

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Appendix 1

Areas not relevant to PwC Holdings Ltd Group

1. Alternative presentations for statement of comprehensive income
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3. Revenue recognition – Multiple-element arrangements
4. Provision for dismantlement, removal and restoration
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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income

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

	Note	2009 \$'000	2008 \$'000	
Continuing operations				
Sales	4	210,214	112,360	FRS 1(82)(a)
Other income	7	4,018	1,166	FRS 1(102)
Other losses – net	8	(1,503)	(1,611)	
Expenses				
- Purchases of inventories		(59,401)	(23,688)	FRS 1(102)
- Amortisation, depreciation and impairment	5	(23,100)	(10,097)	FRS 1(102)
- Employee compensation	6	(40,090)	(15,500)	FRS 1(102)
- Sub-contractors charges		(12,400)	(7,700)	
- Advertising		(10,871)	(6,952)	
- Rental on operating leases		(10,588)	(8,697)	FRS 17 (35)(c)
- Research		(473)	(200)	FRS 38 (126)
- Transportation		(7,763)	(5,876)	
- Reversal of inventory write-down/(inventory write-down)		200	(350)	FRS 2(36)(e,f)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(b)
- Other		(878)	(672)	
Changes in inventories and construction contract work-in-progress		7,279	2,950	FRS 1(91)
Total expenses		(165,158)	(85,842)	
Share of (loss)/profit of associated companies		(174)	145	FRS 1(82)(c)
Profit before income tax		47,397	26,218	
Income tax expense	10(a)	(14,921)	(7,718)	FRS 1(82)(d)
Profit from continuing operations		32,476	18,500	
Discontinued operations				
Profit/(loss) from discontinued operations	11	100	(480)	FRS 1(82)(e) FRS 105(33)(a)
Total profit		32,576	18,020	FRS 1(82)(f)
Other comprehensive income:				
Financial assets, available-for-sale				
- Fair value gains		604	72	
- Reclassification		(164)	-	
Cash flow hedges				
- Fair value gains		339	331	
- Reclassification		(279)	(315)	
Currency translation differences arising on consolidation		2,334	(118)	
Reclassification of currency translation reserves on disposal of a subsidiary		(1,200)	-	
Revaluation gains on property, plant and equipment		165	894	
Excess tax on employee share option scheme		114	-	
Change in tax rate		50	-	
Other comprehensive income for the year, net of tax		1,963	864	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		34,539	18,884	

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

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

* Less than \$0.01

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

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

Consolidated income statement

	Note	2009 \$'000	2008 \$'000	
Continuing operations				
Sales	4	210,214	112,360	FRS 1(82)(a)
Cost of sales		(77,366)	(46,682)	FRS 1(103)
Gross profit		132,848	65,678	FRS 1(103)
Other income	7	3,898	1,166	FRS 1(103)
Other losses – net	8	(1,383)	(1,611)	
Expenses				
- Distribution and marketing		(52,140)	(19,993)	FRS 1(103)
- Administrative		(28,579)	(10,107)	FRS 1(103)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(b)
Share of (loss)/profit of associated companies		(174)	145	FRS 1(82)(c)
Profit before income tax		47,397	26,218	
Income tax expense	10(a)	(14,921)	(7,718)	FRS 1(82)(d)
Profit from continuing operations		32,476	18,500	
Discontinued operations				
Profit/(loss) from discontinued operations	11	100	(480)	FRS 1(82)(e) FRS 105(33)(a)
Total profit		32,576	18,020	FRS 1(82)(f)
Attributable to:				
Equity holders of the Company		30,028	17,096	FRS 1(82)(b)
Minority interests		2,548	924	FRS 1(82)(a)
		32,576	18,020	
Earnings per share for profit from continuing operations attributable to equity holders of the Company (\$ per share)				
	12			FRS 33(66)
- Basic		1.33	0.90	
- Diluted		1.22	0.87	
Earnings/(loss) per share for profit from discontinued operations attributable to equity holders of the Company (\$ per share)				
	12			FRS 33(68)
- Basic		0.01	(0.02)	
- Diluted		*	(0.02)	

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Statement of comprehensive income

	Note	2009 \$'000	2008 \$'000
Profit for the year		32,576	18,020
Other comprehensive income:			
Financial assets, available-for-sale			
- Fair value gains		604	72
- Reclassification		(164)	-
Cash flow hedges			
- Fair value gains		339	331
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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

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

Consolidated income statement

	Note	2009 \$'000	2008 \$'000	
Continuing operations				
Sales	4	210,214	112,360	FRS 1(82)(a)
Other income	7	3,898	1,166	FRS 1(91)
Other losses – net	8	(1,383)	(1,611)	
Expenses				
- Purchases of inventories		(59,401)	(23,688)	FRS 1(91)
- Amortisation, depreciation and impairment	5	(23,100)	(10,097)	FRS 1(91)
- Employee compensation	6	(40,090)	(15,500)	FRS 1(91)
- Sub-contractors charges		(12,400)	(7,700)	
- Advertising		(10,871)	(6,952)	
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- Research		(473)	(200)	FRS 38 (126)
- Transportation		(7,763)	(5,876)	
- Reversal of inventory write-down/(inventory write-down)		200	(350)	FRS 2(36)(e,f)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(b)
- Other		(878)	(672)	
Changes in inventories and construction contract work-in-progress		7,279	2,950	FRS 1(91)
Total expenses		(165,158)	(85,842)	
Share of (loss)/profit of associated companies		(174)	145	FRS 1(82)(c)
Profit before income tax		47,397	26,218	
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	12			FRS 33(66)
- Basic		1.33	0.90	
- Diluted		1.22	0.87	
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- Basic		0.01	(0.02)	
- Diluted		*	(0.02)	

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Statement of comprehensive income

	Note	2009 \$'000	2008 \$'000
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- Reclassification		(164)	-
Cash flow hedges			
- Fair value gains		339	331
- Reclassification		(279)	(315)
Currency translation differences arising on consolidation		2,334	(118)
Reclassification of currency translation reserves on disposal of a subsidiary		(1,200)	-
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Change in tax rate		50	-
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Total comprehensive income attributable to:			
Equity holders of the Company		31,434	17,847
Minority interests		3,105	1,037
		34,539	18,884

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

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

Note – Basis of preparation

Standards early adopted by the Group

FRS 8p28

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

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

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

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

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

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

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

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

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

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

Note – Accounting policies

2.3 Group accounting

(a) Subsidiaries

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

FRS 1p112
FRS 27p12
FRS 27p14
FRS 27p20,21
FRS 27p30

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

FRS 103p5
FRS 103p37
FRS 103p39
FRS 103p53
FRS 103p18
FRS 103p19

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

FRS 103p32
FRS 103p34

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

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

FRS 27p30,31

(b) Transactions with non-controlling interests

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

Note 26 – Investment in subsidiaries

Acquisition of a subsidiary

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

FRS 103pB64(a-d)

FRS 103pB64(e)

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

FRS 103pB64(k)

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

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

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Note 26 – Investment in subsidiaries (continued)

Acquisition of a subsidiary (continued)

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

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

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

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

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

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

FRS 103B67(b)

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

FRS 103pB64(h)

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

FRS 103pB67(a)

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Note 26 – Investment in subsidiaries (continued)

Acquisition of a subsidiary (continued)

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

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

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

FRS 103p57
FRS 103pB64(g)

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

FRS 103pB64(o)

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

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

FRS 103pB64(q)(ii)

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

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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.

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Example 4: Provision for dismantlement, removal and restoration

Extracts of significant accounting policies:

Property, plant and equipment

Measurement

Components of costs

FRS 16(16)(c)

“.....The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories”.

Provisions

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

FRS 37(14)

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

FRS 37(36)

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

INT FRS 101(5)

Extracts of notes to the financial statements:

Dismantlement, removal or restoration of property, plant and equipment

FRS 37(85)(a)

The Group uses various chemicals in the manufacture of component parts. A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that \$[] will be used during 2010 and \$[] during 2011. Total expected costs to be incurred are \$[] (2008: \$[]).

Movement in this provision is as follows:

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

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 5: Post-employment Benefits – Pension and medical benefits

Extracts of significant accounting policies:

Employee compensation

(a) Pension benefits

The Group operates both defined benefit and defined contribution post-employment benefit plans.

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

FRS 19(7)

FRS 19(44)

FRS 19(7)

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

The liability recognised in the statement of financial position in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

FRS 19(54)

FRS 19(64)

FRS 19(78)

FRS 19(93-93D)

FRS 19(120A)(a)

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

FRS 19(96)

Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(b) Post-employment medical benefits

Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Actuarial gains and losses¹ are recognised in other comprehensive income in the period when they arise. These obligations are valued annually by independent qualified actuaries.

FRS 19(120A)(b)

FRS 19(120A)(a)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Guidance notes

Post-employment benefits

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

2. When an entity has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings as are considered to be more useful. It may be useful to distinguish groupings by criteria such as follows: FRS 19(122)
 - (a) the geographical location of the plans, for example, by distinguishing domestic plans from foreign plans; or
 - (b) whether plans are subject to materially different risks, for example, by distinguishing flat salary pension plans from final salary pension plans and from post-employment medical plans.

When an entity provides disclosures in total for a grouping of plans, such disclosures are provided in the form of weighted averages or of relatively narrow ranges.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 5: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements:

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

(a) Pension benefits

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

FRS 19(120A)(d,f)

	Group	
	2009	2008
	\$'000	\$'000
The amounts recognised in profit or loss are as follows:		
Current service cost	751	498
Interest cost	431	214
Expected return on plan assets	(510)	(240)
Past service cost	18	16
Curtailment	65	–
	755	488
Included in:		
Cost of goods sold	516	319
Administrative expenses	239	169
	755	488
Actual return on plan assets	495	235

FRS 19(120A)(g)

FRS 19(120A)(g)

FRS 19(120A)(m)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 5: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements: (continued)

Movement in the defined benefit obligation is as follows:

FRS 19(120A)(c)

	Group	
	2009 \$'000	2008 \$'000
Beginning of financial year	4,492	3,479
Current service cost	751	498
Interest cost	431	214
Contributions by plan participants	55	30
Actuarial (gains)/losses	(15)	495
Currency translation differences	(43)	(103)
Benefits paid	(66)	(121)
Subsidiaries acquired	3,691	-
Curtailments	65	-
End of financial year	9,361	4,492

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

FRS 19(120A)(e)

	Group	
	2009 \$'000	2008 \$'000
Beginning of financial year	2,797	2,264
Expected return on plan assets	510	240
Actuarial losses	(15)	(5)
Currency translation differences	25	(22)
Contributions by the employer	908	411
Contributions by plan participants	55	30
Benefits paid	(66)	(121)
Subsidiaries acquired	1,777	-
End of financial year	5,991	2,797

The principal actuarial assumptions used were as follows:

FRS 19(120A)(n)

	Group	
	2009	2008
Discount rate	7.0%	6.8%
Expected return on plan assets	8.5%	8.3%
Future salary increases	5.0%	4.5%
Future pension increases	3.0%	2.5%

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 5: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements: (continued)

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in each territory.

The average remaining life expectancy in years of a pensioner retiring at age 65 is as follows:

	2009	2008
Male	18.5	18.5
Female	22.0	22.0

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the Philippines. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

FRS 19(120A)(a,b)

In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of 8.0% a year (2008: 7.6%).

FRS 19(120A)(n)

FRS 19(120A)(d,f)

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

	Group	
	2009	2008
	\$'000	\$'000
Present value of funded obligations	705	340
Fair value of plan assets	(620)	(302)
	85	38
Present value of unfunded obligations	1,325	663
Liability recognised in the statement of financial position	1,410	701

The amounts recognised in profit or loss are as follows:

FRS 19(120A)(g)

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

FRS 19(120A)(g)

FRS 19(120A)(m)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 5: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements: (continued)

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

FRS 19(120A)(c)

	Group	
	2009 \$'000	2008 \$'000
Beginning of financial year	1,003	708
Current service cost	153	107
Interest cost	49	25
Actuarial (gains)/losses	(2)	204
Currency translation differences	25	(41)
Subsidiaries acquired	802	-
End of financial year	2,030	1,003

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

FRS 19(120A)(e)

	Group	
	2009 \$'000	2008 \$'000
Beginning of financial year	302	207
Expected return on plan assets	53	25
Actuarial losses	(2)	(1)
Currency translation differences	5	(2)
Contributions by the employer	185	73
Subsidiaries acquired	77	-
End of financial year	620	302

The effect of a 1% change in the assumed medical cost trend rate is as follows:

FRS 19(120A)(e)

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

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 5: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements: (continued)

The amounts recognised in other comprehensive income for pension and post-employment medical benefits were as follows:

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

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

FRS 19(120A)(j)

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

Plan assets include the Company's ordinary shares with a fair value of \$136,000 (2008: \$126,000) and a building occupied by the Group with a fair value of \$612,000 (2008: \$609,000).

FRS 19(120A)(k)

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

FRS 19(120A)(l)

Expected contributions to pension post employment medical benefit plans for the financial year ending 31 December 2009 are \$1,150,000.

FRS 19(120)(q)

	2009 \$'000	Group		2006 \$'000
		2008 \$'000	2007 \$'000	
Beginning of financial year				
Present value of defined benefit obligation	11,391	5,495	4,187	3,937
Fair value of plan assets	(6,611)	(3,099)	(2,471)	(2,222)
Deficit	<u>4,780</u>	<u>2,396</u>	<u>1,716</u>	<u>1,715</u>
Experience adjustments on plan liabilities	(326)	125	55	-
Experience adjustments on plan assets	<u>(17)</u>	<u>(6)</u>	<u>(197)</u>	<u>-</u>

FRS 19(120A)(p)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 6: Defaults and breaches of loans payable

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

Extracts of notes to the financial statements:

Borrowings

Default of loan payments

FRS 107(18)

Interest payments of \$[] on the Company’s bank borrowings with a carrying amount of \$[] was overdue as at 31 December 2009. The Company experienced a temporary shortage of funding because cash outflows in the second and third quarters for business expansion in [countries] were higher than anticipated. As a result, interest payables of \$[] due by [date] remained unpaid.

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

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

Breaches of loan covenants

FRS 107(19)

Some of the Company’s loan agreements are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for a credit line of \$[], of which the Company has currently drawn an amount of \$[].

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of \$[]. The outstanding balance was presented as a current liability as at 31 December 2009. Management commenced renegotiation of the terms of the loan agreement with the bank on [date].

FRS 1(75)

FRS 1(135(e))

The bank had not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors. Management expects that a revised loan agreement will be in place in the second quarter of 2010.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

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

Extracts of notes to the financial statements:

Borrowings

Default of loan payments

FRS 107(18)

Interest payments of \$[] on the Company’s borrowings with Bank A with a carrying amount of \$[] was overdue as at 31 December 2009. The Company has experienced a temporary shortage of funding because cash outflows in the second and third quarters for business expansion in [countries] were higher than anticipated. As a result, interest payables of \$[] due by [date] remained unpaid. The borrowing is due to be repaid, six months after the end of the financial year.

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

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

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

Note:

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

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

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

Extracts of notes to the financial statements:

Borrowings

Breaches of loan covenants

FRS 107(19)

Some of the Company’s loan agreements are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for a credit line of \$[], of which the Company has currently drawn an amount of \$[].

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of \$[]. However, prior to the end of the financial year, the bank has agreed to a period of grace ending in first quarter of 2011.

FRS 1(75)

FRS 1(135(e))

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

Note:

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

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 7: Convertible foreign currency bonds

Extracts of significant accounting policies:

Convertible foreign currency bonds

On issuance of convertible foreign currency bonds, the proceeds are allocated between the embedded equity conversion option and the liability component. The embedded option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option.

FRS 39 AG28

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in profit or loss. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

Extracts of notes to the financial statements:

Other losses – net

	<u>Group</u>		
	2009	2008	
	\$'000	\$'000	
Fair value gains on equity conversion option in convertible bonds	<u>4,083</u>	-	FRS 107(20)(a)(v)

Finance expenses

	<u>Group</u>		
	2009	2008	
	\$'000	\$'000	
Interest expense: - Convertible bonds	<u>16,966</u>	-	FRS 107(20)(b)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 7: Convertible foreign currency bonds (continued)

Extracts of notes to the financial statements: (continued)

Convertible foreign currency bonds (continued)

FRS 107(17,34)

On 1 October 2009, the Group issued zero coupon convertible bonds at a nominal value of US\$500 million (equivalent to \$720 million) due on 4 October 2013. The bonds will be redeemed on 4 October 2013 at their nominal value or can be converted into shares of the Company (the “conversion option”) at the holder’s option at a conversion price of US\$2.20 per share at any time on and after 14 November 2009 up to the close of business on 24 September 2013 if not called for redemption. On full conversion, up to 320,000,000 conversion shares (“Conversion Ratio”) are expected to be issued and allotted to the holders of the bonds.

The convertible bonds recognised in the statement of financial position are analysed as follows:

	\$'000
Face value of convertible bonds issued on 1 October 2009, net of transaction costs	700,000
Embedded equity conversion option	(4,083)
Liability component as at initial recognition, 1 October 2009	<hr/> 695,917
Interest expense	16,966
Currency translation differences	(5,898)
Liability component at end of financial year	<hr/> <hr/> 706,985

The fair value of the liability component of the convertible bonds at 31 December 2009 is \$706,985,000. The fair value is calculated using cash flows discounted at a borrowing rate of 6.48%.

FRS 107(25,27)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 8: Property under development for sale

Extracts of significant accounting policies:

Development properties

RAP 11

Development properties refer to properties under development for sale.

Unsold development properties

Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete the development and selling expenses.

FRS 2(9)

FRS 2(6)

Sold development properties

RAP 11(9)

Revenue and cost on development properties that have been sold are recognised using the percentage-of-completion method. The stage of completion is measured by reference to the physical surveys of construction work completed. When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately.

FRS 11(29)

FRS 11(36)

The aggregated costs incurred and the profit/loss recognised in each development property that has been sold are compared against progress billings up to the financial year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on development projects, under “trade and other receivables”. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on development projects, under “trade and other payables”.

FRS 11(43)

FRS 11(44)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 8: Property under development for sale (continued)

Extracts of notes to the financial statements:

Development properties

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

The Group uses the percentage-of-completion method to account for its construction contracts. If the completed contract method has been used, these items will be affected as follows:

RAP 11(10)

	Increase/(Decrease)	
	2009	2008
	\$'000	\$'000
<u>Statements of financial position as at 31 December</u>		
Retained profits at 1 January	(200)	(300)
Due from customers		
- 1 January	60	30
- 31 December	100	60
Due to customers		
- 1 January	(30)	(10)
- 31 December	(20)	(30)
<u>Statement of Comprehensive Income</u>		
Revenue	2,000	1,200
Profit after tax	60	40

Guidance notes

Properties under development for sale

- The movement in "Due from/to customers" should be included under operating activities for cash flow presentation purposes.

FRS 7(14)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Adoption of INT FRS 113 Customer Loyalty Programme

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

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

Extracts of significant accounting policies:

Basis of preparation

Standards adopted by the Group

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

FRS 8(28)(a)

The adoption of INT FRS 113 affected the following items:

FRS 8(28)(f,g)

Group

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

Revenue Recognition

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

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Statement of financial position

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

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

Additional Illustrative Disclosures

Appendix 2 – Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Limited Group

Critical accounting estimates, assumptions and judgements

FRS 1(122,125)

The following critical accounting estimates, assumptions and judgements may be applicable, among many other possible areas not presented in PwC Holdings Limited Group's financial statements.

(a) Useful lives of electrical component division's plant and equipment

The costs of plant and equipment for the manufacture of electronic component parts are depreciated on a straight-line basis over the machineries' useful lives. Management estimates the useful lives to be between 5 to 7 years, based on the estimated useful lives for similar machineries in the same industry and the projected life-cycles for its products. These estimates can change significantly as a result of expected usage or abandonment, technological innovations and competitors' actions, leading to potential changes in future depreciation charges, impairment losses and/or write-offs.

If the actual useful lives of the technology division plant and equipment differ by 10% from management's estimates, the carrying amount of the plant and equipment will be an estimated \$1,000,000 higher or \$970,000 lower.

(b) Post-employment pension obligations

The present value of the post-employment pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have a tenure approximating the tenure of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

If the discount rate used differs by 1% from management's estimates, the carrying amount of pension obligations will be an estimated \$425,000 lower or \$450,000 higher.

Additional Illustrative Disclosures

Appendix 2 – Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Limited Group

Critical accounting estimates, assumptions and judgements (continued)

(c) Warranty claims

The Group gives two-year warranties for its personal computer products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs.

If claims costs differ by 10% from management's estimates, the warranty provisions will be an estimated \$2,000,000 higher or \$1,875,000 lower.

(d) Property, plant and equipment

The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to profit or loss. The Group reviews the residual values and useful lives of property, plant and equipment at each reporting date in accordance with the accounting policy in Note 2.4. The estimation of the residual values and useful lives involves significant judgement. The net book value of property, plant and equipment at 31 December 2009 is \$153.8 million and the annual depreciation charge for the financial year ended 31 December 2009 is \$17.7 million.

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