRS 33(70)(a)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**22,454**	19,500	**22,454**	19,500	**22,454**	19,500	FRS 33(70)(b)
Basic earnings/(loss) per share ($ per share)	**1.31**	0.89	*	(0.02)	**1.31**	0.87	

(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)

Reference

12. Earnings per share (continued)

(b) Diluted earnings per share (continued)

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

	Continuing operations		Discontinued operations		Total		Reference
	2015	2014	**2015**	2014	**2015**	2014	
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*

Reference

Guidance notes

Earnings per share ("EPS")

1. If the number of ordinary or potential ordinary shares increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split before the financial statements are authorised for issue, the basic and diluted EPS for all periods presented shall be adjusted retrospectively, even when this occurs after the balance sheet date. FRS 33(64)

2. If the reporting entity discloses, in addition to basic and diluted EPS, per share amounts using another measure of net profit, such amounts shall be calculated using the weighted average number of ordinary shares determined based on FRS 33. The basic and diluted per share amount shall be disclosed in the notes to the financial statements. A reconciliation shall be provided between the measure used and a line item reported in the statement of comprehensive income. FRS 33(73)

13. Cash and cash equivalents

	Group		Company	
	2015	2014	**2015**	2014
	$'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
	22,010	36,212	**16,252**	2,977

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following: FRS 7(45)

	Group		
	2015	2014	
	$'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)	FRS 7(8)
Cash and cash equivalents per consolidated statement of cash flows	**19,160**	29,548	

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

Reference

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". FRS 7(7-9)

2. The classification of the movement of cash subjected to restriction that does not meet the definition of cash and cash equivalents would depend 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. FRS 7(6)

Cash subject to restriction

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. FRS 7(49) FRS 7(48)

   The economic substance of the restrictions should be assessed in each case. This would depend on the facts and circumstances in each case. If the funds do meet the criteria to be classified as cash and cash equivalents but the use of the funds is subject to restrictions, disclosure is required of the relevant amounts along with the commentary on their restriction. The following disclosure can be considered:

   "Included in cash and cash equivalents are bank deposits amounting to $[ ] (2014: $[ ]) 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.

Reference

13. Cash and cash equivalents (continued)

DV

Acquisition and disposal of subsidiaries

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

On 28 June 2015, 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 were[1]:

	Group 2015 $'000	Reference
Carrying amounts of assets and liabilities disposed of		
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	6,802	
Trade and other payables	(1,257)	FRS 7(40)(d)
Current income tax liabilities (Note 10(b))	(80)	FRS 7(40)(d)
Deferred income tax liabilities (Note 36)	(2,037)	FRS 7(40)(d)
Total liabilities	(3,374)	
Net assets derecognised	3,428	
Less: Non-controlling interests	(300)	
Net assets disposed of	3,128	

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

	Group 2015 $'000	Reference
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	

Reference

Guidance notes

Cash and cash equivalents

Acquisition and disposal of subsidiaries

1. 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(31,34(c))
FRS 113(93)

	Group 2015 $'000	Group 2014 $'000	
Held for trading			
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)
Designated at fair value on initial recognition			
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

1. 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)

Reference

15. Derivative financial instruments

	Group			Company			Reference
	Contract notional amount	Fair value Asset	Fair value Liability	Contract notional amount	Fair value Asset	Fair value Liability	FRS 107(31)
	$'000	$'000	$'000	$'000	$'000	$'000	
2015							
Cash-flow hedges							
- Interest rate swaps	30,324	645	–	–	–	–	FRS 107(22)(a,b)
- Currency forwards	52,120	50	(535)	–	–	–	FRS 107(22)(a,b)
Fair-value hedges							
- Currency forwards	3,200	359	(40)	2,220	266	(47)	FRS 107(22)(a,b)
Derivatives held for hedging		1,054	(575)		266	(47)	
Non-hedging instruments							
- 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)**	
2014							
Cash-flow hedges							
- Interest rate swaps	53,839	245	–	–	–	–	FRS 107(22)(a,b)
- Currency forwards	20,080	60	(255)	–	–	–	FRS 107(22)(a,b)
Fair-value hedges							
- Currency forwards	1,804	149	–	1,200	84	(47)	FRS 107(22)(a,b)
Derivatives held for hedging		454	(255)		84	(47)	
Non-hedging instruments							
- 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 2015. 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)

(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)

Reference

16. Available-for-sale financial assets

DV

	Group		Company		
	2015	2014	**2015**	2014	
	$'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(31,34(c))
FRS 113(93)(d)

	Group		Company	
	2015	2014	**2015**	2014
	$'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 2017[2]	**288**	–	**–**	–
	11,901	7,673	**1,500**	1,218
Unlisted securities				
- SGD corporate variable rate notes due 30 November 2017[2]	**5,347**	5,264	**–**	–
Total	**17,248**	12,937	**1,500**	1,218

The fair values of unlisted debt securities are based on cash flows discounted at rates based on the market interest rates adjusted for risk premiums specific to the securities (2015: 4.2%, 2014: 4.0%).

During the financial year, the Group recognised an impairment loss of $575,000 (2014: 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

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

2. 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)

Reference

17. Trade and other receivables – current

FRS 1(77,78(b))

	Group		Company		Reference
	2015	2014	**2015**	2014	
	$'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	**–**	–	
Prepayments	**200**	105	**50**	50	
Other receivables	**40**	40	**20**	15	
	19,510	16,399	**7,612**	2,166	

Certain subsidiaries of the Group have factored trade receivables with carrying amounts of $1,260,000 (2014: $1,340,000) to a bank in exchange for cash during the financial year ended 31 December 2015. 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 31 December 2017. Interest is fixed at 2.2% per annum. FRS 24(18)(b) FRS 107(31)

Notes to the Financial Statements

For the financial year ended 31 December 2015

18. Inventories

FRS 1(78)(c)
FRS 2(36)(b)

	Group		Company		
	2015	2014	**2015**	2014	
	$'000	$'000	**$'000**	$'000	
Raw materials	**7,622**	7,612	**–**	–	FRS 2(37)
Work-in-progress	**1,810**	1,796	**–**	–	FRS 2(37)
Finished/trading goods[1]	**14,826**	7,686	**2,200**	335	FRS 2(37)
	24,258	17,094	**2,200**	335	

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $37,842,000 (2014: $20,738,000). FRS 2(36(d),38)

Inventories of $1,200,000 (2014: $1,000,000) of the Group and $600,000 (2014: $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 reversed $200,000 (2014: Nil) of a previous inventory write-down in July 2014. The Group has sold all the goods that were written down to an independent retailer in China at original cost. The amount reversed has been included in "cost of sales". FRS 2(36)(f,g)

Guidance notes

Inventories

1. Separate disclosure of finished goods at fair value less costs to sell is required (e.g. commodity broker-traders who measure their inventories at fair value less costs to sell), where applicable. When such inventories are measured at fair value less costs to sell, changes in fair value less costs to sell are recognised in profit or loss in the period of the change. FRS 113(5) FRS 2(3)(b)

Reference

19. Construction contracts

	Group 2015 $'000	Group 2014 $'000	Reference
Construction contract work-in-progress[1]:			
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

1. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately. FRS 11(31)

2. The determination of amounts due to and from customers on construction contracts shall be made on a contract-by-contract basis. These balances shall not be set off against each other. These balances are monetary items in nature and will need to be translated at closing rates at the balance sheet date if they are denominated in foreign currencies. FRS 11(42) FRS 21(23)(a)

Reference

20. Trade and other receivables – non-current

FRS 1(77,78(b))

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000	Reference
Finance lease receivables (Note 21)	**600**	600	**–**	–	FRS 17(47)(a)
Other receivables					
- Loan to an associated company (Note 17)	**2,322**	1,240	**–**	–	FRS 24(18(b),24) FRS 24(19)(d)
- Loans to subsidiaries	**–**	–	**2,986**	3,100	FRS 24(19)(c)
- Staff loans (Note 22)	**200**	150	**150**	100	
- Indemnification asset (Note 47(i))	**200**	–	**–**	–	
	3,322	1,990	**3,136**	3,200	

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 2017.

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 are within Level 2 of the fair values hierarchy. The fair values and the market borrowing rates used are as follows:

FRS 107(25)
FRS 113(93(b,d),97)

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000	Borrowing rates Group 2014 %	Borrowing rates Group 2013 %	Borrowing rates Company 2014 %	Borrowing rates Company 2013 %
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	**205**	152	**155**	106	**7.5**	7.4	**7.4**	7.2

Reference

21. Finance lease receivables

FRS 17(47)(f)

The Group leases equipment to non-related parties under finance leases. The various agreements terminate between 2015 and 2020, and the non-related parties have options to extend the leases at market rates.

	Group		
	2015	2014	
	$'000	$'000	
Gross receivables due			
- Not later than one year	**236**	316	FRS 17(47)(a)
- Later than one year but within five years	**700**	600	
- Later than five years	**146**	147	
	1,082	1,063	
Less: Unearned finance income	**(326)**	(245)	FRS 17(47)(b)
Net investment in finance leases	**756**	818	

The net investment in finance leases is analysed as follows: FRS 17(47)(a)

	Group	
	2015	2014
	$'000	$'000
Not later than one year (Note 17)	**156**	218
Later than one year but within five years (Note 20)	**600**	600
	756	818

22. Staff loans

DV

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Receivables due				
- Not later than one year (Note 17)	**60**	25	**30**	20
- Later than one year but within five years (Note 20)	**200**	150	**150**	100
	260	175	**180**	120

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 2016. FRS 24(18,24)

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Not later than one year	**20**	20	**20**	20
Later than one year but within five years	**15**	35	**15**	35
	35	55	**35**	55

Reference

23. Investments in associated companies

	Company	
	2015	2014
	$'000	$'000
Equity investments at cost	**1,000**	1,000

Set out below are the associated companies of the Group as at 31 December 2015, which, in the opinion of the directors, are material to the Group. The associated companies as listed below have share capital consisting solely of ordinary shares[1], which are held directly by the Group; the country of incorporation is also their principal place of business. FRS 112(21)(b)(i)

FRS 112(21)(a)

Name of entity	Place of business/ country of incorporation	% of ownership interest
PwC A Property (Hong Kong) Limited	Hong Kong	35
PwC A Furniture Sdn Bhd	Malaysia	25

PwC A Property (Hong Kong) Limited is an investment holding company with subsidiaries holding significant real estate investments in Hong Kong. PwC A Property (Hong Kong) is a strategic partnership for the Group, providing access to new markets in Hong Kong.

PwC A Furniture Sdn Bhd markets and distributes furniture in Malaysia. PwC A Furniture Sdn Bhd provides the Group with access to expertise in efficient marketing and distribution processes for its own furniture business and access to key trends.

FRS 112(21)(b)(iii)

As at 31 December 2015, the fair value of the Group's interest in PwC A Property (Hong Kong) Limited, which is listed on the Hong Kong Stock Exchange, was $1,440,000 (2014: $1,250,000). The fair value measurement is classified within Level 1 of the fair value hierarchy. The carrying amount of the Group's interest was $776,000 (2014: $2,604,000).

There are no contingent liabilities relating to the Group's interest in the associated companies[2].

23. Investments in associated companies (continued)

Summarised financial information for associated companies

Set out below are the summarised financial information[3] for PwC A Property (Hong Kong) Limited and PwC A Furniture Sdn Bhd. FRS 112(21)(b)(ii)

Summarised balance sheet

	PwC A Property (Hong Kong) Limited As at 31 December		PwC A Furniture Sdn Bhd As at 31 December		Total As at 31 December		
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	
Current assets	**3,603**	3,439	**19,152**	18,018	**22,755**	21,457	FRS 112(B12)(b)(i)
Includes:							
- Cash and cash equivalents	**1,170**	804	**5,171**	8,296	**6,341**	9,100	FRS 112 (B13)(a)
Current liabilities	**(3,905)**	(4,193)	**(14,392)**	(22,305)	**(18,297)**	(26,498)	FRS 112(B12)(b)(iii)
Includes:							
- Financial liabilities (excluding trade payables)	**(1,088)**	(1,558)	**(8,375)**	(8,050)	**(9,463)**	(9,608)	FRS 112(B13)(b)
Non-current assets	**6,479**	10,164	**24,411**	26,196	**30,890**	36,360	FRS 112(B12)(b)(ii)
Non-current liabilities	**(5,674)**	(3,684)	**(11,971)**	(12,389)	**(17,645)**	(16,073)	FRS 112(B12)(b)(iv)
Includes:							
- Financial liabilities	**(4,941)**	(3,467)	**(9,689)**	(8,040)	**(14,630)**	(11,507)	
- Other liabilities	**(733)**	(217)	**(2,282)**	(4,349)	**(3,015)**	(4,566)	
Net assets	**503**	5,726	**17,200**	9,520	**17,703**	15,246	DV

Reference

23. Investments in associated companies (continued)

Summarised statement of comprehensive income

	PwC A Property (Hong Kong) Limited For the year ended 31 December		PwC A Furniture Sdn Bhd For the year ended 31 December		Total For the year ended 31 December		
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	
Revenue	**11,023**	15,012	**32,658**	23,880	**43,083**	38,892	FRS 112(B12)(b)(v)
Interest income[4]	**–**	–	**–**	–	**–**	–	
Expenses							
Includes:							
– Depreciation and amortisation	**(2,576)**	(1,864)	**(3,950)**	(3,376)	**(6,526)**	(5,240)	FRS 112(B13)(d)
– Interest expense	**(1,075)**	(735)	**(1,094)**	(1,303)	**(2,169)**	(2,038)	FRS 112(B13)(f)
(Loss)/Profit from continuing operations	**(5,090)**	(808)	**8,619**	1,914	**3,529**	1,106	FRS 112(B12)(b)(vi)
Income tax expense	**–**	–	**(732)**	(412)	**(732)**	(412)	
Post-tax (loss)/profit from continuing operations	**(5,090)**	(808)	**7,887**	1,502	**2,797**	694	FRS 112(B12)(b)(vi)
Post-tax profit from discontinued operations[4]	**–**	–	**–**	–	**–**	–	FRS 112(B12)(b)(vii)
Other comprehensive loss	**–**	–	**(40)**	(47)	**(40)**	(47)	FRS 112(B12)(b)(viii)
Total comprehensive (loss)/income	**(5,090)**	(808)	**7,847**	1,455	**2,757**	647	FRS 112(B12)(b)(ix)
Dividends received from associated company[4]	**–**	–	**–**	–	**–**	–	FRS 112(B12)(a)

The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of the Group's individually immaterial associated companies accounted for using the equity method: FRS 112 (21)(c), B16

	As at 31 December		
	2014 $'000	2013 $'000	
Profit/(loss) from continuing operations	**10**	(8)	FRS 112 (B16)(a)
Post-tax profit/(loss) from discontinued operations	**-**	-	FRS 112 (B16)(b)
Other comprehensive income	**2**	1	FRS 112 (B16)(c)
Total comprehensive income/(loss)	**12**	(7)	FRS 112 (B16)(d)

Reference

23. Investments in associated companies (continued)

FRS 112(B14)

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated companies.

Reconciliation of summarised financial information

FRS 112(B14)(b)

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in associated companies, is as follows:

	PwC A Property (Hong Kong) Limited As at 31 December		PwC A Furniture Sdn Bhd As at 31 December		Total As at 31 December	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Net assets At 1 January	**5,726**	6,356	**9,520**	7,822	**15,246**	14,178
(Loss)/Profit for the year	**(5,090)**	(808)	**7,887**	1,502	**2,797**	694
Other comprehensive income	**–**	–	**(40)**	(47)	**(40)**	(47)
Foreign exchange differences	**(133)**	178	**(167)**	243	**(300)**	421
At 31 December	**503**	5,726	**17,200**	9,520	**17,703**	15,246
Interest in associated companies (35%; 25%)	**176**	2,004	**4,300**	2,380	**4,476**	4,384
Goodwill	**600**	600	**420**	420	**1,020**	1,020
Carrying value	**776**	2,604	**4,720**	2,800	**5,496**	5,404
Add:						
Carrying value of individually immaterial associated companies, in aggregate					**1,512**	1,000
Carrying value of Group's interest in associated companies					**7,008**	6,404

FRS 112 (21)(c), B16

Guidance notes

Investments in associated companies

Cumulative preference shares issued by associated companies

FRS 28(37)

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

Reference

Guidance notes

Investments in associated companies (continued)

Risks associated with an entity's interests in associated companies

2. An entity is required to disclose commitments that it has relating to its associated companies separately from the amount of other commitments as specified in FRS 112(B18–B20). FRS 112(23)(a)

   In accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, unless the probability of loss is remote, contingent liabilities incurred relating to its interests in associated companies (including its share of contingent liabilities incurred jointly with other investors with significant influence over, the associated companies), is required to be disclosed separately from the amount of other contingent liabilities. FRS 112(23)(b)

Summarised financial information of associated companies

3. Summarised financial information is required for the group's interest in material associated companies. An entity is also required to disclose, in aggregate, the carrying amount of its interests in all individually immaterial associated companies that are accounted for using the equity method. An entity shall also disclose separately the aggregate amount of its share of those associated companies' profit or loss from continuing operations, post-tax profit or loss from discontinued operations, other comprehensive income, and total comprehensive income. FRS 112(21)(b)(ii) FRS 112(21)(c) FRS 112(B16)

4. Some of the line items have nil balances but have been included for illustrative purposes.

Nature, extent and financial effects of an entity's interests in associated companies

5. An entity is required to disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with significant influence over an associated company) on the ability of the associated companies to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity. FRS 112(22)(a)

6. When the financial statements of an associated company used in applying the equity method are as of a date or for a period that is different from that of the entity, an entity is required to disclose the date of the end of the reporting period of the financial statements of that associated company; and the reason for using a different date or period. FRS 112(22)(b)

7. If the entity has stopped recognising its share of losses of the associated company when applying the equity method, the entity is required to disclose the unrecognised share of losses of an associated company, both for the reporting period and cumulatively. FRS 112(22)(c)

Interest in an associated company

8. 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(38)

Reference

24. Investment in a joint venture

FRS 112(21)(a)

	Company	
	2015	2014
	$'000	$'000
Equity investment at cost	**880**	880

Set out below is the joint venture of the Group as at 31 December 2015, which, in the opinion of the directors, is material to the Group. The joint venture has share capital consisting solely of ordinary shares[1], which are held directly by the Group; the country of incorporation is also its principal place of business.

FRS 112(21)(b)(iii)

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest**
PwC JV Logistics (PRC) Co. Ltd	China	60

PwC JV Logistics (PRC) Co. Ltd provides freight forwarding and warehousing services and gives the Group access to efficient freight forwarding processes and quality warehousing service processes in China.

The Group has $100,000 (2014: $250,000) of commitments to provide funding if called, relating to its joint venture. There are no contingent liabilities relating to the Group's interest in the joint venture. PwC JV Logistics (PRC) Co. Ltd has a contingent liability relating to an unresolved legal case relating to a contract dispute with a customer. As the case is at an early stage in proceedings, it is not possible to determine the likelihood or amount of any settlement, should PwC JV Logistics (PRC) Co. Ltd be unsuccessful[2].

Summarised financial information for joint venture

Set out below is the summarised financial information[3] for PwC JV Logistics (PRC) Co. Ltd.

FRS 112(21)(b)(ii)

Reference

24. Investment in a joint venture (continued)

FRS 112(21)(a)

Summarised balance sheet

	PwC JV Logistics (PRC) Co. Ltd As at 31 December		
	2015	2014	
	$'000	$'000	
Current assets	**8,548**	5,556	FRS 112(B12)(b)(i)
Includes:			
- Cash and cash equivalents	**1,180**	780	FRS 112(B13)(a)
Current liabilities	**(10,879)**	(7,273)	FRS 112(B12)(b)(iii)
Includes:			
- Financial liabilities (excluding trade payables)	**(9,989)**	(6,547)	FRS 112(B13)(b)
- Other current liabilities (including trade payables)	**(890)**	(726)	FRS 112(B12)(b)(iii)
Non-current assets	**11,016**	10,896	FRS 112(B12)(b)(ii)
Non-current liabilities	**(7,018)**	(5,904)	
Includes:			
- Financial liabilities	**(6,442)**	(5,508)	FRS 112(B13)(c)
- Other liabilities	**(576)**	(396)	FRS 112(B12)(b)(iv)
Net assets	**1,667**	3,275	DV

Summarised statement of comprehensive income

	PwC JV Logistics (PRC) Co. Ltd For the year ended 31 December		
	2015	2014	
	$'000	$'000	
Revenue	**7,873**	23,158	FRS 112(B12)(b)(v)
Interest income	**206**	648	FRS 112(B13)(e)
Expenses			
Includes:			
- Depreciation and amortisation	**(1,455)**	(1,230)	FRS 112(B13)(d)
- Interest expense	**(3,620)**	(2,302)	FRS 112(B13)(f)
(Loss)/Profit from continuing operations	**(1,610)**	5,206	FRS 112(B12(b)(vi)
Income tax expense	**-**	(3,452)	FRS 112(B13)(g)
Post-tax (loss)/profit from continuing operations	**(1,610)**	1,754	FRS 112(B12)(b)(vi)
Post-tax profit from discontinued operations[4]	**-**	-	FRS 112(B12)(b)(vii)
Other comprehensive income	**-**	-	FRS 112(B12)(b)(viii)
Total comprehensive (loss)/income	**(1,610)**	1,754	FRS 112(B12)(b)(ix)
Dividends received from joint venture[4]	**-**	-	FRS 112(B12)(a)

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint venture.

FRS 112(B14)

Reference

24. Investment in a joint venture (continued)

FRS 112(21)(a)

Reconciliation of summarised financial information

FRS 112(B14)(b)

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in joint venture, is as follows:

	PwC JV Logistics (PRC) Co. Ltd As at 31 December	
	2015	2014
	$'000	$'000
Net assets		
At 1 January	**3,275**	1,571
(Loss)/Profit for the year	**(1,610)**	1,754
Other comprehensive income[4]	**-**	-
Foreign exchange differences	**2**	(50)
At 31 December	**1,667**	3,275
Interest in joint venture (60%)	**1,000**	1,965
Goodwill	**200**	200
Carrying value	**1,200**	2,165

Guidance notes

Investments in a joint venture

Cumulative preference shares issued by joint ventures

FRS 28(37)

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

Risks associated with an entity's interests in joint ventures

FRS 112(23)(a)

2. An entity is required to disclose commitments that it has relating to its joint ventures separately from the amount of other commitments as specified in FRS 112(B18–B20).

FRS 112(23)(b)

In accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, unless the probability of loss is remote, contingent liabilities incurred relating to its interests in joint ventures (including its share of contingent liabilities incurred jointly with other investors with joint control over, the joint ventures), is required to be disclosed separately from the amount of other contingent liabilities.

Summarised financial information of joint ventures

FRS 112(21)(b)(ii)
FRS 112(21)(c)

3. Summarised financial information is required for the group's interest in material joint ventures. In this illustration, PwC Holdings Ltd has provided the financial information for the group's interests in its only joint venture. An entity is also required to disclose, in aggregate, the carrying amount of its interests in all individually immaterial joint ventures that are accounted for using the equity method. An entity shall also disclose separately the aggregate amount of its share of those joint ventures' profit or loss from continuing operations, post-tax profit or loss from discontinued operations, other comprehensive income, and total comprehensive income.

FRS 112(B16)

Reference

Guidance notes

Investments in a joint venture (continued)

Summarised financial information of joint ventures (continued)

4. Some of the line items have nil balances but have been included for illustrative purposes.

Nature, extent and financial effects of an entity's interests in joint ventures

5. An entity is required to disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with joint control over a joint venture) on the ability of the joint ventures to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity. FRS 112(22)(a)

6. When the financial statements of a joint venture used in applying the equity method are as of a date or for a period that is different from that of the entity, an entity is required to disclose the date of the end of the reporting period of the financial statements of that joint venture; and the reason for using a different date or period. FRS 112(22)(b)

7. If the entity has stopped recognising its share of losses of the joint venture when applying the equity method, the entity is required to disclose the unrecognised share of losses of a joint venture, both for the reporting period and cumulatively. FRS 112(22)(c)

Interest in a joint venture

8. The interest in a joint venture is the carrying amount of the investment in the joint venture together with any long-term interests that, in substance, form part of the investor's net investment in the joint venture. 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 joint venture. FRS 28(38)

Notes to the Financial Statements

For the financial year ended 31 December 2015

Reference

25. Investments in subsidiaries

	Company 2015 $'000	Company 2014 $'000	
Equity investments at cost			
Beginning of financial year	**96,460**	96,460	DV
Disposals	**(1,300)**	-	
End of financial year	**95,160**	96,460	

The Group had the following subsidiaries as at 31 December 2015 and 2014:

FRS 112(10(a),12(a-c))

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of preference shares held by the Group	
			2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
			%	%	**%**	%	**%**	%	**%**	%
PwC Construction Pte Ltd	Construction of specialised equipment	Singapore	**100**	100	**100**	100	**–**	–	**–**	–
PwC Property (Singapore) Pte Ltd	Investment holding	Singapore	**100**	100	**100**	100	**–**	–	**100**	100
PwC Furniture (PRC) Co., Ltd	Sale of furniture	People's Republic of China	**85**	85	**85**	85	**15**	15	**–**	–
PwC Components (Singapore) Pte Ltd	Manufacture of component parts	Singapore	**45**	45	**45**	45	**55**	55	**–**	–
PwC Components (PRC) Co., Ltd	Manufacture of component parts	People's Republic of China	**80**	80	**80**	80	**20**	20	**–**	–
PwC Components (China) Pte Ltd	Manufacture of component parts	People's Republic of China	**70**	–	**70**	–	**30**	–	**–**	–
PwC Furniture (Philippines) Pte Ltd	Sale of furniture	The Philippines	**70**	70	**70**	70	**30**	30	**–**	–
PwC Logistics (PRC) Co., Ltd	Provision of logistics services	People's Republic of China	**–**	100	**–**	100	**–**	–	**–**	–
PwC Glass Sdn Bhd	Manufacture of glass	Malaysia	**70**	70	**70**	70	**30**	30	**–**	–

Reference

25. Investments in subsidiaries (continued)

Significant restrictions[1]

FRS 112(10)(b)(i)

Cash and short-term deposits of $1,934,000 are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Carrying value of non-controlling interests

FRS 112(12)(f)

	2015 $'000	2014 $'000
PwC Components (Singapore) Pte Ltd	**5,327**	516
PwC Components (China) Pte Ltd	**2,466**	1,200
Other subsidiaries with immaterial non-controlling interests	**459**	50
Total	**8,252**	1,766

Summarised financial information of subsidiaries with material non-controlling interests

FRS 112(12(g),B10(b))

Set out below are the summarised financial information[2] for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests[3] for the financial years ended 31 December 2015 and 2014.

Summarised balance sheet

FRS 112(18)

	PwC Components (Singapore) Pte Ltd As at 31 December		PwC Components (China) Pte Ltd As at 31 December	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Current				
Assets	**5,890**	4,828	**16,935**	14,742
Liabilities	**(3,009)**	(2,457)	**(4,514)**	(3,686)
Total current net assets	**2,881**	2,371	**12,421**	11,056
Non-current				
Assets	**3,672**	2,357	**10,008**	8,536
Liabilities	**(2,565)**	(1,161)	**(3,848)**	(1,742)
Total non-current net assets	**1,107**	1,196	**6,160**	6,794
Net assets	**3,988**	3,567	**18,581**	17,850

Reference

25. Investments in subsidiaries (continued)

Summarised income statement

	PwC Components (Singapore) Pte Ltd For the year ended 31 December		PwC Components (China) Pte Ltd For the year ended 31 December	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Revenue	**19,602**	17,883	**29,403**	26,825
Profit before income tax	**4,218**	3,007	**6,350**	6,630
Income tax expense	**(1,692)**	(1,411)	**(2,838)**	(2,667)
Post-tax profit from continuing operations	**2,526**	1,596	**3,512**	3,963
Post-tax profit from discontinued operations[4]	**-**	-	**-**	-
Other comprehensive income	**369**	(203)	**554**	495
Total comprehensive income	**2,895**	1,393	**4,066**	4,458
Total comprehensive income allocated to non-controlling interests	**1,737**	836	**1,138**	-
Dividends paid to non-controlling interests	**1,770**	550	**150**	-

Summarised cash flows

	PwC Components (Singapore) Pte Ltd 31 December 2015	PwC Components (China) Pte Ltd 31 December 2015
	$'000	$'000
Cash flows from operating activities		
Cash generated from operations	5,324	5,434
Interest paid	(90)	(500)
Income tax paid	(1,321)	(2,624)
Net cash generated from operating activities	**3,913**	**2,310**
Net cash used in investing activities	**(986)**	**(939)**
Net cash used in financing activities	**(2,517)**	**(527)**
Net increase in cash and cash equivalents	**410**	**844**
Cash and cash equivalents at beginning of year	124	752
Exchange (losses)/gains on cash and cash equivalents	42	(20)
Cash and cash equivalents at end of year	**576**	**1,576**

Reference

Guidance notes

Investments in subsidiaries

Nature and extent of significant restrictions

1. An entity is required to disclose information that enables users of its consolidated financial statements to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group. FRS 112(10(b)(i),13)

   When the financial statements of a subsidiary used in the preparation of consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements, an entity is required to disclose the date of the end of the reporting period of the financial statements of that subsidiary; and the reason for using a different date or period.

Summarised financial information of subsidiaries with material non-controlling interests

2. Summarised financial information about the assets, liabilities, profit or loss and cash flows is required for the group's subsidiaries with material non-controlling interests. FRS 112(12)(g),(B10)(b)

Transactions with non-controlling interests

3. An entity is required to present a schedule that shows the effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control. FRS 112(18)

   An illustration is as follows:

   (a) Acquisition of additional interest in a subsidiary

   On 21 April 2015, the Company acquired the remaining 5% of the issued shares of XYZ group for a purchase consideration of $1,100,000. The Group now holds 100% of the equity share capital of XYZ group. The carrying amount of the non-controlling interests in XYZ group on the date of acquisition was $300,000. The Group derecognised non-controlling interests of $300,000 and recorded a decrease in equity attributable to owners of the parent of $800,000. The effect of changes in the ownership interest of XYZ group on the equity attributable to owners of the Company during the year is summarised as follows:

	2015 $'000
Carrying amount of non-controlling interests acquired	300
Consideration paid to non-controlling interests	(1,100)
Excess of consideration paid recognised in parent's equity	(800)

Reference

Guidance notes

Investments in subsidiaries (continued)

(b) *Disposal of interest in a subsidiary without loss of control*

On 5 September 2015, the Company disposed of a 10% interest out of the 80% interest held in ABC Limited at a consideration of $1,100,000. The carrying amount of the non-controlling interests in ABC Limited on the date of disposal was $2,000,000 (representing 20% interest). This resulted in an increase in non-controlling interests of $1,000,000 and an increase in equity attributable to owners of the parent of $100,000. The effect of changes in the ownership interest of ABC Limited on the equity attributable to owners of the Company during the year is summarised as follows:

	2015
	$'000
Carrying amount of non-controlling interests disposed of	**(800)**
Consideration received from non-controlling interests	**1,100**
Excess of consideration received recognised in parent's equity	**300**

(c) *Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the year ended 31 December 2015*

	31 December 2015
	$'000
Changes in equity attributable to shareholders of the Company arising from:	
- Acquisition of additional interests in a subsidiary	(800)
- Disposal of interests in a subsidiary without loss of control	100
Net effect on parent's equity	**(700)**

4. Some of the line have nil balances but have been included for illustrative purposes.

Nature of risks associated with an entity's interests in consolidated structured entities

5. An entity is required to disclose information that enables users of its consolidated financial statements to evaluate the nature of, and changes in, the risks associated with its interests in consolidated structured entities (see FRS 112(14-17)). FRS 112(10)(b)(ii)

Reference

Guidance notes

Investments in subsidiaries (continued)

Interests in unconsolidated subsidiaries (investment entities)

6. An investment entity that, in accordance with FRS 110, is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss shall disclose that fact. For each unconsolidated subsidiary, an investment entity shall disclose details as required by FRS 112(19B)(a-c) and FRS 112(19D-G). If investment entity is the parent of another investment entity, the parent shall also provide the disclosures in FRS 112(19B)(a-c) for investments that are controlled by its investment entity subsidiary. The disclosure may be provided by including, in the financial statements of the parent, the financial statements of the subsidiary (or subsidiaries) that contain the above information. FRS 112(19A-G)

26. Investment properties

Group	Completed investment properties[2] $'000	Investment property under construction[2] $'000	Total $'000	Reference
				DV
2015				
Beginning of financial year	5,455	-	5,455	FRS 40(76)
Additions	288	-	288	FRS 40(76)(a)
Disposals	(70)	-	(70)	
Net fair value loss recognised in profit or loss (Note 8)[1]	(123)	-	(123)	FRS 40(76)(d)
End of financial year	5,550	-	5,550	
2014				
Beginning of financial year	3,165	200	3,365	
Additions	235	1,805	2,040	
Transfers to completed properties	2,005	(2,005)	-	DV
Net fair value gain recognised in profit or loss (Note 8)[1]	50	-	50	
End of financial year	5,455	-	5,455	

Investment properties are leased to non-related parties under operating leases (Note 42(c)). FRS 17(56)(c) FRS 17(57)

All 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 2015 $'000	Group 2014 $'000	Reference
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)

Reference

26. Investment properties (continued)

At the balance sheet date, the details of the Group's investment properties are as follows[3]: SGX 1207(11)(b) FRS 113(93,94(a))

Location	Description/existing use	Tenure
PwC Building, 188 Cross Street, Singapore	37-storey office building	99-year lease from 1 January 2000
Capital Square, 55 Upper Cross Street, Singapore	5-storey office building	Freehold
ABC Centre, Units #14-05 to #14-07, Connaught Road Central, Hong Kong	3 units of office space of a 50-storey office building	999-year lease from 1 January 2010

SGX 1207(11)(b)
FRS 113(93,94(a))

Fair value hierarchy - Recurring fair value measurements

FRS 113(93)(a,b)

	Fair value measurements using		
Description	Quoted prices in active markets for identical assets (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable Inputs (Level 3) $'000
31 December 2015			
- Office buildings – Singapore	-	-	4,300
- Office units – Hong Kong	-	1,250	-
31 December 2014			
- Office buildings – Singapore	-	-	4,210
- Office units – Hong Kong	-	1,245	-

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Group's properties have been 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 in this valuation approach is the selling price per square metre. FRS 113(93)(d)

Reference

26. Investment properties (continued)

Reconciliation of movements in Level 3 fair value measurement FRS 113(93)(e)

	Office building - Singapore $'000	Reference
31 December 2015		
Beginning of financial year	4,210	
Transfers to/(from) Level 3[6]	-	FRS 113(93)(e)(iv)
Additions – Subsequent expenditure on investment property	100	
Losses recognised in profit and loss, under "Other gains and losses"	(10)	FRS 113(93)(e)(i)
End of financial year	4,300	
Change in unrealised losses for assets held at the end of the financial year included in profit or loss, under "Other gains and losses"	(50)	FRS 113(93)(f)
31 December 2014		
Beginning of financial year	4,120	
Transfers to/(from) Level 3[6]	-	FRS 113(93)(e)(iv)
Additions – Subsequent expenditure on investment property	50	
Gains recognised in profit and loss, under "Other gains and losses"	40	FRS 113(93)(e)(i)
End of financial year	4,210	
Change in unrealised losses for assets held at the end of the financial year included in profit or loss, under "Other gains and losses"	10	FRS 113(93)(f)

There were no changes in valuation techniques during the year. FRS 113(93)(d)

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. FRS 113(93,(c,e(iv)))

There were no transfers into or out of fair value hierarchy levels for the financial years ended 31 December 2015 and 2014. FRS 113(93)(e)(iv)

Reference

26. Investment properties (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

FRS 113(93,(d,h(i))
FRS 113(99)

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy:

Description	Fair value at 31 December 2015 ($'000)	Valuation technique	Unobservable inputs[(#)]	Range of unobservable inputs	Relationship of unobservable inputs to fair value[4]
Office buildings – Singapore	4,300 (2014: 4,210)	Discounted cash flows	Discount rate	6.5% - 7.8% (2014: 6% - 7.2%)	The higher the discount rate, the lower the valuation.
			Terminal capitalisation rate	6.8% - 10.1% (2014: 6.2% - 9.3%)	The higher the terminal capitalisation rate, the lower the valuation.
			Average rental (per square foot per month)	$7.5 - $12 (2014: $6.2 - $11)	The higher the average rental, the higher the valuation.
			Length of lease (years)	85 (2014: 86)	The longer the length of lease in place, the higher the valuation.
			Age of building (years)	12 – 30 (2014: 11 – 29)	The higher the age of the building, the lower the valuation.

(#) There were no significant inter-relationships between unobservable inputs.

Valuation processes of the Group

FRS 113(93)(g)
FRS 113(IE65)
FRS 113(93)(i)
FRS 40(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 based on the properties' highest and best use. As at 31 December 2015 and 2014, the fair values of the properties have been determined by ABC Property Surveyors Limited.

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). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every quarter, in line with the Group's quarterly reporting dates.

Reference

26. Investment properties (continued)

Valuation processes of the Group (continued)

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO 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

Investment properties

Adjustments to fair value

1. 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)

Reconciliation of carrying amount of investment properties

2. Entities are required to present a reconciliation of the carrying amount of investment properties at the beginning and the 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. FRS 40(76) FRS 113(94)

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. SGX 1207(11)

Reference

Guidance notes

Investment properties (continued)

Quantitative sensitivity analysis of inputs used in Level 3 fair value measurements

4. FRS 113 does not explicitly require a quantitative sensitivity analysis; however, such a sensitivity analysis may be necessary in order to satisfy the requirements of FRS 1(129) in relation to sources of estimation uncertainty.

Description of valuation methodologies

IVS 2013

5. This publication illustrates investment properties measured using 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. There are other approaches commonly used for valuing properties that fall under an income approach methodology: sales comparison approach (Direct Market Comparison Approach), where properties are valued using transacted prices for similar properties with appropriate adjustment to reflect the characteristics of the properties being valued, and the income capitalisation approach, where a yield is applied to a fixed income stream.

Transfers between Levels of fair value measurement

FRS 113(93)(c,e)

6. 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. Transfers to/(from) Level 3 have been included for illustrative purposes only. For investment properties, it would be extremely rare to be quoted in an active market. As a result, most investment properties will be classified under Level 3 of the fair value hierarchy, with the exception of properties valued using transacted prices for similar properties with insignificant adjustments (e.g. homogenous units in the same building, a recently purchased building, etc.), which could be classified under Level 2. The requirement will apply for transfers between these two levels.

Investment properties not measured at fair value but for which fair value is disclosed

FRS 113(97)

7. For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, FRS 113(97) requires the entity to disclose the level within the fair value hierarchy which the fair value measurement would be categorised and a description of the valuation technique and the inputs used in the technique.

Reference

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

	Group		Reference
	2015	2014	
	$'000	$'000	
Unlisted debt securities			FRS 107(31,34(c))
- Bonds with fixed interest of 5.5% and maturity date of 31 May 2020 – Singapore	**1,650**	1,593	
- Bonds with variable interest rates and maturity date of 28 June 2017 – Singapore	**472**	–	FRS 1(65)
	2,122	1,593	FRS 107(8)(b)

The fair values of the bonds at the balance sheet date are as follows: FRS 107(25)

	Group	
	2015	2014
	$'000	$'000
Bonds with fixed interest of 5.5% and maturity date of 31 May 2020	**1,720**	1,612
Bonds with variable interest rates and maturity date of 28 June 2017	**475**	–

The fair values are based on discounted cash flows using market interest rates for an equivalent bond as at the balance sheet date, as follows: FRS 113(93)(d)

	Group	
	2015	2014
	%	%
Bonds with fixed interest of 5.5% and maturity date of 31 May 2020	**5.0**	5.2
Bonds with variable interest rates and maturity date of 28 June 2017	**6.5**	–

The fair values are within Level 2 of the fair values hierarchy.

28. Property, plant and equipment

	Freehold land $’000	Leasehold land $’000	Buildings $’000	Plant and equipment $’000	Motor vehicles $’000	Assets under construction $’000	Total $’000	Reference
								FRS 1(78)(a)
Group								
2015								
Cost or valuation								
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[6] (Note 47(c))	–	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 (Note 11(c))	–	–	–	(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)
Representing:								FRS 16(73)(a)
Cost	–	–	–	102,884	3,743	360	106,987	FRS 16(73)(a),
Valuation	8,450	22,854	59,022	–	–	–	90,326	SGX 1207(11)
	8,450	22,854	59,022	102,884	3,743	360	197,313	FRS 16(73)(d)
Accumulated depreciation and impairment losses								
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 (Note 11(c))	–	–	–	(279)	–	–	(279)	FRS 16(73)(e)(ii)
Disposals[1]	–	(34)	(86)	(550)	–	–	(670)	FRS 16(73)(e)(ii)
Revaluation adjustments[2]	–	(455)	(970)	–	–	–	(1,425)	FRS 16(73)(e)(iv)
End of financial year	–	–	–	41,671	2,031	–	43,702	FRS 16(73)(d)
Net book value								
End of financial year	**8,450**	**22,854**	**59,022**	**61,213**	**1,712**	**360**	**153,611**	

Reference

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
								FRS 1(78)(a)
Group								
2014								
Cost or valuation								
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)
Representing:								
Cost	–	–	–	84,703	2,700	–	87,403	FRS 16(73)(a)
Valuation	8,400	8,061	21,453	–	–	–	37,914	FRS16(73)(a),
	8,400	8,061	21,453	84,703	2,700	–	125,317	SGX 1207(11)
								FRS 16(73)(d)
Accumulated depreciation and impairment losses								
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**	

Reference

28. Property, plant and equipment (continued)

	Plant and equipment $'000	Motor vehicles $'000	Total $'000	
				FRS 1(78)(a)
Company				
2015				
Cost				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)
Accumulated depreciation				
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**	
2014				
Cost				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)
Accumulated depreciation				
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**	

Reference

28. Property, plant and equipment (continued)

(a) Included within additions in the consolidated financial statements are plant and equipment, and motor vehicles acquired under finance leases amounting to $400,000 (2014: Nil) and $150,000 (2014: Nil) respectively. FRS 7(43)

The carrying amounts of plant and equipment, and motor vehicles held under finance leases are $745,000 (2014: $450,000) and $130,000 (2014: Nil) respectively at the balance sheet date[4]. 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 discounted cash flow approach at the balance sheet date. These are regarded as Level 3 fair values. A description of the valuation technique and the valuation processes of the Group are provided in Note 26[5]. FRS 16(77)(a-b) SGX 1207(11) FRS 113(93)

(c) If the land and buildings stated at valuation were included in the financial statements at cost less accumulated depreciation, their net book values would be: FRS 16(77)(e)

	Group	
	2015	2014
	$'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 (2014: $75,530,000 and $390,000) (Note 31(a)). FRS 16(74)(a)

Reference

Guidance notes

Property, plant and equipment ("PPE")

Disposals

1. Disposal of PPE due to the sale of subsidiary may be included in the "Disposals" line item, as illustrated in this publication.

Revaluations

2. When an item of PPE is revalued, the accumulated depreciation at the date of the revaluation can either be: FRS 16(35)

   (a) restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or

   (b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

   Method (b) is illustrated in this publication.

3. Entities are required to perform regular subsequent revaluations unless the initial revaluations were performed before 1984 or only one-off revaluations were performed between 1 January 1984 and 31 December 1996 (both dates inclusive). In the event that an item of PPE has been revalued more than once between 1 January 1984 and 31 December 1996, the entity shall explain why the PPE shall be exempted from subsequent revaluation and obtain its independent auditor's concurrence on this. FRS 16(81)

Leased assets

4. Net carrying amount at the balance sheet date shall be disclosed for each class of assets acquired by finance lease. FRS 17(31)(a)

Fair value hierarchy disclosures

5. Please refer to guidance notes under Note 26.

Acquisition of subsidiary

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

Reference

29. Intangible assets

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Composition:				
Goodwill arising on consolidation (Note (a))	**11,468**	12,000	**–**	–
Trademark and licences (Note (b))	**12,648**	7,000	**1,000**	1,000
Computer software licences (Note (c))	**814**	600	**200**	100
	24,930	19,600	**1,200**	1,100

(a) Goodwill arising on consolidation

	Group 2015 $'000	Group 2014 $'000	Reference
			FRS 38(118)(e)
Cost			
Beginning of financial year	**12,000**	12,150	FRS 103(B67)(d)
Acquisition of subsidiary (Note 47(c))	**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)(vi)
End of financial year	**16,118**	12,000	FRS 103(B67)(d)
Accumulated impairment			
Beginning of financial year	**–**	–	FRS 103(B67)(d)
Impairment charge (Note 5)	**4,650**	–	FRS 38(118)(e)(iv) FRS 103(B67)(d)(v)
End of financial year	**4,650**	–	FRS 103(B67)(d)
Net book value	**11,468**	12,000	

Reference

29. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follows: FRS 36(134)(a)

Group

	Component parts		Furniture		Total	
	2015	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Singapore	**5,970**	5,970	**120**	120	**6,090**	6,090
People's Republic of 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)

	Component parts				Furniture			
2015	Singapore	People's Republic of China	The Philippines	Other	Singapore	People's Republic of China	The 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*

Reference

29. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

2014	Component parts				Furniture			
	Singapore	People's Republic of China	The Philippines	Other	Singapore	People's Republic of China	The 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 (2014: Nil) is included within "Administrative expenses" in the statement of comprehensive income[1]. The impairment charge has arisen from the furniture CGU in People's Republic of China following a decision to reduce the manufacturing output as a result of declining customer demand[3]. 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 2015 for the component parts CGU in Singapore, which includes 54% 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 on selling prices and a sharp decrease in demand 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 amount[2]. FRS 36(134)(f)

Reference

29. Intangible assets (continued)

(b) Trademark and licences

	Group		Company		
	2015	2014	**2015**	2014	
	$'000	$'000	**$'000**	$'000	
Cost					
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(c))	**(100)**	–	**–**	–	FRS 38(118)(e)(ii)
End of financial year	**14,028**	7,700	**1,660**	1,560	FRS 38(118)(c)
Accumulated amortisation					
Beginning of financial year	**700**	335	**560**	500	FRS 38(118)(c)
Amortisation charge					
- Continuing operations	**655**	315	**100**	60	FRS 38(118)(e)(vi)
- Discontinued operations	**25**	50	**–**	–	
End of financial year	**1,380**	700	**660**	560	FRS 38(118)(c)
Net book value	**12,648**	7,000	**1,000**	1,000	

(c) Computer software licences

	Group		Company		
	2015	2014	**2015**	2014	
	$'000	$'000	**$'000**	$'000	
Cost					
Beginning of financial year	**1,300**	1,345	**120**	120	FRS 38(118)(c)
Currency translation differences	**(32)**	(45)	**–**	–	FRS 38(118)(e)(vii)
Additions	**366**	–	**120**	–	FRS 38(118)(e)(i)
End of financial year	**1,634**	1,300	**240**	120	FRS 38(118)(c)
Accumulated amortisation					
Beginning of financial year	**700**	500	**20**	–	FRS 38(118)(c)
Amortisation charge	**120**	200	**20**	20	FRS 38(118)(e)(vi)
End of financial year	**820**	700	**40**	20	FRS 38(118)(c)
Net book value	**814**	600	**200**	100	

Reference

29. Intangible assets (continued)

(d) Amortisation expense included in the statement of comprehensive income is analysed as follows[1]: FRS 38(118)(d)

	Group	
	2015	2014
	$'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

1. These disclosures are required only for entities that present expenses by function on the face of the statement of comprehensive income. FRS 38(118)(d)

Effects of reasonably possible changes on impairment key assumptions

2. 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)

   (a) the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount;

   (b) the value assigned to the key assumption;

   (c) 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

3. Entities are required to disclose the events and circumstances that led to the recognition of impairment losses. FRS 36(130)(a)

Fair value hierarchy disclosure

4. For recoverable amounts measured at fair value less cost to sell, disclosure of the fair value hierarchy of the fair value measurement is required by FRS 113. FRS 36(130)(f)

Reference

30. Trade and other payables

FRS 1(77)

	Group		Company		Reference
	2015	2014	**2015**	2014	
	$'000	$'000	**$'000**	$'000	
Current					
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	
Non-current					
Contingent consideration payable (Note 47(e))	**350**	–	**–**	–	
Total trade and other payables	**16,791**	10,556	**707**	549	

Reference

31. Borrowings

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000	
Current					FRS 1(77)
Bank overdrafts (Note 13)	**2,650**	6,464	**3,500**	3,200	
Bank borrowings[2]	**6,754**	9,131	**–**	7,000	FRS 1(73)
Finance lease liabilities (Note 34)	**120**	75	**–**	–	
	9,524	15,670	**3,500**	10,200	FRS 1(60,69)
Non-current					
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	**–**	–	
	118,300	89,214	**78,267**	61,751	
Total borrowings[1]	**127,824**	104,884	**81,767**	71,951	FRS 1(60,69)

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows: FRS 107(31)

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
6 months or less	**2,710**	6,501	**3,500**	3,200
6 - 12 months	**6,814**	9,169	**–**	7,000
1 - 5 years	**87,995**	59,104	**48,267**	31,715
Over 5 years	**30,305**	30,110	**30,000**	30,000
	127,824	104,884	**81,767**	71,915

(a) Security granted

Total borrowings include secured liabilities of $49,557,000 (2014: $74,884,000) and $3,500,000 (2014: $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), 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)

Reference

31. Borrowings (continued)

(b) Fair value of non-current borrowings

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

	Group		Company	
	2015	2014	**2015**	2014
	$'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 113(93)(d)

	Group		Company	
	2015	2014	**2015**	2014
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%	**–**	–

The fair values are within Level 2 of the fair values hierarchy.

(c) Undrawn borrowing facilities

DV
FRS 7(50)(a)

	Group		Company	
	2015	2014	**2015**	2014
	$'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 2016. The other facilities are arranged mainly to help finance the Group's proposed expansion in Asia.

Reference

Guidance notes

Borrowings

Defaults and breaches on borrowings

1. FRS 107 requires additional disclosures in the event of defaults and breaches on borrowings. Appendix 1 Example 6 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 2015, 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 2.15(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	
	2015	2014
	$'000	$'000
Face value of convertible bonds issued on 2 January 2015	**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**	–

Reference

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 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. FRS 32 (AG32)

Early redemption or repurchase

3. 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: FRS 32 (AG34)

    - 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.

Reference

33. Redeemable preference shares

On 4 January 2011, 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 2021 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)

FRS 17(31)(b)

	Group	
	2015	2014
	$'000	$'000
Minimum lease payments due		
- Not later than one year	**164**	84
- Between one and five years	**615**	319
- Later than five years	**517**	227
	1,296	630
Less: Future finance charges	**(371)**	(180)
Present value of finance lease liabilities	**925**	450

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

FRS 17(31)(b)

	Group	
	2015	2014
	$'000	$'000
Not later than one year (Note 31)	**120**	75
Later than one year (Note 31)		
- Between one and five years	**500**	265
- Later than five years	**305**	110
	805	375
Total	**925**	450

Reference

35. Provisions

FRS 1(78)(d)

	Group		Company		
	2015	2014	**2015**	2014	
	$'000	$'000	**$'000**	$'000	
Current					FRS 1(61,69)
Warranty (Note (a))	**1,026**	2,295	**100**	210	
Restructuring (Note (b))	**1,100**	–	**–**	–	
	2,126	2,295	**100**	210	
Non-current					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		
	2015	2014	**2015**	2014	
	$'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 2015. 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 2015, following the finalisation of certain restructuring costs in the second half of 2015. The provision for restructuring is expected to be fully utilised during the first half of 2016.[2] FRS 34(26)

In conjunction with the restructuring exercise, a goodwill impairment charge of $4,650,000 is recognised (Note 29(a)). FRS 36(130)(a)

Reference

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 2017. 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 2015. The directors consider that disclosure of further details of these claims will seriously prejudice the Group's negotiating position and accordingly, further information on the nature of the obligation has not been provided. FRS 37(85)(a) FRS 37(92)

Movement in provision for legal claims is as follows:

	Group		Company		
	2015	2014	**2015**	2014[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. FRS 37(84)

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 34(26)

3. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of time value of money and the risks specific to the liability. FRS 37(45) FRS 37(47)

Reference

36. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows: FRS 12(74)

	Group		Company		
	2015	2014	**2015**	2014	
	$'000	$'000	**$'000**	$'000	
Deferred income tax assets					
- To be recovered within one year	**(647)**	(82)	**–**	–	FRS 1(61,66)
- To be recovered after one year	**(2,672)**	(3,146)	**–**	–	FRS 1(61,66)
	(3,319)	(3,228)	**–**	–	
Deferred income tax liabilities					
- To be settled within one year	**1,627**	890	**600**	559	FRS 1(61,69)
- To be settled after one year	**10,019**	7,516	**2,179**	1,492	FRS 1(61,69)
	11,646	8,406	**2,779**	2,051	

Movement in deferred income tax account is as follows: DV

	Group		Company		
	2015	2014	**2015**	2014	
	$'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	
- other comprehensive income (Note 10(c))	**152**	259	**4**	20	
- equity (Note 10(d))	307	–	401	–	FRS 12(81)(ab)
End of financial year	**8,327**	5,178	**2,779**	2,051	FRS 12(81)(a)

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 (2014: $5,244,000) and capital allowances of $400,000 (2014: $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 2016. The capital allowances will expire between 2016 and 2017. FRS 12(82) FRS 12(81)(e)

Deferred income tax liabilities of $170,000 (2014: $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 profits are permanently reinvested and amount to $2,000,000 (2014: $1,500,000) at the balance sheet date[1]. FRS 12(81)(f)

Reference

36. Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows: FRS 12(81)(g)(i) FRS 12(81)(g)(ii)

Group

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Fair value gains-net $'000	Convertible bonds $'000	Other $'000	Total $'000
2015					
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 to					
- profit or loss	436	5	21	101	563
- other comprehensive income	–	152	–	–	152
- equity	–	–	421	–	421
End of financial year	6,711	3,931	442	1,928	13,012
2014					
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
- other comprehensive income	–	259	–	–	259
End of financial year	7,381	521	–	1,083	8,985

Deferred income tax assets

	Provisions $'000	Tax losses $'000	Other $'000	Total $'000
2015				
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	(1,628)	(1,143)	(1,914)	(4,685)
2014				
Beginning of financial year	(977)	(1,500)	(1,091)	(3,568)
Currency translation differences	62	(460)	109	(289)
Charged/(credited) to				
- profit or loss	181	–	(131)	50
End of financial year	(734)	(1,960)	(1,113)	(3,807)

36. Deferred income taxes (continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Fair value gains-net $'000	Convertible bonds $'000	Total $'000
2015				
Beginning of financial year	2,014	82	–	2,096
Charged to				
- profit or loss	366	–	21	387
- other comprehensive income	–	4	–	4
- equity	–	–	421	421
End of financial year	2,380	86	442	2,908
2014				
Beginning of financial year	1,958	62	–	2,020
Charged to				
- profit or loss	56	–	–	56
- other comprehensive income	–	20	–	20
End of financial year	2,014	82	–	2,096

Deferred income tax assets

	Provisions $'000	Other $'000	Total $'000
2015			
Beginning of financial year	(41)	(4)	(45)
Charged/(credited) to			
- profit or loss	17	(81)	(64)
- equity	–	(20)	(20)
End of financial year	(24)	(105)	(129)
2014			
Beginning of financial year	(15)	6	(9)
Credited to profit or loss	(26)	(10)	(36)
End of financial year	(41)	(4)	(45)

Reference

Guidance notes

Deferred income taxes

Deferred tax on unremitted earnings of overseas subsidiaries

FRS 12(39)

1. An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

   (a) the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and

   (b) it is probable that the temporary difference will not reverse in the foreseeable future.

   As a parent controls the dividend policy of its subsidiary, it can control the timing of the reversal of such temporary differences associated with its subsidiary. However, it would often be impracticable to determine the income taxes that would be payable when the temporary difference reverses. Therefore, when the parent has determined that those profits will not be distributed in the foreseeable future the parent does not recognise a deferred tax liability. The same considerations apply to investments in branches. FRS 12(40)

Reference

37. Share capital and treasury shares

FRS 1(79,106(d))

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Share capital	Treasury shares
	'000	'000	$'000	$'000
Group and Company				
2015				
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	24,050	(975)	41,495	(1,418)
2014				
Beginning of financial year	20,000	–	32,024	–
Treasury shares purchased	–	(725)	–	(900)
End of financial year	20,000	(725)	32,024	(900

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. FRS 1(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 2015, 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.

Reference

37. Share capital and treasury shares (continued)

(a) Treasury shares

The Company acquired 1,000,000 (2014: 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 (2014: $900,000) and this was presented as a component within shareholders' equity. FRS 32(33)

The Company re-issued 750,000 (2014: Nil) treasury shares during the financial year pursuant to the PwC Employee Share Option Scheme at the exercise price of $1.31 (2014: 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:

	2015	2014
	$'000	$'000
Exercise price paid by employees	**983**	–
Value of employee services (Note 38(b)(i))	**946**	–
Less: Transaction costs	**(1)**	–
Total net consideration	**1,928**	–

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

(b) Share options

Share options were granted to key management personnel and employees with more than three years of service under the PwC Employee Share Option Scheme, which became operative on 1 January 2013.

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.

Reference

37. Share capital and treasury shares (continued)

(b) Share options (continued)

On 1 January 2015, 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 ("2015 Options"). The 2015 Options are exercisable from 1 January 2016 and expire on 31 December 2020. FRS 1(79)(a)(vii)

Movements in the number of unissued ordinary shares under option and their exercise prices are as follows: FRS 102(45)(b-d)

	← No. of ordinary shares under option →						
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year	Exercise price	Exercise period
Group and Company							
2015							
2013 Options	1,850,000	–	(100,000)	(750,000)	1,000,000	$1.31	1.1.2015 – 31.12.2018
2014 Options	1,732,000	–	(200,000)	–	1,532,000	$1.28	1.1.2016 – 31.12.2019
2015 Options	–	964,000	–	–	964,000	$2.95	1.1.2017 – 31.12.2020
	3,582,000	964,000	(300,000)	(750,000)	3,496,000		
2014							
2013 Options	2,050,000	–	(200,000)	–	1,850,000	$1.31	1.1.2015 – 31.12.2018
2014 Options	–	1,965,000	(233,000)	–	1,732,000	$1.28	1.1.2017 – 31.12.2020
	2,050,000	1,965,000	(433,000)	–	3,582,000		

Out of the unexercised options for 3,496,000 (2014: 3,582,000) shares, options for 1,000,000 (2014: Nil) shares are exercisable at the balance sheet date. Options exercised in 2015 resulted in 750,000 treasury shares (2014: Nil) being re-issued at the exercise price of $1.31 (2014: Nil) each. The weighted average share price at the time of exercise was $3.20 (2014: Nil) per share. The related transaction costs amounting to $500 (2014: 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 2015 (2014: 1 January 2014), determined using the Binomial Valuation Model, was $600,000 (2014: $780,000). The significant inputs into the model were the share price of $2.95 (2014: $1.28) at the grant date, the exercise price of $2.95 (2014: $1.28), standard deviation of expected share price returns of 30% (2014: 27%), dividend yield of 10% (2014: 8%), the option life shown above and the annual risk-free interest rate of 5% (2014: 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))

Reference

38. Other reserves

FRS 1(106)(d)

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000	Reference
(a) Composition:					
Share option reserve	**1,636**	1,892	**1,636**	1,892	
Capital reserve	**488**	–	**394**	–	
Fair value reserve	**572**	127	**96**	130	
Hedging reserve	**87**	24	**62**	12	
Currency translation reserve	**2,958**	2,376	**–**	–	
Equity component of convertible bonds	**1,685**	–	**1,685**	–	
Asset revaluation reserve	**2,202**	2,000	**–**	–	
	9,628	6,419	**3,873**	2,034	
(b) Movements:					
(i) Share option reserve					FRS 1(106)(d)
Beginning of financial year	**1,892**	1,270	**1,892**	1,270	
Employee share option scheme					
- Value of employee services (Note 6)	**690**	622	**690**	622	
- Share options exercised (Note 37(a))	**(946)**	–	**(946)**	–	
End of financial year	**1,636**	1,892	**1,636**	1,892	
(ii) 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	**488**	–	**394**	–	
(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)
	582	72	**(28)**	75	FRS 1(91)
Share of associated companies' fair value gains on available-for-sale financial assets, net of tax	**27**	–	**–**	–	
Reclassification to profit or loss (Note 8)	**(200)**	–	**(7)**	–	FRS 107(20)(a)(ii)
Tax on reclassification	**36**	–	**1**	–	FRS 12(81)(a)
	(164)	–	**(6)**	–	FRS 1(91)
End of financial year	**572**	127	**96**	130	

Reference

38. Other reserves (continued)

(b) Movements (continued):

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000	Reference
(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)	FRS 107(23)(d)
Reclassification to inventories	**(60)**	(40)	**–**	–	FRS 107(23)(e)
Reclassification to property, plant and equipment	**(50)**	–	**–**	–	FRS 107(23)(e)
Tax on reclassification adjustments	**61**	79	**2**	2	FRS 12(81)(a)
	(279)	(315)	**(8)**	(7)	
End of financial year	**87**	24	**62**	12	
(v) Currency translation reserve					FRS 1(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**	–	
Tax on liability component (Note 10(d))	**(421)**	–	**(421)**	–	FRS 12(81)(a)
End of financial year	**1,685**	–	**1,685**	–	

Reference

38. Other reserves (continued)

(b) Movements (continued):

	Group		Company		
	2015	2014	**2015**	2014	
	$'000	$'000	**$'000**	$'000	FRS 1(106)(d)
(vii) Asset revaluation reserve [3]					
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-distributable[4]. FRS 1(106)(d)

Guidance notes

Other reserves

Borrowings designated as net investment hedges

1. 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

2. 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")

3. 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

4. The amount of reserves that are distributable will depend on the Articles of Association of the company subject to any regulatory restrictions.

Reference

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(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 (2014: $255,000) and the amount of $1,418,000 (2014: $900,000) utilised to purchase treasury shares. Retained profits of the Company are distributable except for the amount of $1,418,000 (2014: $900,000) utilised to purchase treasury shares. FRS 1(79)(a)(v)

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

	Company	
	2015	2014
	$'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

Reference

40. Dividends[1]

	Group	
	2015	2014
	$'000	$'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 52.41 cents (2014: 78.68 cents) per share (Note 39)	**10,102**	15,736

FRS 1(107)

At the Annual General Meeting on 5 April 2016, a final dividend of 43.34 cents per share amounting to a total of $10,000,705 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 2016.

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

Guidance notes

Dividends

1. It shall be noted that no dividend may be paid, and no other distribution (whether in cash or otherwise) of the company's assets may be made, to the company in respect of its treasury shares.

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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 $16,000,0 00 (2014: Nil) at the balance sheet date.

(b) Contingent assets

In respect of the disposal of PwC Logistics Pte Ltd ("PwC Logistics") on 28 June 2015 (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 2016 exceeds $200,000.

FRS 37(89)

Reference

42. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies (Note 23) and investment in a joint venture (Note 24), are as follows:

	Group		Company		
	2015	2014	**2015**	2014	
	$'000	$'000	**$'000**	$'000	
Property, plant and equipment	**4,193**	4,117	**800**	600	FRS 16(74)(c)
Intangible assets	**460**	474	**200**	100	FRS 38(122)(e)
	4,653	4,591	**1,000**	700	

(b) Operating lease commitments – where the Group is a lessee

The Group leases land, factories and warehouses from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights[1]. 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: FRS 17(35)(a)

	Group		
	2015	2014	
	$'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)
	73,425	83,629	

Reference

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		
	2015	2014	
	$'000	$'000	
Not later than one year	**348**	52	FRS 17(56)(a)(i)
Between one and five years	**182**	–	FRS 17(56)(a)(ii)
	530	52	

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)

Reference

43. Financial risk management[1]

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 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 (2014: $3,154,000) and a fair value of $2,577,000 (2014: $3,121,000) at the balance sheet date.

FRS 107(33)(a,b)
FRS 107(22)(c)
FRS 107(22)(b)

Reference

43. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows[2]: FRS 107(31,34(a,c))

	SGD	USD	RMB	Other	Total
	$'000	$'000	$'000	$'000	$'000
At 31 December 2015					
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
	47,677	28,760	14,196	7,432	98,065
Financial liabilities					
Borrowings	(80,182)	(30,982)	(11,250)	(5,410)	(127,824)
Payables to subsidiaries[8]	(15,507)	(5,351)	(2,310)	(100)	(23,268)
Other financial liabilities	(4,876)	(6,801)	(2,384)	(2,213)	(16,274)
	(100,565)	(43,134)	(15,944)	(7,723)	(167,366)
Net financial liabilities	(52,888)	(14,374)	(1,748)	(291)	(69,301)
Add: Net non-financial assets of foreign subsidiaries	151,140	25,354	15,127	12,920	204,541
Net assets	98,252	10,980	13,379	12,629	135,240
Add: Firm commitments and highly probable forecast transactions in foreign currencies[3]	6,000	45,568	22,444	(5,698)	68,314
Less: Currency forwards[3]	(4,000)	(32,040)	(12,540)	1,395	(47,185)
Currency profile including non-financial assets and liabilities[3]	100,252	24,508	23,283	8,326	156,369
Currency exposure of financial (liabilities)/ assets net of those denominated in the respective entities' functional currencies[3]	*	**(11,800)**	**(1,333)**	**–**	**(13,133)**

* *Less than $1,000*

Reference

43. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows[2] (continued):

	SGD	USD	RMB	Other	Total
	$'000	$'000	$'000	$'000	$'000
At 31 December 2014					
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 liabilities[3]	72,624	7,723	18,700	(185)	98,862
Currency exposure of financial (liabilities)/ assets net of those denominated in the respective entities' functional currencies[3]	*	**(15,750)**	**100**	**–**	**(15,650)**

* *Less than $1,000*

Reference

43. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows[2] (continued):

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

	2015			2014		
	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
	27,018	**1,432**	**28,450**	6,804	2,707	9,511
Financial liabilities						
Borrowings	**(81,767)**	**–**	**(81,767)**	(33,200)	(38,751)	(71,951)
Other financial liabilities	**(655)**	**(52)**	**(707)**	(470)	(79)	(549)
	(82,422)	**(52)**	**(82,474)**	(33,670)	(38,830)	(72,500)
Net financial (liabilities)/ assets	**(55,404)**	**1,380**	**(54,024)**	(26,866)	(36,123)	(62,989)
Add: Net non-financial assets 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 liabilities[3]	**42,596**	**3,312**	**45,908**	30,636	4,319	34,955
Currency exposure of financial (liabilities)/ assets net of those denominated in the respective entities' functional currencies[3]	**–**	**(840)**	**(840)**	–	(37,323)	(37,323)

Reference

43. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD and RMB change[4] against the SGD by 6%[5] (2014: 2%[6]) and 6%[5] (2014: 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)			
	2015		2014	
	Profit after tax	**Other comprehensive income**	Profit after tax	Other comprehensive income
	$'000	**$'000**	$'000	$'000
Group				
USD against SGD				
- Strengthened	**(891)**	**183**	(349)	34
- Weakened	**891**	**(183)**	349	(34)
RMB against SGD				
- Strengthened	**(80)**	**–**	4	–
- Weakened	**80**	**–**	(4)	–
Company				
USD against SGD				
- Strengthened	**(50)**	**–**	(746)	–
- Weakened	**50**	**–**	746	–

Reference

Guidance notes

Financial risk management – currency risk (continued)

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 FRS 107(34)(a)

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

Quantitative disclosures on currency risk – factors considered

3. This publication illustrates the disclosure where management has monitored the entity's currency risk exposure, taking into consideration (a) financial assets/liabilities denominated in the respective entities' functional currencies; (b) firm commitments and highly probable forecast transactions in foreign currencies; (c) the effects of currency forwards used for hedges and held for trading; and (d) net non-financial assets of foreign subsidiaries. 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: FRS 107 AppB19

   (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).

Reference

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 2015, if the USD had strengthened/weakened by [ ]% (2014: [ ]%) 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 $[ ] (2014: $[ ]) and $[ ] (2014: $[ ]) 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 $[ ] (2014: $[ ]) and $[ ] (2014: $[ ]), as a result of currency translation gains/losses on the remaining USD-denominated financial instruments……"

   Where the impact to profit after tax and/or other comprehensive income is 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 AppB23

Reference

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 is 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.

Reference

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% (2014: 6%) and 14% (2014: 6%) respectively with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been: FRS 107((40), AppB25-28)

	Increase/(Decrease)			
	2015		2014	
	Profit after tax	**Other comprehensive income**	Profit after tax	Other comprehensive income
	$'000	**$'000**	$'000	$'000
Group				
Listed in Singapore				
- increased by	**720**	**1,584**	198	434
- decreased by	**(720)**	**(1,584)**	(198)	(434)
Listed in the United States				
- increased by	**526**	**408**	180	88
- decreased by	**(712)**	**(222)**	(200)	(68)
Company				
Listed in Singapore				
- increased by	**–**	**186**	–	60
- decreased by	**–**	**(186)**	–	(60)

Reference

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 been higher/lower by 0.50% (2014: 0.50%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by $44,000 (2014: $77,000) and $18,000 (2014: $51,000) as a result of higher/lower interest expense on these borrowings. Other comprehensive income would have been higher/lower by $313,000 (2014: $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.

Reference

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[4], except as follows: FRS 107(36)(a,b)

	Company	
	2015	2014
	$'000	$'000
Corporate guarantees provided to banks on subsidiaries' loans	**16,000**	–

The trade receivables of the Group and of the Company comprise 5 debtors (2014: 5 debtors) and 3 debtors (2014: 3 debtors) respectively that individually represented 5 – 10% of trade receivables. FRS 107(34)(c)

The credit risk for trade receivables based on the information provided to key management is as follows: FRS 107(34)(a)

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
By geographical areas[2]				
Singapore	**7,770**	7,217	**3,680**	1,569
China	**4,800**	3,800	**2,432**	512
The Philippines	**2,224**	1,000	**–**	–
Other countries	**2,125**	2,509	**1,400**	–
	16,919	14,526	**7,512**	2,081
By types of customers[2]				
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

Reference

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 class[1] of financial assets that is past due and/or impaired except for trade receivables. DV

The age analysis of trade receivables past due but not impaired is as follows: FRS 107(37)(a)

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Past due < 3 months	**3,320**	1,772	**1,350**	704
Past due 3 to 6 months	**1,446**	654	**500**	205
Past due over 6 months	**270**	154	**150**	66
	5,036	2,580	**2,000**	975

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows[3]: FRS 107(16,37(b))

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Past due 3 to 6 months	**320**	200	**80**	40
Past due over 6 months	**480**	400	**120**	40
	800	600	**200**	80
Less: Allowance for impairment	**(509)**	(470)	**(100)**	(50)
	291	130	**100**	30
Beginning of financial year	**470**	438	**50**	40
Currency translation difference	**(2)**	1	**–**	–
Allowance made	**74**	61	**58**	17
Allowance utilised	**(33)**	(30)	**(8)**	(7)
End of financial year	**509**	470	**100**	50

The impaired trade receivables arise mainly from sales to a customer which has suffered significant losses in its operations. Certain goods sold to this customer amounting to $108,000 can be re-possessed[4]. FRS 107(37)(b) FRS 107(36)(b)

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)

Reference

Guidance notes

Financial risk management – credit risk (continued)

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 holds collateral against a financial asset, the maximum exposure to credit risk in respect of that financial asset is likely to be lower than the carrying amount. FRS 107(38)

   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:

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

Nature of assets	*Carrying amount ($'000)*
Inventories	*20*
Property, plant and equipment	*1,290*

   Repossessed items are sold as soon as practicable, with the proceeds used to reduce outstanding receivables. They are presented within "other current assets" on the balance sheet."

Reference

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(c)) 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 flows[1]. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

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 2015				
Trade and other payables	(15,820)	(350)	–	–
Borrowings	(14,545)	(25,931)	(83,981)	(34,223)
At 31 December 2014				
Trade and other payables	(10,234)	–	–	–
Borrowings	(18,560)	(23,276)	(47,174)	(35,967)

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 2015				
Trade and other payables	(707)	–	–	–
Borrowings	(8,160)	(4,450)	(63,350)	(33,900)
Financial guarantee contracts	(16,000)	–	–	–
At 31 December 2014				
Trade and other payables	(549)	–	–	–
Borrowings	(12,762)	(35,606)	(5,850)	(35,850)

FRS 107 AppB11C(c)

Reference

43. Financial risk management (continued)

(c) Liquidity risk (continued)

The Group intends to repay $15,000,000 in the first quarter of 2016 for borrowings that are contractually repayable between two to five years (2014 : Nil).[3] FRS 107 AppB10A(a)

The table below analyses the derivative financial instruments of the Group and the Company for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. FRS 107(39)(b)

Group	Less than 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 2015				
Net-settled interest rate swaps				
- Cash flow hedges[2]				
- Net cash outflows	(30)	(30)	(47)	–
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	18,108	5,201	–	–
- Payments	(18,482)	(5,121)	–	–
At 31 December 2014				
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	8,023	4,912	–	–
- Payments	(8,278)	(4,960)	–	–

FRS 107(39)(b)

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 2015				
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	1,123	99	–	–
- Payments	(1,170)	(110)	–	–
At 31 December 2014				
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 2015				
Net-settled currency forwards				
- Held for trading	(100)	–	–	–

FRS 107(39)(b)

Reference

Guidance notes

Financial risk management – liquidity risk

Contractual undiscounted cash flows

1. Irrespective of whether they are reported to key management, a maturity analysis should be disclosed for: FRS 107(39)(a,b)

   (a) the non-derivative financial liabilities (including issued financial guarantee contracts) that show the remaining contractual maturities; and
   (b) 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 AppB11B

   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:

   (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.

   It should be noted that some derivatives may entail a series of periodic payments, and some of these payments may be due within 12 months, although the entire derivative may be classified as non-current on the balance sheet as the final maturity of the derivative instrument exceeds 12 months.

   The amounts disclosed in the maturity analysis are contractual undiscounted cash flows of <u>financial liabilities only</u>, e.g.: FRS 107 AppB11D

   (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.

   Contractual cash flows are <u>undiscounted</u> and 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. <u>Entities can choose to add a column with the carrying amount that ties into the balance sheet and a reconciling amount column if they so wish, but this is not mandatory.</u>

Reference

Guidance notes

Financial risk management – liquidity risk (continued)

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: FRS 107 AppB11

   (a) When a counterparty has a choice of when an amount is to be paid, the liability is included on the basis of the earliest date on which the reporting entity can be required to pay. FRS 107 AppB11C
   (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.

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% (2014: 70%). The Group's and the Company's strategies, which were unchanged from 2014, are to maintain gearing ratios within 45% to 50% and 60% to 70% respectively. FRS 1(135)(a) FRS 1(135)(c)

Reference

43. Financial risk management (continued)

(d) Capital risk (continued) FRS 1(135),IG10

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)(b)

	Group		Company	
	2015	2014	**2015**	2014
	$'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 2014 and 2015. FRS 1(135)(d)

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. FRS 1 IG10
2. An entity may be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may also operate in several jurisdictions. When an aggregate disclosure will not provide useful information, the entity shall disclose separate information for each capital requirement to which the entity is subject. FRS 1(136)
3. The word "capital" denotes the company's overall funding; it does not mean "equity capital".

Reference

43. Financial risk management (continued)

(e) Fair value measurements

The table below presents assets and liabilities measured and carried 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); FRS 113(76)

(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 FRS 113(81)

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)[1]. FRS 113(86)

See Note 11 for disclosure of the disposal group classified as held-for-sale that are measured at fair value. See Note 26 for disclosure of the investment properties that are measured at fair value. See Note 28 for disclosure of the property, plant and equipment that are measured at fair value. FRS 113(93)(b)

FRS 113(93)(b)

Group **2015**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
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
Liabilities				
Contingent consideration payable	–	–	350	350
Derivative financial instruments	–	575	–	575
Total liabilities	–	575	350	925
2014				
Assets				
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
Liabilities				
Derivative financial instruments	–	284	–	284

Reference

43. Financial risk management (continued)

(e) Fair value measurements (continued)

Company	Level 1	Level 2	Level 3	Total
2015	$'000	$'000	$'000	$'000
Assets				
Derivative financial instruments	–	266	–	266
Available-for-sale financial assets	1,500	–	–	1,500
Total assets	1,500	266	–	1,766
Liabilities				
Derivative financial instruments	–	47	–	47
2014				
Assets				
Derivative financial instruments	–	84	–	84
Available-for-sale financial assets	1,218	–	–	1,218
Total assets	1,218	84	–	1,302
Liabilities				
Derivative financial instruments	–	47	–	47

There were no transfers between Levels 1 and 2 during the year. FRS 113(93)(c)

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[2]. These instruments are included in Level 1. FRS 113(91)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows[3]. 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. FRS 113(93)(d)

Reference

43. Financial risk management (continued)

(e) Fair value measurements (continued)

The following table presents the changes in Level 3 instruments: FRS 113(93e)

	Derivatives $'000	Available-for-sale financial assets $'000	Contingent consideration $'000	Total $'000
2015				
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)
2014				
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 the financial year	–	–	–	–

FRS 113(93)(e)(i)

During the financial year ended 31 December 2015, 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 resulting in a significant increase in the discount rate due to increased counterparty credit risk which is not based on observable inputs. FRS 113(93)(e)(iv)

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values[2]. 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 carrying amounts of current borrowings approximate their fair values. FRS 107(29)(a)

Reference

Guidance notes

Financial risk management – Fair value measurements

Sensitivity analysis

1. 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 113(93)(h)(ii)

Financial instruments carried at other than fair value

2. An entity should disclose the fair value for each class of financial assets and financial liabilities (per FRS 107(6)) in a way that permits it to be compared with its carrying amount. Fair values do not need to be disclosed for the following: FRS 107(6) FRS 107(29)(a) FRS 107(29)(c)

   (a) when the carrying amount is a reasonable approximation of fair value;

   (b) investments in equity instruments (and derivatives linked to such equity instruments) that do not have a quoted market price in an active market and that are measured at cost in accordance with FRS 39 because their fair value cannot be measured reliably; and

   (c) a contract containing a discretionary participation feature (as described in FRS 104, '*Insurance contracts*') where the fair value of that feature cannot be measured reliably.

3. The information about the fair values can be provided either in a combined financial instruments note or in the individual notes. However, fair values should be separately disclosed for each class of financial instrument, which means that each line item in the table would have to be broken down into individual classes. FRS 113(97)

4. For each class of assets and liabilities not measured at fair value in the balance sheet but for which fair value is disclosed, an entity shall disclosed the information required as follows: FRS 113(93)(b)

   (a) the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3); FRS 113(93)(d)

   (b) for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (e.g. changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. However an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorised within Level 3 of the fair value hierarchy required by FRS 113(93)(d); and FRS 113(93)(i)

   (c) for recurring and non-recurring fair value measurements of non-financial asset, if its highest and best use differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use.

Reference

Guidance notes

Financial risk management – Fair value measurements (continued)

Financial instruments measured at cost where fair value cannot be determined reliably

5. If the fair value of investments in unquoted equity instruments, derivatives linked to such equity instruments or a contract containing a discretionary participation feature (as described in FRS 104 '*Insurance contracts*') cannot be measured reliably, the entity should disclose: FRS 107(30)

(a) the fact that fair value information has not been disclosed because it cannot be measured reliably;
(b) a description of the financial instruments, their carrying amount and an explanation why fair value cannot be measured reliably;
(c) information about the market for the instruments; and
(d) information about whether and how the entity intends to dispose of the financial instruments.

43. Financial risk management (continued)

(f) Financial instruments by category FRS 107(6)

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

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Financial assets at fair value through profit or loss				
- Held for trading	**10,257**	8,436	**–**	–
Loans and receivables	**43,058**	53,308	**26,950**	8,293
Financial liabilities at amortised cost	**144,185**	115,380	**82,314**	72,500

43. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities[1] FRS 107(13C)

(i) Financial assets

The Group has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet[3]		
	Gross amounts - financial assets	Gross amounts - financial liabilities	Net amounts - financial assets presented in the balance sheet	Financial assets/ (liabilities)	Financial collateral received	Net amount
	(a)[2]	*(b)*[2]	*(c) = (a)-(b)*[2]	*(di)*[2]	*(dii)*[2]	e = (c)+(d)[2]
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2015						
Derivative financial assets	2,039	(575)	1,464	(263)	-	1,201
Trade receivables	6,104	(2,089)	4,015	-	-	4,015
Total	8,143	(2,664)	5,479	(263)	-	5,216
At 31 December 2014						
Derivative financial assets	848	(284)	564	(188)	-	376
Trade receivables	3,875	(784)	3,091	-	-	3,091
Total	4,723	(1,068)	3,655	(188)	-	3,467

Reference

43. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities[1] (continued)

(i) Financial assets (continued)

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet[3]		
	Gross amounts - financial assets	Gross amounts - financial liabilities	Net amounts - financial assets presented in the balance sheet	Financial assets/ (liabilities)	Financial collateral received	Net amount
	(a)[2]	*(b)*[2]	*(c) = (a)-(b)*[2]	*(di)*[2]	*(dii)*[2]	*f = (c)+(d)*[2]
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2015						
Derivative financial assets	313	(47)	266	(24)	-	242
Total	313	(47)	266	(24)	-	242
At 31 December 2014						
Derivative financial assets	131	(47)	84	(13)	-	71
Total	131	(47)	84	(13)	-	71

Reference

43. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities[1] (continued)

FRS 107(13C)

(ii) Financial liabilities

The Group has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet[3]		
	Gross amounts - financial liabilities	Gross amounts - financial assets	Net amounts - financial liabilities presented in the balance sheet	Financial assets/ (liabilities)	Financial collateral pledged	Net amount
	(a)[2]	*(b)*[2]	*(c) = (a)-(b)*[2]	*(di)*[2]	*(dii)*[2]	*e = (c)+(d)*[2]
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2015						
Derivative financial liabilities	1,150	(575)	575	(263)	-	312
Trade payables	2,089	(2,089)	-	-	-	-
Total	3,239	(2,664)	575	(263)	-	312
At 31 December 2014						
Derivative financial liabilities	568	(284)	284	(188)	-	96
Trade payables	784	(784)	-	-	-	-
Total	1,352	(1,068)	284	(188)	-	96

Reference

43. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities[1] (continued) FRS 107(13C)

(ii) Financial liabilities (continued)

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet[3]		
	Gross amounts - financial liabilities	Gross amounts - financial assets	Net amounts - financial liabilities presented in the balance sheet	Financial assets/ (liabilities)	Financial collateral pledged	Net amount
	(a)[2]	*(b)*[2]	*(c) = (a)-(b)*[2]	*(di)*[2]	*(dii)*[2]	*f = (c)+(d)*[2]
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2015						
Derivative financial liabilities	94	(47)	47	(24)	-	23
Total	94	(47)	47	(24)	-	23
At 31 December 2014						
Derivative financial liabilities	94	(47)	47	(13)	-	34
Total	94	(47)	47	(13)	-	34

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group or the Company and their respective counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

Reference

Guidance notes

Commentary – disclosure of offsetting of financial assets and financial liabilities

1. Amendments to FRS 107, '*Disclosure – Offsetting financial assets and financial liabilities*' require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The disclosures in these amendments are required for all recognised financial instruments that are set off in accordance with paragraph 42 of FRS 32. These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with paragraph 42 of FRS 32 [FRS 107 paragraph 13A, B40]. The amendments do not provide a definition of "master netting arrangement" however paragraph 50 of FRS 32 identifies the following characteristics, which a master netting arrangement would have: FRS 107(13C)

   (a) provides for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract.
   (b) used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations.
   (c) Creates a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

   Because of the broad scope of the new offsetting requirements, these disclosures are relevant not only to financial institutions but also corporate entities.

   Per FRS 107 paragraphs B51 and B52, entities may group the quantitative disclosures by type of financial instrument or by counterparty. The above example only illustrates the disclosures by type of financial instrument. When disclosure is provided by counterparty, amounts that are individually significant in terms of total counterparty amounts shall be separately disclosed and the remaining individually insignificant counterparty amounts shall be aggregated into one line item.

Guidance notes

Offsetting of financial assets and financial liabilities

2. To meet the objective in paragraph 13B, an entity shall disclose, at the end of the reporting period, the following quantitative information separately for recognised financial assets and recognised financial liabilities that are within the scope of paragraph 13A: FRS 107(13C)

   (a) The gross amounts of those recognised financial assets and recognised financial liabilities;

   (b) The amounts that are set off in accordance with the criteria in paragraph 42 of FRS 32 when determining the net amounts presented in the statement of financial position;

   (c) The net amounts presented in the statement of financial position;

   (d) The the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b), including:
   i. amounts related to recognised financial instruments that do not meet some or all of the offsetting critieria in paragraph 42 of FRS 32; and
   ii. amounts related to financial collateral (including cash collateral); and

   (e) the net amount after deducting the amounts in (d) from the amounts in (c).

   The information required by this paragraph shall be presented in a tabular format, separately for financial assets and financial liabilities, unless another format is more appropriate.

3. These amounts are not set off in the balance sheet as the agreements do not meet some or all of the offsetting criteria in FRS 32.

4. Alternatively, the information required by guidance notes 2 above may be presented in the following format:

31 December 2015 ($'000)	Derivative financial assets	Derivative financial liabilities	Trade receivables	Trade payables
Gross amount	2,039	1,150	6,104	2,089
Less: Gross amount set off in balance sheet	(575)	(575)	(2,089)	(2,089)
Net amount presented in balance sheet	1,464	575	4,015	–
Less: related amount not set off in balance sheet[2]	(263)	(263)	–	–
Less: financial collateral received / pledged	–	–	–	–
Net exposure	(1,201)	312	4,015	–

Reference

Guidance notes

Offsetting of financial assets and financial liabilities (continued)

FRS 107(13C)

4. Alternatively, the information required by guidance notes 2 above may be presented in the following format (continued):

31 December 2014 ($'000)	Derivative financial assets	Derivative financial liabilities	Trade receivables	Trade payables
Gross amount	848	568	3,875	784
Less: Gross amount set off in balance sheet	(284)	(284)	(784)	(784)
Net amount presented in balance sheet	564	284	3,091	–
Less: related amount not set off in balance sheet[2]	(188)	(188)	–	–
Less: financial collateral received / pledged	–	–	–	–
Net exposure	376	96	3,091	–

The Company has the following financial instruments subject to enforceable master netting arrangements and similar agreements:

31 December 2015 ($'000)	Derivative financial assets	Derivative financial liabilities
Gross amount	313	94
Less: Gross amount set off in balance sheet	(47)	(47)
Net amount presented in balance sheet	266	47
Less: related amount not set off in balance sheet[2]	(24)	(24)
Less: financial collateral received/pledged	–	–
Net exposure	242	23

31 December 2014 ($'000)	Derivative financial assets	Derivative financial liabilities
Gross amount	131	94
Less: Gross amount set off in balance sheet	(47)	(47)
Net amount presented in balance sheet	84	47
Less: related amount not set off in balance sheet[2]	(13)	(13)
Less: financial collateral received/pledged	–	–
Net exposure	71	34

Reference

44. Immediate and ultimate holding corporations[1]

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

1. 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)

Reference

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 2015 $'000	Group 2014 $'000	Reference
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**	–	

Other related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members. FRS 24(9)

Outstanding balances at 31 December 2015, 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(18)(b)(i)

Reference

Guidance notes

Related party transactions (continued)

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.

45. Related party transactions (continued)

(b) Key management personnel compensation FRS 24(17)

Key management personnel compensation is as follows:

	Group		
	2015	2014	
	$'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

Reference

46. Segment information[1]

The Executive Committee ("Exco") is the Group's chief operating decision-maker. The Exco comprises the Chief Executive Officer, the Chief Financial Officer, and the heads of each business within each primary geographic segment. Management has determined the operating segments based on the reports reviewed by the Exco that are used to make strategic decisions, allocate resources, and assess performance. FRS 108(22)(a)

The Exco considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the three primary geographic areas namely, Singapore, People's Republic of China and the Philippines. From a business segment perspective, management separately considers the manufacture, sale, and construction activities in these geographic areas. All the geographic areas are engaged in the manufacture and sale of electronic component parts. FRS 108(22)(b)

In addition, the Singapore derives revenue from construction of specialised equipment, while The People's Republic of China and the Philippines geographic areas derive revenues from the sale of household and office furniture.

Although the Exco receives separate reports for furniture retail and wholesale businesses, they have been aggregated into one reportable segment as they have similar economic growth rates. FRS 108(22)(aa)

Other segments included manufacture and sale of electronic component parts in Thailand, sale of furniture in the Vietnam and Malaysia, investment holding and provision of logistic services in Singapore and People's Republic of China. These are not included within the reportable operating segments, with the exception of Thailand, as they are not separately reported to the Exco. The results of these operations are included in the "all other segments" column. Although the Thailand segment does not meet the quantitative thresholds required by FRS 108 for reportable segments, management has concluded that this segment should be reported, as it is closely monitored by the strategic steering committee as a potential growth region and is expected to materially contribute to Group revenue in the future. FRS 108(16)

Reference

46. Segment information (continued)

In the prior year, the Group carried out glass manufacturing operations in Malaysia.

However, this was discontinued in the current year (see Note 11).

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

	Singapore		People's Republic of China		The Philippines		Thailand			
	Component parts $'000	Construction $'000	Component Parts $'000	Furniture $'000	Component Parts $'000	Furniture $'000	Component Parts $'000	All other segments $'000	Total for continuing operations $'000	
2015										
Sales										
Total segment sales	87,928	29,808	59,682	39,355	2,845	25,737	1,054	7,605	254,014	FRS 108(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	1,054	7,605	210,214	FRS 108(23,33(a))
Adjusted EBITDA[1]	25,858	11,341	17,000	12,729	840	8,316	109	697	76,890	FRS 108(23)
Depreciation	6,248	2,255	4,221	2,789	202	1,859	22	79	17,675	FRS 108(23)(e)
Amortisation	384	–	258	–	13	–	9	111	775	FRS 108(23)(e)
Goodwill impairment	–	–	–	4,650	–	–	–	–	4,650	FRS 36(129)(a)
Restructuring costs	–	–	–	1,100	–	–	–	–	1,100	FRS 108(23)(i)
Share of loss of associated companies	–	–	–	–	20	–	–	154	174	FRS 108(23)(g)
Segment assets[2]	51,103	35,581	83,023	39,919	5,637	26,086	890	9,892	252,131	FRS 108(23)
Segment assets includes:										
Investment in associated companies and joint venture	–	–	–	–	–	–	–	8,208	8,208	FRS 108(24)(a)
Additions to:										
- property, plant and equipment	1,999	1,250	70,314	1,427	810	1,005	250	844	77,899	FRS 108(24)(b)
- investment property	288	–	–	–	–	–	–	–	288	FRS 108(24)(b)
- intangible assets	1,121	–	8,259	–	1,219	–	80	393	11,072	FRS 108(24)(b)
Segment liabilities[2]	(7,471)	(2,532)	(6,101)	(2,047)	(288)	(1,365)	(123)	(645)	(20,572)	FRS 108(23)

Reference

46. Segment information (continued)

	Singapore		People's Republic of China		The Philippines		Thailand			
	Component parts $'000	Construction $'000	Component Parts $'000	Furniture $'000	Component Parts $'000	Furniture $'000	Component Parts $'000	All other segments $'000	Total for continuing operations $'000	
2014										
Sales										
Total segment sales	77,194	16,527	25,601	15,621	2,274	6,214	380	4,049	147,860	FRS 108(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	380	4,049	112,360	FRS 108(23,33(a))
Adjusted EBITDA[1]	13,230	6,341	9,574	7,729	760	6,715	33	373	44,755	FRS 108(23)
Depreciation	3,064	1,389	1,162	1,398	1,057	932	45	535	9,582	FRS 108(23)(e)
Amortisation	235	–	89	42	81	28	–	40	515	FRS 108(23)(e)
Share of profit of associated companies	–	–	–	–	–	–	–	145	145	FRS 108(23)(g)
Segment assets[2]	40,493	28,213	26,964	59,596	2,785	29,397	893	9,601	197,942	FRS 108(23)
Segment assets includes:										
Investment in associated companies and joint venture	–	–	–	–	–	–	–	8,569	8,569	FRS 108(24)(a)
Additions to:										
- property, plant and equipment	2,324	530	882	420	801	280	15	259	5,511	FRS 108(24)(b)
- investment property	2,040	-	-	-	-	-	-	-	2,040	FRS 108(24)(b)
- intangible assets	399	–	151	–	138	–	–	2,040	2,728	FRS 108(24)(b)
Segment liabilities[2]	(5,247)	(802)	(1,781)	(3,300)	(211)	(2,200)	(82)	(818)	(14,441)	FRS 108(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. FRS 108(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)

Reference

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)

Description of segments

3. Entities shall disclose factors used to identify its reportable segments, including the basis of organisation, and types of products and services from which each reportable segment derives its revenues. From 1 July 2014, they must also disclose the judgements made by management in applying the aggregation criteria of the standard, including a description of the aggregated segments and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics. FRS 108 (22)(aa)

46. Segment information (continued)

(a) Reconciliations

(i) Segment profits FRS 108(28)(b)

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

	2015 $'000	2014 $'000
Adjusted EBITDA for reportable segments	**76,193**	44,382
Adjusted EBITDA for other segments	**697**	373
Depreciation	**(17,675)**	(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. FRS 108(27)(c)

Reference

46. Segment information (continued)

(a) Reconciliations (continued)

(ii) Segment assets (continued)

Segment assets are reconciled to total assets as follows:

	2015 $'000	2014 $'000
Segment assets for reportable segments	**242,239**	188,341
Other segment assets	**9,892**	9,601
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. FRS 108(27)(d)

Segment liabilities are reconciled to total liabilities as follows:

	2015 $'000	2014 $'000
Segment liabilities for reportable segments	**19,927**	13,623
Other segment liabilities	**645**	818
Unallocated:		
Liabilities associated with disposal group	**220**	–
Current income tax liabilities	**2,942**	3,833
Deferred income tax liabilities	**11,646**	8,406
Borrowings	**127,824**	104,884
Derivative financial instruments	**575**	284
	163,779	131,848

Reference

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: FRS 108(32)

	2015 $'000	2014 $'000
Sales for continuing operations		
Component parts	**116,455**	76,027
Furniture	**55,292**	15,377
Construction	**29,808**	16,527
Others	**8,659**	4,429
	210,214	112,360

(c) Geographical information

The Group's three business segments operate in four main geographical areas: FRS 108(33)

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the manufacture and sale of electronic component parts, construction of specialised equipment, and investment holding;
- People's Republic of China – the operations in this area are principally the sale of furniture, manufacture and sale of electronic component parts and provision of logistics services;
- 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.

FRS 108(33)(a)

	Sales for continuing operations	
	2015 $'000	2014 $'000
Singapore	**103,420**	73,894
People's Republic of China	**84,749**	31,298
The Philippines	**19,020**	6,468
Other countries	**3,025**	700
	210,214	112,360

Reference

46. Segment information (continued)

(c) Geographical information (continued)

FRS 108(33)(b)

	Non-current assets	
	2015	2014
	$'000	$'000
Singapore	**82,406**	79,133
People's Republic of China	**88,736**	35,603
The Philippines	**24,163**	18,340
Other countries	**316**	428
	195,621	133,504

Revenues of $23,460,000 (2014: $20,478,000) are derived from a single external customer. These revenues are attributable to the Singapore manufacture and sale of component parts segment. FRS 108(34)

47. Business combinations

On 1 October 2015, 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),(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)

Reference

47. Business combinations (continued)

(c) Identifiable assets acquired and liabilities assumed

FRS 103 AppB64(i)
FRS 7(40)(d)

	At fair value $'000
Cash and cash equivalents	300
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	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 47(h))	(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)
Add: Goodwill (Note 29(a), 47(k))	4,259
Consideration transferred for the business	**13,800**

FRS 103 AppB64(o)(i)

(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),(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 2016 to 30 September 2018.

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. This is a Level 3 fair value measurement.

Reference

47. Business combinations (continued)

(f) Acquired receivables

The fair value of trade and other receivables is $1,585,000 and includes trade receivables with a fair value of $1,510,000. The gross contractual amount for trade receivables due is $1,680,000, of which $170,000 is expected to be uncollectible. FRS 103 AppB64(h)

(g) Provisional fair values[4]

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. FRS 103 AppB67(a)

(h) Contingent liability

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 2017. 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 2015, 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. FRS 103 AppB64(j), FRS 103 AppB67(c) FRS 37(84,85)

(i) Indemnification asset[3]

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

(j) Non-controlling interests

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. This is a Level 3 fair value measurement. The fair value estimates are based on: FRS 103 AppB64(o)

- 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.

Reference

47. Business combinations (continued)

(k) Goodwill

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. FRS 103 AppB64(e)

(l) Revenue and profit contribution

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 2015 to 31 December 2015. FRS 103 AppB64(q)

Had PwC China been consolidated from 1 January 2015, consolidated revenue and consolidated profit for the year ended 31 December 2015 would have been $230,214,000 and $35,276,000 respectively.

Guidance notes

Business combinations

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)

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.

Reference

48. Events occurring after balance sheet date

On 25 February 2016, 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 2019. FRS 10(21)

On 1 March 2016, the Group acquired an additional 40% interest in PwC Vietnam Limited, 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 2016. Details of the assets acquired and liabilities assumed, non-controlling interest that will be recognised, revenue and profit contribution of PwC Vietnam 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 Vietnam will be consolidated with effect from 1 March 2016.[1] 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 authorised for issue, in which case the acquirer shall describe which disclosures could not be made and the reasons why.

Reference

49. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published[1], and are relevant for the Group's accounting periods beginning on or after 1 January 2016 and which the Group has not early adopted: FRS 8(30)(a-b)

- FRS 16 *Property plant and equipment* and FRS 38 Intangible assets (effective for annual periods beginning on or after 1 Janurary 2016)

  This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

  The amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 111 *Joint Arrangements* (effective for annual periods beginning on or after 1 Janurary 2016)

  This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

  This amendment is not expected to have any significant impact on the financial statements of the Group.

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

- FRS 110 *Consolidated financial statements* and FRS 28 *Investments in associates and joint ventures* (effective for annual periods beginning on or after 1 January 2016*)

  These amendments address an inconsistency between FRS 110 and FRS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

  This amendment is not expected to have any significant impact on the financial statements of the Group.

  **In August 2015, the IASB has published an Exposure Draft to propose deferring the effective date of the amendment indefinitely. Earlier application of the amendment continues to be permitted. No deferral has been made for similar amendment to FRS 110 and FRS 28 as at the date of this publication.*

- FRS 1 *Presentation of financial statements* (effective for annual periods beginning on or after 1 January 2016)

  This amendment clarifies guidance in FRS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

  This amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2017*)

  This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  This amendment is not expected to have any significant impact on the financial statements of the Group.

  **The effective date of IFRS 15 Revenue from contracts with customers has been deferred from 1 January 2017 to 1 January 2018. No such deferral has been made for FRS 115 Revenue from contracts with customers as at the date of this publication.*

Reference

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

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

  The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39.

  For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required by is different to that currently prepared under FRS 39.

  This amendment is not expected to have any significant impact on the financial statements of the Group.

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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 authorisation 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 2015. 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.

Reference

Guidance notes

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

FRS 8(30)

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:

   - Amendments to FRS 16 *Property plant and equipment* and FRS 41 *Agriculture* (Agriculture: Bearer plants)

     The amendments move bearer plants, which are solely used to grow produce over their productive lives, from the scope of FRS 41 *Agriculture to FRS 16 Property, plant and equipment.*
     (Disclose 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 Ltd on 19 March 2016. FRS 10(17)

Reference

51. Listing of significant[1] companies in the Group

SGX 715-718

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2015 %	Equity holding 2014 %
Significant subsidiaries				
PwC Construction Pte Ltd[(a)]	Construction of specialised equipment	Singapore	**100**	100
PwC Property (Singapore) Pte Ltd[(a)]	Investment holding	Singapore	**100**	100
PwC Furniture (PRC) Co., Ltd[(d)]	Sale of furniture	People's Republic of China	**85**	85
PwC Components (Singapore) Pte Ltd[(a),(h)]	Manufacture of component parts	Singapore	**45**	45
PwC Components (PRC) Co., Ltd[(d)]	Manufacture of component parts	People's Republic of China	**80**	80
PwC Components (China) Pte Ltd[(d),(g)]	Manufacture of component parts	People's Republic of China	**70**	70
PwC Furniture (Philippines) Pte Ltd[(b)]	Sale of furniture	The Philippines	**70**	70
PwC Logistics (PRC) Co., Ltd[(d)]	Provision of logistics services	People's Republic of China	**–**	100
PwC Glass Sdn Bhd[(c)]	Manufacture of glass	Malaysia	**70**	70
Significant joint venture				
PwC JV Logistics (PRC) Co., Ltd[(d),(f)]	Provision of logistics services	People's Republic of China	**60**	60
Significant associated companies				
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
PwC A Components (Philippines) Pte Ltd[(b)]	Manufacture of component parts	The Philippines	**15**	–

(a) *Audited[2] by PricewaterhouseCoopers LLP, Singapore(i)*

(b) *Audited[2] by Isla Lipana & Co[3], Philippines(i)*

(c) *Audited[2] by Tan & Co[3], Malaysia*

(d) *Audited[2] by Great Wall CPA Company Limited[3], People's Republic of China*

(e) *Not required to be audited[2] 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* FRS 112(9)(a)

(g) *Acquired during the financial year[4]* FRS 112(10)(a),CA 200(1)

(h) *Deemed to be a subsidiary as the Group has the ability to nominate a majority of the directors of the subsidiary.* FRS 112(9)(b)

(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.*

Reference

Guidance notes

Listing of significant companies in the Group

1. The term "significant" is not defined in FRS. However, in the SGX-ST Listing Manual, a subsidiary or associated company is considered significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits. In the absence of a formal definition in FRS, it is preferable to adopt this definition set out in the SGX-ST Listing Manual. SGX 718

2. Companies listed on the Singapore Exchange are also required to disclose name(s) of auditing firm(s) of its significant subsidiaries and associated companies. It is a good practice for listed companies to inform the auditing firm(s) that their name(s) will be disclosed in the financial statements. SGX 717

3. It shall be noted that under the SGX-ST Listing Manual, an issuer may appoint different auditors for its subsidiaries or significant associated companies provided that: SGX 716

   (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. CA 200(1)

Others Disclosures

Additional Disclosure Requirements
- Additional requirements of Singapore Exchange Securities Trading Listing Manual
- Shareholders’ information at 12 March 2016

Additional Illustrative Disclosures
- Appendix 1
- Appendix 2

Additional Disclosure Requirements

For the financial year ended 31 December 2015

Reference

Additional requirements of Singapore Exchange Securities Trading Listing Manual

(a) Corporate information

Company secretary SGX 1207(1)
S.M. Barker

Registered office SGX 1207(2)
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

Share registrar SGX 1207(3)
Independent Registry Firm
10 Collyer Quay #19-00
Ocean Building Singapore 049315

Auditor SGX 713
PricewaterhouseCoopers LLP
8 Cross street #17-00
PWC Building Singapore 048424
Audit Partner : XXXX
Year of appointment : 2013

(b) Material contracts[1] SGX 1207(8)

In 2015, 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 (2014: $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 2015 (2014: 4% below the normal price).

(c) Directors' remuneration[2] SGX 1207(12-15)

Please refer to information disclosed in Section (B) of the Corporate Governance Report.

Additional Disclosure Requirements

For the financial year ended 31 December 2015

Reference

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

(d) Auditors' fees[3]

	2015	2014	
	$'000	$'000	
Auditor's remuneration paid/payable to[3]:			DV
- Auditor of the Company	**440**	386	
- Other auditors*	**410**	358	
Other fees paid/payable to[3]:			SGX 1207(6)(a)
- Auditor of the Company	**125**	120	
- Other auditors*	**210**	212	
	1,185	1,076	

**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 auditors.

(f) Review of the provision of non-audit services by the auditors[5]

The Audit Committee has undertaken a review of non-audit services provided by the auditor[5] and they would not, in the Audit Committee's opinion, affect their independence. — SGX 1207(6)(c)

(g) Internal controls[7]

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 2015

Reference

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

(h) Properties of the Group — SGX 1207(11)(a)

Major properties held for development

Location	Description	Intended Use	Stage of completion	Expected date of completion	Site area (sq m)	Gross floor area (sq m)	Group's effective interest in the property
Upper Thomson Road	3-storey building	Commercial	20%	June 2016	400	1,122	100%

Major properties held for investment — SGX 1207(11)(b)

Location	Description	Existing Use	Tenure	Unexpired term of lease
Cairnhill, Singapore	Apartment unit	Residential	Freehold	–
Jurong East, Singapore	2-storey apartment unit	Residential	Leasehold	95
Tampines, Singapore	5-storey building	Commercial	Leasehold	70

(i) Interested person transactions — SGX 1207(17), SGX 907

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 each)			
Name of interested person	Transactions not conducted under shareholders' mandate pursuant to Rule 920		Transactions conducted under shareholders' mandate pursuant to Rule 920	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'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 2015

Reference

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(12)

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 capitalised 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' statement 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)

Additional Disclosure Requirements

For the financial year ended 31 December 2015

Reference

Guidance notes

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

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)

Shareholders' information as at 12 March 2016[1]

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

SGX 1207(9)(b)

	No. of shareholders	%	No. of ordinary shares	%
No. of ordinary shares held				
1 – 99	1,035	17.67	85,540	0.36
100-1000	3,401	58.08	2,945,920	12.25
1,001 – 10,000	1,402	23.94	4,966,760	20.65
10,001 – 1,000,000	14	0.24	431,145	1.79
1,000,001 and above	4	0.07	15,620,635	64.95
	5,858	100.00	24,050,000	100.00

Substantial shareholders

SGX 1207(9)(c)

As shown in the Register of Substantial Shareholders:

	← Number of ordinary shares		→
	Direct interests	Deemed interests	Beneficial interests
PwC Corporate Limited	7,130,825	–	7,130,825
Mr David Grey	1,270,000	1,500,000	2,770,000
Mr Sandoz Wood	3,609,905	–	3,609,905
Sun Holdings (Pte) Ltd	3,609,905	–	3,609,906

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.

Reference

Shareholders' information as at 12 March 2016[1] (continued)

Twenty largest ordinary shareholders

SGX 1207(9)(d)

As shown in the Register of Members and Depository Register:

	No. of ordinary shares	%
PwC Corporate Limited	7,130,825	29.65
Mr Sandoz Wood	3,609,905	15.01
Sun Holdings (Pte) Ltd	3,609,905	15.01
Mr David Grey	2,770,000	11.52
MacPherson Investments Pte Ltd	103,415	0.43
Mr Ang Boon Chew	97,000	0.40
Sembawang Private Ltd	36,075	0.15
Mr Soh Koh Hong	26,455	0.11
Sommerset Holdings Pte Ltd	26,455	0.11
Geylang Investments Co Pte Ltd	24,050	0.10
Tanglin Halt (Pte) Ltd	21,645	0.09
Changi Holdings Pte Ltd	14,430	0.06
Ms Tham Lee Keng	14,430	0.06
Padang Consolidated Ltd	14,430	0.06
Whitley Investments Ltd	14,430	0.06
Cairnhill Co Pte Ltd	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 2016, approximately 22.11% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

SGX 1207(9)(e)

Guidance notes

Shareholders' information

1. Shareholders' information shall be made up to a date not earlier than one month from the date of notice of the annual general meeting or summary financial statements, whichever is earlier.

SGX 1207(9)

Additional Illustrative Disclosures

Reference

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	2015 $'000	2014 $'000	Reference
Continuing operations				
Sales	4	**210,214**	112,360	FRS 1(82)(a)
Other income	7	**3,898**	1,166	FRS 1(102)
Other gains and losses	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 and joint ventures		**(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 operations		**31,895**	18,494	
Discontinued operations				FRS 1(82)(ea)
Profit/(loss) from discontinued operations	11	**100**	(480)	FRS 105(33)(a)
Total profit		**31,995**	18,014	
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				FRS 1(82A)
Available-for-sale financial assets				
-Fair value gains		**110**	72	
-Reclassification		**308**	–	
Cash flow hedges				
-Fair value gains		**342**	331	
-Reclassification		**(279)**	(315)	
Share of other comprehensive income of associated companies	23	**27**	–	
Currency translation differences arising from consolidation				
-Gains/(losses)		**2,334**	(118)	
-Reclassification		**(1,200)**	–	
		1,642	(30)	
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gains on property, plant and equipment		**207**	894	
Other comprehensive income, net of tax	10(c)	**1,849**	864	
Total comprehensive income		**33,844**	18,878	

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

	Note	2015 $'000	2014 $'000	Reference
Profit attributable to:				FRS 1(81B)(a)
Equity holders of the Company		**29,446**	17,085	
Non-controlling interest		**2,549**	929	
		31,995	18,014	
Total comprehensive income attributable to:				FRS 1(81B)(b)
Equity holders of the Company		**30,738**	17,836	
Non-controlling interest		**3,106**	1,042	
		33,844	18,878	
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company ($ 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			FRS 33(68)
- From continuing operations		**1.16**	0.87	
- From discontinued operations		*	(0.02)	

** Less than $0.01*

Reference

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	2015 $'000	2014 $'000	Reference
Continuing operations				
Sales	4	**210,214**	112,360	FRS 1(82)(a)
Cost of sales		**(77,366)**	(46,682)	FRS 1(103)
Gross profit		**132,848**	65,678	FRS 1(103)
Other income	7	**3,898**	1,166	FRS 1(103)
Other gains and losses	8	**(1,383)**	(1,611)	
Expenses				
- Distribution and marketing		**(52,140)**	(19,993)	FRS 1(103)
- Administrative		**(29,179)**	(10,107)	FRS 1(103)
- Finance	9	**(7,073)**	(9,060)	FRS 1(82)(b)
Share of (loss)/profit of associated companies and joint ventures		**(174)**	145	FRS 1(82)(c)
Profit before income tax		**46,797**	26,218	
Income tax expense	10(a)	**(14,902)**	(7,724)	FRS 1(82)(d)
Profit from continuing operations		**31,895**	18,494	
Discontinued operations				
Profit/(loss) from discontinued operations	11	**100**	(480)	FRS 1(82)(ea)
Total profit		**31,995**	18,014	FRS 105(33)(a)
Attributable to:				
Equity holders of the Company		**29,446**	17,085	FRS 1(81B)(a)
Non-controlling interests		**2,549**	929	
		31,995	18,014	
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company ($ 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			FRS 33(68)
- From continuing operations		**1.16**	0.87	
- From discontinued operations		*	(0.02)	

** Less than $0.01*

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	**2015 $'000**	2014 $'000	Reference
Profit for the year		**31,995**	18,014	
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				FRS 1(82A)
Available-for-sale financial assets				
- Fair value gains		**110**	72	
- Reclassification		**308**	–	
Cash flow hedges				
- Fair value gains		**342**	331	
- Reclassification		**(279)**	(315)	
Share of other comprehensive income of associated companies	23	**27**	–	
Currency translation differences arising from consolidation				
- Gains/(losses)		**2,334**	(118)	
- Reclassification		**(1,200)**	–	
		1,642	(30)	
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gains on property, plant and equipment		**207**	894	
Other comprehensive income, net of tax	10(c)	**1,849**	864	
Total comprehensive income		**33,844**	18,878	
Total comprehensive income attributed to:				
Equity holders of the Company		**30,738**	17,836	FRS 1(81B)(b)
Non-controlling interest		**3,106**	1,042	
		33,844	18,878	

Reference

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	2015 $'000	2014 $'000	Reference
Continuing operations				
Sales	4	**210,214**	112,360	FRS 1(82)(a)
Other income	7	**3,898**	1,166	FRS 1(102)
Other gains and losses	8	**(1,383)**	(1,611)	
Expenses				
- Purchases of inventories		**(59,401)**	(23,688)	FRS 1(102)
- Amortisation, depreciation and impairment	5	**(23,100)**	(10,097)	FRS 1(102)
- Employee compensation	6	**(40,090)**	(15,500)	FRS 1(102)
- Sub-contractors charges		**(12,400)**	(7,700)	
- Advertising		**(10,871)**	(6,952)	
- Rental on operating leases		**(10,588)**	(8,697)	FRS 17(35)(c)
- Research		**(473)**	(200)	FRS 38(126)
- Transportation		**(7,763)**	(5,876)	
- Reversal of inventory write-down/(inventory write-down)		**200**	(350)	FRS 2(36)(e,f)
- Finance	9	**(7,073)**	(9,060)	FRS 1(82)(b)
- Other		**(1,478)**	(672)	
Changes in inventories and construction contract work-in-progress		**7,279**	2,950	FRS 1(102)
Total expenses		**(165,758)**	(85,842)	
Share of (loss)/profit of associated companies and joint ventures		**(174)**	145	FRS 1(82)(c)
Profit before income tax		**46,797**	26,218	
Income tax expense	10(a)	**(14,902)**	(7,724)	FRS 1(82)(d)
Profit from continuing operations		**31,895**	18,494	
Discontinued operations				FRS 1(82)(ea)
Profit/(loss) from discontinued operations	11	**100**	(480)	FRS 105(33)(a)
Total profit		**31,995**	18,014	
Attributable to:				
Equity holders of the Company		**29,446**	17,085	FRS 1(81B)(a)
Non-controlling interests		**2,549**	929	
		31,995	18,014	
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company ($ 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			FRS 33(68)
- From continuing operations		**1.16**	0.87	
- From discontinued operations		*****	(0.02)	

** Less than $0.01*

Reference

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	2015 $'000	2014 $'000	Reference
Profit for the year		**31,995**	18,014	
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				FRS 1(82A)
Available-for-sale financial assets				
- Fair value gains		**110**	72	
- Reclassification		**308**	–	
Cash flow hedges				
- Fair value gains		**342**	331	
- Reclassification		**(279)**	(315)	
Share of other comprehensive income of associated companies	23	**27**	–	
Currency translation differences arising from consolidation				
- Gains/(losses)		**2,334**	(118)	
- Reclassification		**(1,200)**	–	
		1,642	(30)	
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gains on property, plant and equipment		**207**	894	
Other comprehensive income, net of tax	10(c)	**1,849**	864	

Example 2: 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	**2015** **$'000**	31 December 2014 (restated) $'000	1 January 2014 (restated) $'000	FRS 1(54,77) SGX 1207(5)(a) SGX 1207(5)(b)
ASSETS					
Current assets					FRS 1(60)
Cash and cash equivalents	13	**22,010**	36,212	31,221	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	
Asset of disposal group classified as held-for-sale					
	11	**3,333**	-	-	FRS 105(38)
Non-current assets		**83,177**	79,276	79,104	FRS 1(54)(j)
Derivative financial instruments					FRS 1(60)
Available-for-sale financial assets	15	**395**	112	215	FRS 1(54)(d)
Trade and other receivables	16	**15,298**	12,291	10,958	FRS 1(54)(d)
Investments in associated companies	20	**3,322**	1,990	2,512	FRS 1(54)(h)
Investment in joint venture	23	**7,008**	6,404	8,133	FRS 1(54)(e)
Investment properties	24	**1,200**	2,165	-	
Held-to-maturity financial assets	26	**5,550**	5,455	3,365	FRS 1(54)(b)
Property, plant and equipment	27	**2,122**	1,593	-	FRS 1(54)(d)
Intangible assets	28	**153,611**	97,890	104,328	FRS 1(54)(a)
Deferred income tax assets	29	**24,930**	19,600	19,966	FRS 1(54)(c)
	36	**3,319**	3,228	1,578	FRS 1(54)(o)
Total assets		**216,755**	150,728	151,055	
		299,932	230,004	230,159	
LIABILITIES					
Current liabilities					
Trade and other payables					FRS 1(60)
Current income tax liabilities	30	**16,441**	10,556	5,767	FRS 1(54)(k)
Derivative financial instruments	10	**2,942**	3,833	9,595	FRS 1(54)(n)
Borrowings	15	**440**	240	300	FRS 1(54)(m)
Provisions	31	**9,524**	15,670	12,131	FRS 1(54)(m)
	35	**2,126**	2,295	2,120	FRS 1(54)(l)
Liabilities of disposal group classified as held-for-sale		**31,473**	32,594	29,913	FRS 105(38)
	11	**220**	-	-	FRS 1(54)(p)
Non-current liabilities		**31,693**	32,594	29,913	
Trade and other payables					FRS 1(60)
Derivative financial instruments	30	**350**	-	91	FRS 1(54)(k)
Borrowings	15	**135**	44	2,320	FRS 1(54)(m)
Deferred income tax liabilities	31	**118,300**	89,214	95,606	FRS 1(54)(m)
Provisions	36	**11,646**	8,406	5,040	FRS 1(54)(o)
	35	**1,655**	1,585	1,342	FRS 1(54)(l)
Total liabilities		**132,086**	99,249	104,399	
NET ASSETS		**163,779**	131,843	134,312	
		136,153	98,161	95,847	
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital					
Treasury shares	37	**41,495**	32,024	32,024	FRS 1(78)(e)
Other reserves	37	**(1,418)**	(900)	-	FRS 1(78)(e)
Retained profits	38	**9,628**	6,419	5,046	FRS 1(78)(e)
	39	**78,196**	58,852	57,503	FRS 1(78)(e)
Non-controlling interests		**127,901**	96,395	94,573	FRS 1(54)(r)
Total equity		**8,252**	1,766	1,274	FRS 1(54)(q)
		136,153	98,161	95,847	

Example 2: Third balance sheet disclosure under FRS 1R on reclassification (continued)

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

The effects of the restatement are as below:

Group

	2015 $'000	2014 (restated) $'000	2013[1] (restated) $'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

1. FRS 1 (revised) *Presentation of Financial Statements* requires an additional balance sheet to be presented as at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. No notes are required to support this additional balance sheet. FRS 1(10(f),40C)

   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. FRS 1(7)

Reference

Example 3: Revenue recognition – multi-element arrangements

Extracts of significant accounting policies:

Revenue recognition

Multiple-element arrangements FRS 18(13)

The Group offers certain arrangements where a customer can purchase certain electronic equipment, together with a two-year maintenance contract. When such multiple-element arrangements exist, the amount recognised as revenue upon the sale of the equipment is the fair value of the equipment in relation to the fair value of the arrangement taken as a whole and is recognised when the equipment is delivered and the customer accepted the delivery. The revenue relating to the service element, which represents the fair value of the maintenance arrangement in relation to the fair value of the arrangement taken as a whole, is recognised over the maintenance period evenly. The fair value of each element is determined based on the current market price when the elements are sold separately.

Where the Group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the Group determines the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration. To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

Reference

Example 4: Provision for dismantlement, removal and restoration

Extracts of significant accounting policies:

Property, plant and equipment

Measurement

Components of costs FRS 16(16)(c)

"……….The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories."

Provisions

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated. FRS 37(14)

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value. FRS 37(36)

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately. INT FRS 101(5)

Extracts of notes to the financial statements:

Dismantlement, removal or restoration of property, plant and equipment FRS 37(85)(a)

The Group uses various chemicals in the manufacture of component parts. A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that $[ ] will be used during 2016 and $[ ] during 2017. Total expected costs to be incurred are $[ ] (2014: $[ ]).

Movement in this provision is as follows:

	Group		Company		
	2015	2014	**2015**	2014	
	$'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)

Reference

Example 5: Post-employment benefits – pension and medical benefits

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(8) FRS 19(51)

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(8)

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(57) FRS 19(67) FRS 19(83)

Actuarial gains and losses[1] arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise. FRS 19(75)

Past service costs are recognised immediately in profit or loss. FRS 19(103)

Additional Illustrative Disclosures

Example 5: Post-employment benefits – pension and medical benefits (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 losses[1] arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise. These obligations are valued annually by independent qualified actuaries. FRS 19(155)

Guidance notes

Post-employment benefits

1. 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(138)

   (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.

Reference

Example 5: Post-employment benefits – pension and medical benefits (continued)

Extracts of notes to the financial statements:

	Group	
	2015	2014
	$'000	$'000
Obligations recognised in the balance sheet for:		
Defined pension benefits	**3,684**	1,900
Post-employment medical benefits	**1,410**	701
	5,094	2,601
Expenses charged to profit or loss:		
Defined pension benefits	**948**	561
Post-employment medical benefits	**184**	119
	1,132	680
Remeasurements for:		
Defined pension benefits	**(84)**	717
Post-employment medical benefits	**(35)**	193

(a) Pension benefits

	Group		
	2015	2014	
	$'000	$'000	
The amount recognised in the balance sheet is determined as follows:			FRS 19(140)(a)
Present value of funded obligations	**6,155**	2,943	
Fair value of plan assets	**(5,211)**	(2,797)	
Deficit of funded plans	**944**	146	
Present value of unfunded obligations	**2,426**	1,549	
Total deficit of defined benefit pension plans	**3,370**	1,695	
Impact of minimum funding requirement/asset ceiling	**314**	205	
Liability recognised in the balance sheet	**3,684**	1,900	

Example 5: Post-employment benefits – pension and medical benefits (continued)

FRS 19(140,141)

The movement in the defined benefit obligation is as follows:

Group

	Present value of obligation $'000	Fair value of plan assets $'000	Total $'000	Impact of minimum funding requirement/ asset ceiling $'000	Total $'000
At 1 January 2014	3,479	(2,264)	1,215	120	1,335
Current service cost	498	-	498	-	498
Interest expense/ (income)	214	(156)	58	5	63
	712	**(156)**	**556**	**5**	**561**
Remeasurements:					
- Return on plan assets, excluding amounts included in interest income	-	(85)	(85)	-	(85)
- Loss from change in demographic assumptions	20	-	20	-	20
- Loss from change in financial assumptions	61	-	61	-	61
- Experience losses	641	-	641	-	641
- Change in asset ceiling, excluding amounts included in interest expense	-	-	-	80	80
	722	**(85)**	**637**	**80**	**717**
Exchange differences	(324)	22	(302)	-	(302)
Contributions:					
- Employers	-	(411)	(411)	-	(411)
- Plan participants	30	(30)	-	-	-
Payments from plans:					
- Benefit payments	(127)	127	-	-	-
At 31 December 2014	**4,492**	**(2,797)**	**1,695**	**205**	**1,900**

Reference

Example 5: Post-employment benefits – pension and medical benefits (continued)

	Present value of obligation $'000	Fair value of plan assets $'000	Total $'000	Impact of minimum funding requirement/ asset ceiling $'000	Total $'000
At 1 January 2015	4,492	(2,797)	1,695	205	1,900
Current service cost	751	-	751	-	751
Interest expense/(income)	431	(308)	123	9	132
Past service cost and gains and losses on settlements	65	-	65	-	65
	1,247	**(308)**	**939**	**9**	**948**
Remeasurements:					
- Return on plan assets, excluding amounts included in interest income	-	(187)	(187)	-	(187)
- Loss from change in demographic assumptions	32	-	32	-	32
- Loss from change in financial assumptions	121	-	121	-	121
- Experience gains	(150)	-	(150)	-	(150)
- Change in asset ceiling, excluding amounts included in interest expense	-	-	-	100	100
	3	**(187)**	**(184)**	**100**	**(84)**
Exchange differences	(61)	(25)	(86)	-	(86)
Contributions:					
- Employers	-	(908)	(908)	-	(908)
- Plan participants	55	(55)	-	-	-
Payments from plans:					
- Benefit payments	(566)	566	-	-	-
- Settlements	(280)	280	-	-	-
Acquired in a business combination	3,691	(1,777)	1,914	-	1,914
At 31 December 2015	**8,581**	**(5,211)**	**3,370**	**314**	**3,684**

One of the plans has a surplus that is not recognised on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund. FRS 19(141)

In connection with the closure of a factory, a curtailment loss was incurred and a settlement arrangement agreed with the plan trustees, effective 31 December 2015, which settled all retirement benefit plan obligations relating to the employees of that factory. FRS 19(139)(c)

Example 5: Post-employment benefits – pension and medical benefits (continued)

The defined benefit obligation and plan assets are composed by country as follows: DV

Group

	2015				2014			
	UK $'000	**US $'000**	**Others $'000**	**Total $'000**	UK $'000	US $'000	Others $'000	Total $'000
Present value of obligation	**3,843**	**4,215**	**523**	**8,581**	2,962	1,050	480	4,492
Fair value of plan assets	**(2,674)**	**(2,102)**	**(435)**	**(5,211)**	(2,018)	(394)	(385)	(2,797)
	1,169	**2,113**	**88**	**3,370**	944	656	95	1,695
Impact of minimum funding requirement/ asset ceiling	**-**	**-**	**314**	**314**	–	–	205	205
Total	**1,169**	**2,113**	**402**	**3,684**	944	656	300	1,900

The significant actuarial assumptions used were as follows: FRS 19(144)

Group	**2015**		2014	
	UK	**US**	UK	US
Discount rate	5.1%	5.2%	5.5%	5.6%
Salary growth rate	4.0%	4.5%	4.5%	4.0%
Pension growth rate	3.0%	2.8%	3.1%	2.7%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

Group	**2015**		2014	
	UK	**US**	UK	US
Retiring at the end of the reporting period:				
-Male	**22**	**20**	22	20
-Female	**25**	**24**	25	24
Retiring 20 years after the end of the reporting period				
-Male	**24**	**23**	24	23
-Female	**27**	**26**	27	26

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is: FRS 19(145)(a)

Group	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 8.2%	Increase by 9.0%
Salary growth rate	0.50%	Increase by 1.8%	Decrease by 1.7%
Pension growth rate	0.50%	Increase by 4.7%	Decrease by 4.4%

Reference

Example 5: Post-employment benefits – pension and medical benefits (continued)

	Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy	Increase by 2.8%	Decrease by 2.9%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. FRS 19(145)(b)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period. FRS 19(145)(c)

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The majority of these plans are unfunded. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs of 8.0% a year (2014: 7.6%) and claim rates of 6% (2014: 5.2%). DV, FRS 19(144)

The amount recognised in the balance sheet is determined as follows: FRS 19(140)(a)

	2015 $'000	2014 $'000
Group		
Present value of funded obligations	**705**	340
Fair value of plan assets	**(620)**	(294)
Deficit of the funded plans	**85**	46
Present value of unfunded obligations	**1,325**	655
Liability recognised in the balance sheet	**1,410**	701

Reference

Example 5: Post-employment benefits – pension and medical benefits (continued)

The movement in the net defined benefit obligation over the year is as follows:

FRS 19(140(a), (141(a-b))

Group	Present value of obligation $'000	Fair value of plan assets $'000	Total $'000
At 1 January 2014	**708**	**(207)**	**501**
Current service cost	107	-	107
Interest expense/(income)	25	(13)	12
	132	**(13)**	**119**
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	(11)	(11)
- Loss from change in demographic assumptions	3	-	3
- Loss from change in financial assumptions	7	-	7
- Experience losses	194	-	194
	204	**(11)**	**193**
Exchange differences	(31)	2	(29)
Contributions:			
- Employers	(10)	(73)	(83)
Payments from plans:			
- Benefit payments	(8)	8	-
At 31 December 2014	**995**	**(294)**	**701**
At 1 January 2015	**995**	**(294)**	**701**
Current service cost	153	-	153
Interest expense/(income)	49	(18)	31
	202	**(18)**	**184**
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	(33)	(33)
- Loss from change in demographic assumptions	4	-	4
- Loss from change in financial assumptions	10	-	10
- Experience gains	(16)	-	(16)
	(2)	**(33)**	**(35)**
Exchange differences	37	(5)	32
Contributions:			
- Employers	(12)	(185)	(197)
Payments from plans:			
- Benefit payments	(7)	7	-
Acquired in a business combination	802	(77)	725
At 31 December 2015	**2,015**	**(605)**	**1,410**

Example 5: Post-employment benefits – pension and medical benefits (continued)

(c) Post-employment benefits (pension and medical) FRS 19(142)

Plan assets are comprised as follows:

Group	2015				2014			
	Quoted $'000	**Unquoted $'000**	**Total $'000**	**In %**	Quoted $'000	Unquoted $'000	Total $'000	In %
Equity instruments			**1,824**	**31%**			1216	39%
Information technology	502	-	502		994	-	994	
Energy	557	-	557		-	-	-	
Manufacturing	746	-	746		194	-	194	
Other	-	19	19		-	28	28	
Debt instruments			**2,186**	**37%**			571	18%
Government	941	-	941		321	-	321	
Corporate bonds (Investment grade)	900	-	900		99	-	99	
Corporate bonds (Non-investment grade)	68	277	345		41	110	151	
Property			**1,047**	**18%**			246	31%
In US	-	800	800		-	-	-	
In UK	-	247	247		-	246	246	
Qualifying insurance policies	-	496	**496**	**9%**	-	190	190	6%
Cash and cash equivalents	177	-	**177**	**3%**	94	-	94	3%
Investment funds	111	-	**111**	**2%**	77	-	77	3%
Total	**4,002**	**1,839**	**5,841**	**100%**	**1,820**	**574**	**2,394**	**100%**

Example 5: Post-employment benefits – pension and medical benefits (continued)

Pension and medical plan assets include the Company's ordinary shares with a fair value of $136,000 (2014: $126,000) and US real estate occupied by the Group with a fair value of $612,000 (2014: $609,000). FRS 19(143)

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below: FRS 19(139)(b)

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Both the UK and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed in FY14 with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in UK and US government securities only. The corporate bonds are global securities with an emphasis on the UK and US. However, the Group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the plans efficiently. See below for more details on the Group's asset-liability matching strategy.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

Reference

Example 5: Post-employment benefits – pension and medical benefits (continued)

In case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. FRS 19(146)

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in FY15 consists of equities and bonds, although the Group also invests in property, bonds, cash and investment (hedge) funds. The Group believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% of equities held in the UK and Europe, 30% in the US and the remainder in emerging markets.

The Group has agreed that it will aim to eliminate the pension plan deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed contribution rate is 14% of pensionable salaries in the UK and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2016. The Group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly. FRS 19(147)(a)

Expected contributions to post-employment benefit plans for the year ending 31 December 2016 are $1,150,000. FRS 19(147)(b)

The weighted average duration of the defined benefit obligation is 25.2 years. FRS 19(147)(c)

Expected maturity analysis of undiscounted pension and post-employment medical benefits: FRS 19(147)(c)

Group

At 31 December 2015	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Pension benefits	628	927	2,004	21,947	25,506
Post-employment medical benefits	127	174	714	4,975	5,990
Total as at 31 December 2015	**755**	**1,101**	**2,718**	**26,922**	**31,496**

Example 6: 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 2015. The carrying amount of the loan payable in default as at 31 December 2015 is $[ ].

In January 2016, 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 2016. FRS 1(73)

The loan with Bank A is presented as current liability as at 31 December 2015.

Scenario 2:
Defaults of loan payments and classification of loan as "non-current" at reporting date FRS 1(73)

Interest payments of $[ ] on the Company's bank borrowings with a carrying amount of $[ ] was overdue as at 30 September 2015. 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 1(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 2015. FRS 1(173,174)

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

Breaches of loan covenants

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 2015.

Reference

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

Breaches of loan covenants (continued)

Extracts of notes to the financial statements on borrowings (continued):

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 2016.

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 2017. FRS 1(75) FRS 1(135)(e)

The outstanding balance is presented as a non-current liability as at 31 December 2015.

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.

Example 7: Foreign currency convertible bonds – classify as liability in entirety

Extracts of significant accounting policies:

Foreign currency convertible bonds

On issuance of foreign currency convertible 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 foreign currency-denominated 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 gains and losses

	Group		
	2015	2014	
	$'000	$'000	
Fair value gains on equity conversion option in convertible bonds	**4,083**	–	FRS 107(20)(a)(v)

Finance expenses

	Group		
	2015	2014	
	$'000	$'000	
Interest expense:			
- Convertible bonds	**16,966**	–	FRS 107(20)(b)

Reference

Example 7: Foreign currency convertible bonds – classify as liability in entirety (continued)

FRS 107(17,34)

Extracts of notes to the financial statements (continued):

Foreign currency convertible bonds

On 1 October 2015, the Group issued zero coupon convertible bonds at a nominal value of US$500 million (equivalent to $720 million) due on 4 October 2019. The bonds will be redeemed on 4 October 2018 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 2015 up to the close of business on 24 September 2019 if not called for redemption. On full conversion, up to 320,000,000 conversion shares are issued and allotted to the holders of the bonds, if the full carrying amount of bonds is converted into shares instead of being redeemed.

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 2015 is $706,985,000. The fair value is calculated using cash flows discounted at a borrowing rate of 6.48%.

FRS 107(25), FRS 113(93)(d)

Example 8: Related party disclosures for government-related entities

Extracts of notes to accounts[1]*:*

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 the purchase of approximately 90% of the Company's/Group's power supply from [.....], a government controlled entity.

In addition, during the year ended December 2015, 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.

A loan of $240,000 from Government S 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 the Company's bank loans.

Guidance notes

Related party disclosures for government-related entities

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.

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 Ltd 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 machinery 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.

Reference

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 2015 is $153.6 million and the annual depreciation charge for the financial year ended 31 December 2015 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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