

Director's Report & Audited Financial Statements

CSE Global Ltd and Subsidiary Companies • 31 December 2010

Corporate Information

Directors

Lim Ming Seong - Chairman
Tan Mok Koon – Executive Deputy Chairman
Goh Boon Seong (retired on 19 April 2010)
Phillip Lee Soo Hoon
Lim Boh Soon
Sin Boon Ann
Lam Kwok Chong (appointed on 6 May 2010)
Alan Russell Stubbs – Group Managing Director
(appointed on 4 January 2011)

Bankers

Arab Bank plc
Australia And New Zealand Banking Group Ltd
Bank of China Ltd
Bank of East Asia Ltd
Citibank Singapore Ltd
DBS Bank Ltd
Malayan Banking Berhad
Oversea- Chinese Banking Corporation Ltd
RHB Bank Berhad
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
The Hong Kong and Shanghai Banking
Corporation Ltd
United Overseas Bank Ltd

Company Secretaries

Tan San-Ju
Tan Cher Liang

Registered Office

50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623
Tel: 65365355
Fax: 65361360

Auditors

Ernst & Young LLP
Engagement Partner-in-charge
(since financial year ended 31 December 2006)
Tan Chian Khong

Share Registrar

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

CONTENTS

Directors' Report	2
Statement by Directors	4
Independent Auditors' Report	5
Balance Sheets	6
Consolidated Profit and Loss Account	7
Consolidated Statement of Comprehensive Income	8
Statements of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Financial Statements	11

Directors' Report

2

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of CSE Global Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2010.

Directors

The Directors of the Company in office at the date of this report are:

Lim Ming Seong
Tan Mok Koon
Phillip Lee Soo Hoon
Lim Boh Soon
Sin Boon Ann
Lam Kwok Chong
Alan Russell Stubbs

Arrangements to enable Directors to acquire shares and debentures

Except as described in the subsequent paragraphs, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in the shares and share options of the Company, as stated below :-

Name of Director	Held by Director			Other shareholdings in which the Director is deemed to have an interest		
	At 1.1.2010	At 31.12.2010	At 21.1.2011	At 1.1.2010	At 31.12.2010	At 21.1.2011
CSE Global Limited						
<i>Number of ordinary shares</i>						
Tan Mok Koon**	38,700,750	38,700,750	38,700,750	28,500,000	28,500,000	28,500,000
Lam Kwok Chong	–	–	–	–	–	–
Phillip Lee Soo Hoon	450,000	450,000	450,000	–	–	–
Lim Boh Soon	330,000	330,000	330,000	–	–	–
Lim Ming Seong*	3,100,000	3,100,000	3,100,000	150,000	150,000	150,000
Sin Boon Ann	–	–	–	–	–	–

** 28,500,000 shares are held by Citibank Nominees Singapore Pte Ltd and Mayban Nominees (Singapore) Pte Ltd for which Tan Mok Koon is deemed to have an interest.

* 150,000 shares are held by the spouse of Lim Ming Seong.

There were no changes in the above mentioned interests between the end of the financial year and 21 January 2011.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' Report

3

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Share options

There is currently no share option scheme on unissued shares of the Company.

Audit Committee

The Audit Committee was established on 22 January 1999.

The Audit Committee comprises three members, all of whom are non-executive Directors and are independent of the management of the Company.

The members of the Audit Committee at the date of this report comprise the following Directors :-

Non-executive/Independent Directors:

Phillip Lee Soo Hoon (Chairman)
Lam Kwok Chong (Appointed on 6 May 2010)
Sin Boon Ann

The Audit Committee performed the functions specified in the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Report on Corporate Governance. The Audit Committee, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

Auditors

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors,

Lim Ming Seong
Director

Tan Mok Koon
Director

Singapore
14 March 2011

Statement by Directors

4

We, Lim Ming Seong and Tan Mok Koon, being two of the Directors of CSE Global Limited, do hereby state that, in the opinion of the Directors :-

- (i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results of the business, 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
- (ii) 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.

On behalf of the Board of Directors,

Lim Ming Seong
Director

Tan Mok Koon
Director

Singapore
14 March 2011

Independent Auditors' Report

To the Members of CSE Global Limited

5

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of CSE Global Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 6 to 72, which comprise the balance sheets of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company, and the consolidated profit and loss account, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 the consolidated 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 consolidated 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 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 state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

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

Balance Sheets

As at 31 December 2010

6

	Note	Group		Company	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Fixed assets	4	15,039	12,986	62	73
Subsidiary companies	5	–	–	176,236	166,431
Associated companies	6	7,806	7,171	–	–
Other investment	7	190	190	190	190
Intangible assets	8	76,232	65,146	15	44
Deferred tax assets	9	7,282	6,645	42	181
Current assets					
Projects-in-progress	10	107,024	89,250	–	–
Stocks	11	12,960	14,230	–	–
Trade and other debtors	12	79,229	79,613	1,889	3,432
Prepayments		2,111	2,133	13	10
Amounts due from subsidiary companies	5	–	–	39,890	34,822
Amounts due from associated companies	6	1	145	–	–
Short-term deposits	26	6,648	3,155	–	–
Cash and bank balances	26	51,725	52,898	3,047	3,891
		259,698	241,424	44,839	42,155
Current liabilities					
Projects-in-progress	10	26,496	17,285	–	–
Trade creditors and accruals	13	74,315	61,081	5,127	5,703
Finance leases	28	190	218	–	–
Amounts due to bankers	14	32,200	47,855	32,200	47,855
Amounts due to subsidiary companies	5	–	–	25,902	19,626
Provision for warranties	15	1,969	1,402	–	–
Provision for taxation		5,515	4,100	614	356
		140,685	131,941	63,843	73,540
Net current assets/(liabilities)		119,013	109,483	(19,004)	(31,385)
Non-current liabilities					
Deferred tax liabilities	9	(3,843)	(3,915)	–	–
Finance leases	28	(387)	(314)	–	–
Amounts due to bankers	14	(26,180)	(60,669)	(26,180)	(60,669)
		195,152	136,723	131,361	74,865
Equity attributable to equity holders of the Company					
Share capital	16	92,498	92,498	92,498	92,498
Treasury share	16	–	(28,043)	–	(28,043)
Revenue reserve		143,953	109,363	28,987	10,410
Other reserve	17	9,805	–	9,876	–
Foreign currency translation reserve	18	(51,104)	(37,203)	–	–
		195,152	136,615	131,361	74,865
Non-controlling interests		–	108	–	–
Total equity		195,152	136,723	131,361	74,865

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Profit and Loss Account

For the Financial Year Ended 31 December 2010

7

	Note	Group	
		2010	2009
		\$'000	\$'000
Revenue	19	448,088	405,060
Cost of sales		(280,607)	(247,435)
Gross profit		167,481	157,625
Other operating income			
Miscellaneous income	20	3,674	2,076
Finance income	21	353	360
Operating expenses			
Administrative costs		(89,282)	(83,212)
Selling and distribution costs		(6,537)	(5,311)
Other operating costs		(2,968)	(6,210)
Finance costs	22	(4,864)	(6,361)
Share of results of associated companies, net of tax		635	55
Profit before taxation	23	68,492	59,022
Taxation	24	(16,123)	(15,347)
Profit for the financial year		52,369	43,675
Attributable to:-			
Equity holders of the Company		52,477	43,659
Non-controlling interests		(108)	16
		52,369	43,675
Earnings per share (in cents)			
Basic EPS	25	10.47	9.17
Diluted EPS	25	10.47	9.17

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the Financial Year Ended 31 December 2010

8

	Note	Group	
		2010	2009
		\$'000	\$'000
Profit for the financial year		52,369	43,675
Other comprehensive income:			
- Translation of financial statements of foreign operations		(14,056)	1,611
- Hedging of net investments		155	(2,622)
Other comprehensive income for the year, net of tax		(13,901)	(1,011)
Total comprehensive income for the year		38,468	42,664
Total comprehensive income for the year attributable to:-			
Equity holders of the Company		38,576	42,648
Non-controlling interests		(108)	16
		38,468	42,664

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity

For the Financial Year Ended 31 December 2010

9

Group	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Treasury shares	Revenue reserve	Other reserve	Foreign currency translation reserve	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2009									
At 1 January 2009	92,498	(28,043)	79,985	–	(36,192)	108,248	14	108,262	
Total comprehensive income for the year	–	–	43,659	–	(1,011)	42,648	16	42,664	
Non-controlling interest in newly incorporated company	–	–	–	–	–	–	78	78	
Dividends (Note 33)	–	–	(14,281)	–	–	(14,281)	–	(14,281)	
At 31 December 2009	92,498	(28,043)	109,363	–	(37,203)	136,615	108	136,723	
2010									
At 1 January 2010	92,498	(28,043)	109,363	–	(37,203)	136,615	108	136,723	
Total comprehensive income for the year	–	–	52,477	–	(13,901)	38,576	(108)	38,468	
Disposal of treasury shares	–	28,043	–	9,876	–	37,919	–	37,919	
Premium paid on acquisition of non-controlling interests	–	–	–	(71)	–	(71)	–	(71)	
Dividends (Note 33)	–	–	(17,887)	–	–	(17,887)	–	(17,887)	
At 31 December 2010	92,498	–	143,953	9,805	(51,104)	195,152	–	195,152	

Company	Attributable to equity holders of the Company						Total equity
	Share capital	Treasury shares	Revenue reserve	Other reserve	Foreign currency translation reserve		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2009							
At 1 January 2009	92,498	(28,043)	3,093	–	8	67,556	
Total comprehensive income for the year	–	–	21,598	–	(8)	21,590	
Dividends (Note 33)	–	–	(14,281)	–	–	(14,281)	
At 31 December 2009	92,498	(28,043)	10,410	–	–	74,865	
2010							
At 1 January 2010	92,498	(28,043)	10,410	–	–	74,865	
Total comprehensive income for the year	–	–	36,464	–	–	36,464	
Disposal of treasury shares	–	28,043	–	9,876	–	37,919	
Dividends (Note 33)	–	–	(17,887)	–	–	(17,887)	
At 31 December 2010	92,498	–	28,987	9,876	–	131,361	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December 2010

10

	2010	2009
	\$'000	\$'000
Cash flows from operating activities :		
Profit before taxation	68,492	59,022
Adjustments for :		
Depreciation of fixed assets	2,669	2,703
Amortisation of intangible assets	737	1,315
Share of results of associated companies, net of tax	(635)	(55)
Impairment of investment in associated company	–	161
Intangible assets written off	–	3,754
Interest expense	3,734	5,474
Interest income	(353)	(360)
Gain on disposal of fixed assets	(6)	(5)
Fixed assets written off	54	–
Fair value changes in value of derivative financial instruments	156	(3,880)
Currency realignment	(5,211)	54
Operating cash flows before changes in working capital	69,637	68,183
Decrease in debtors and prepayments	3,041	19,288
Increase in projects-in-progress, net and stocks	(413)	(4,509)
Increase/(decrease) in creditors	5,365	(6,382)
Cash generated from operations	77,630	76,580
Interest paid	(3,734)	(5,474)
Interest received	353	360
Income tax paid	(16,264)	(22,249)
Net cash generated from operating activities	57,985	49,217
Cash flows from investing activities :		
Purchase of fixed assets	(3,893)	(2,875)
Acquisition of subsidiary company, net of cash acquired	(18,180)	–
Acquisition of non-controlling interest	(71)	–
Share of non-controlling interest in newly incorporated company	–	78
Repayment from associated companies	145	412
Proceeds from disposal of fixed assets	58	61
Refund of purchase consideration from acquisition of subsidiary company	–	74
Net cash used in investing activities	(21,941)	(2,250)
Cash flows from financing activities :		
Proceeds from sale of treasury shares	37,919	–
Repayment of short-term borrowings	(15,656)	(69,576)
(Repayment of)/proceeds from long-term borrowings	(34,489)	49,892
Dividends paid to shareholders	(17,887)	(14,281)
Repayment of finance lease obligations	(225)	(43)
Net cash used in financing activities	(30,338)	(34,008)
Net effect of exchange rate changes on cash and cash equivalents	(3,386)	455
Net increase in cash and cash equivalents	2,320	13,414
Cash and cash equivalents at beginning of financial year (Note 26)	56,053	42,639
Cash and cash equivalents at end of financial year (Note 26)	58,373	56,053

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

- 31 December 2010

11

1. General

Corporate information

CSE Global Limited (the "Company") is a limited liability company which is incorporated and domiciled in the Republic of Singapore. The registered office of the Company is located at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 and its principal place of business is No. 2 Ubi View, Level 5, Singapore 408556.

The principal activities of the Company are those relating to provision of total integrated industrial automation, information technology and intelligent transport solutions and investment holding. The principal activities of the subsidiary companies are disclosed in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Fundamental accounting concept

As at 31 December 2010, the Company's current liabilities exceeded its current assets by \$19,004,000 (2009: \$31,385,000). In the opinion of the directors, the Company is able to continue as a going concern despite its net current liabilities position as the Company is able to deploy the available funds within the Group for the Company to pay its debts as and when they fall due. Accordingly, the directors are of the view that the going concern assumption is appropriate for the preparation of the financial statements of the Company.

2. Summary of significant accounting policies

2.1 **Basis of preparation**

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest thousand (\$'000) except where otherwise indicated.

2.2 **Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

FRS 103 Business Combinations (revised) and FRS 27 Consolidated and Separate Financial Statements (revised)

The revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

Notes to the Financial Statements

- 31 December 2010

12

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

FRS 103 Business Combinations (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;
- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and
- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

FRS 27 Consolidated and Separate Financial Statements (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;
- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and
- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

Notes to the Financial Statements

- 31 December 2010

13

2. Summary of significant accounting policies (cont'd)

2.3 Future changes in accounting policies

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

	<i>Effective for annual periods beginning on or after</i>
Amendment to FRS 32 <i>Financial Instruments: Presentation - Classification of Rights Issues</i>	1 February 2010
INT FRS 119 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
Revised FRS 24 <i>Related Party Disclosures</i>	1 January 2011
Amendments to INT FRS 114 <i>Prepayments of a Minimum Funding Requirement</i>	1 January 2011
INT FRS 115 <i>Agreements for the Construction of Real Estate</i>	1 January 2011
Improvement to FRSS issued in 2010	1 January 2011
Amendment to FRS 101 <i>First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 107 Disclosures for First-time Adopters</i>	1 July 2010
Updates to <i>The Conceptual Framework for Financial Reporting 2010 (Chapters 1 and 3)</i>	1 March 2011
Amendments to FRS 107 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>	1 July 2011
Amendments to FRS 12 <i>Income Taxes – Deferred Tax Recovery of Underlying Assets</i>	1 January 2012

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

Notes to the Financial Statements

- 31 December 2010

14

2. Summary of significant accounting policies (cont'd)

2.4 Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of goodwill and intellectual property rights, are given in Note 8 to the financial statements.

(ii) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 2 to 57 years. The carrying amount of the Group's fixed assets at 31 December 2010 approximated \$15,039,000 (2009: \$12,986,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised.

(iii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's current and deferred tax payables at 31 December 2010 approximated \$9,358,000 (2009: \$8,015,000).

Notes to the Financial Statements

- 31 December 2010

15

2. Summary of significant accounting policies (cont'd)

2.4 Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(iv) **Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses and capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies. The carrying value of recognised tax losses and capital allowances at 31 December 2010 was \$17,267,000 (2009: \$15,262,000)

(v) **Provision for warranties**

The Group has exposure to warranties arising from warranty obligations stated in its project contracts. Management estimates the amount of warranty to be provided based on available information and its prior experience. The carrying amount of the Group's provision for warranties at 31 December 2010 approximated \$1,969,000 (2009: \$1,402,000).

(b) **Critical judgements made in applying accounting policies**

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) **Impairment of loans and receivables**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 12 to the financial statements.

(ii) **Construction contracts**

The Group recognises revenue arising from contracts using the percentage of completion method when the stage of contract completion can be reliably determined, cost to date can be clearly identified, and the total contract revenue and costs to complete can be reliably estimated. Significant judgement is involved in the recoverability of gross amount due from customers and the adequacy of foreseeable losses, if any. The net carrying amounts due from customers for contract work (Note 10) is approximately \$80,528,000 (2009: \$71,965,000).

Notes to the Financial Statements

- 31 December 2010

16

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Group companies

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

2.6 Subsidiary companies

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

Notes to the Financial Statements

- 31 December 2010

17

2. Summary of significant accounting policies (cont'd)

2.7 Principles of consolidation

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Notes to the Financial Statements

- 31 December 2010

18

2. Summary of significant accounting policies (cont'd)

2.7 Principles of consolidation (cont'd)

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parents.

2.8 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date of the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

Notes to the Financial Statements

- 31 December 2010

19

2. Summary of significant accounting policies (cont'd)

2.8 Associates (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.9 Fixed assets

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	-	57 years
Buildings	-	20 to 39 years
Leasehold improvements	-	2 to 20 years
Plant and machinery	-	4 to 5 years
Tools and equipment	-	5 years
Office furniture and fittings	-	5 years
Computer equipment	-	2 to 5 years
Motor vehicles	-	5 to 7 years

Notes to the Financial Statements

- 31 December 2010

20

2. Summary of significant accounting policies (cont'd)

2.9 Fixed assets (cont'd)

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.10 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.5.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

Other intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Notes to the Financial Statements

- 31 December 2010

21

2. Summary of significant accounting policies (cont'd)

2.10 Intangible assets (cont'd)

Acquired both separately and from a business combination (cont'd)

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Licenses and intellectual property rights

Costs relating to licenses and intellectual property rights, which are acquired, are capitalised and amortised on a straight-line basis over their 10 to 15 year useful lives.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Notes to the Financial Statements

- 31 December 2010

22

2. Summary of significant accounting policies (cont'd)

2.11 Impairment of non-financial assets (cont'd)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.12 Financial assets

Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Notes to the Financial Statements

- 31 December 2010

23

2. Summary of significant accounting policies (cont'd)

2.12 Financial assets (cont'd)

Subsequent measurement (cont'd)

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short-term deposits.

Cash and bank balances and short term deposits carried in the balance sheets are accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.12.

Notes to the Financial Statements

- 31 December 2010

24

2. Summary of significant accounting policies (cont'd)

2.14 Trade and other debtors

Trade and other debtors include prepayments, amounts due from subsidiaries and associated companies. These are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.12.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.15 below.

2.15 Impairment of financial assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Notes to the Financial Statements

- 31 December 2010

25

2. Summary of significant accounting policies (cont'd)

2.15 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.16 Stocks and projects-in-progress

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- (i) Raw materials: purchase costs on a first-in first-out basis.
- (ii) Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

Notes to the Financial Statements

- 31 December 2010

26

2. Summary of significant accounting policies (cont'd)

2.17 Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the Financial Statements

- 31 December 2010

27

2. Summary of significant accounting policies (cont'd)

2.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.21 Employee benefits

(a) Defined contribution plans

As required by law, the Group's companies in Singapore, Malaysia, India, Australia and New Zealand make contributions to their respective countries' state pension schemes, being the Central Provident Fund ("CPF") in Singapore, the Employees Provident Fund ("EPF") in Malaysia and India, the Superannuation in Australia and the KiwiSaver in New Zealand. These state pension schemes are defined contribution plans that serve as the national retirement benefits plan for the employees of the Group working in those countries.

As required by law, the Group's companies in the United Kingdom operate a defined contribution pension scheme. Assets of the scheme are held separately from those of the companies in the United Kingdom in an independently administered fund.

The contributions that are made towards the above mentioned contribution pension schemes are recognised as compensation expenses in the same period as the employment that gives rise to the contributions.

Details of the defined contribution pension schemes are as disclosed in Note 23 under employees' provident fund.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

(c) Employee share option scheme

The Company's share option schemes have expired and there are presently no share option schemes during the financial year.

Notes to the Financial Statements

- 31 December 2010

28

2. Summary of significant accounting policies (cont'd)

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) As lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23. Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Revenue recognition

Project revenue from contracts is recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, cost-to-date can be clearly identified, and the total contract revenue and costs to complete can be reliably estimated. The stage of completion is measured by either:

- the percentage of costs incurred to estimated total costs to complete the contracts; or
- the proportion of labour costs incurred for work to date to the total estimated labour costs to be incurred; or
- upon completion of designated phases of a contract.

An expected loss on the contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Revenue from sale of goods and services rendered is recognised upon delivery of goods/ services and acceptance by customers.

Maintenance revenue is recognised on a straight line basis over the specified contract period. Maintenance revenue received in advance is deferred as unearned income and recognised as income over the life of the maintenance contracts.

Notes to the Financial Statements

- 31 December 2010

29

2. Summary of significant accounting policies (cont'd)

2.23 Revenue recognition (cont'd)

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

Rental income is recognised on a straight-line basis.

Interest income is recognised using the effective interest method.

2.24 Income taxes

(a) Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- (i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- (i) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements

- 31 December 2010

30

2. Summary of significant accounting policies (cont'd)

2.24 Income taxes (cont'd)

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.25 Derivative financial instruments and hedging activities

The Group may use derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign exchange rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Notes to the Financial Statements

- 31 December 2010

31

2. Summary of significant accounting policies (cont'd)

2.25 Derivative financial instruments and hedging activities (cont'd)

For the purpose of hedge accounting, hedges are classified as :

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, that is attributable to a particular risk and could affect profit or loss;
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the profit and loss account.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the profit and loss account over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss account.

Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the profit and loss account. The changes in the fair value of the hedging instrument are also recognised in the profit and loss account.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss account. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Notes to the Financial Statements

- 31 December 2010

32

2. Summary of significant accounting policies (cont'd)

2.25 *Derivative financial instruments and hedging activities (cont'd)*

(b) *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the other comprehensive income, while the ineffective portion is recognised in the profit and loss account.

Amounts taken to other comprehensive income are transferred to the profit and loss account when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit and loss account.

(c) *Hedges of a net investment*

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the other comprehensive income under instrument relating to the effective portion of the hedge are recognised directly in the foreign currency translation reserve while any gains or losses relating to the ineffective portion are recognised in the profit and loss account. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in the foreign currency translation reserve is transferred to the profit and loss account.

2.26 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received is recognised directly in equity.

The Group has disposed of all its treasury shares in the current financial period.

2.27 *Contingencies*

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Notes to the Financial Statements

- 31 December 2010

33

2. Summary of significant accounting policies (cont'd)

2.27 Contingencies (cont'd)

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.30 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.31 Related parties

A party is considered to be related to the Group if:

- (a) The party, directly or indirectly through one or more intermediaries,
 - (i) controls, is controlled by, or is under common control with, the Group;
 - (ii) has an interest in the Group that gives it significant influence over the Group; or
 - (iii) has joint control over the Group;
- (b) The party is an associate;
- (c) The party is a jointly-controlled entity;
- (d) The party is a member of the key management personnel of the Group or its parent;
- (e) The party is a close member of the family of any individual referred to in (a) or (d); or
- (f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Notes to the Financial Statements

- 31 December 2010

34

3. Group companies

Details of subsidiary companies of the Company at 31 December are:-

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2010	2009	2010	2009
			\$'000	\$'000	%	%
iii	CSE Systems & Engineering (Thailand) Limited ⁽¹²⁾ (Thailand)	Sales and provision of computer network systems (Thailand)	–*	758	–	100
iii	CSE Systems & Engineering (India) Private Limited ⁽⁵⁾ (India)	Sales and provision of computer network systems (India)	36**	360	10	100
iii	Transtel Engineering (Tianjin) Co. Ltd ⁽⁶⁾ (China)	Sales and provision of computer network systems (China)	212	212	100	100
iv	CSE Systems & Engineering (America), Inc. (America)	Sales and provision of computer network systems (America)	759	759	100	100
ii	CSE-EIS (Malaysia) Sdn Bhd ⁽¹¹⁾ (Malaysia)	Sales and provision of computer network systems (Malaysia)	–**	1,431	–	100
i	CSE Global (Asia) Limited (Singapore)	e-business integration, research and development and investment holding (Singapore)	27,264	8,446	100	100
v	W-Industries, LLC. (America)	Sale and provision of system integration services (America)	36,200	36,200	100	100
ii	CSE-Global (UK) Limited ⁽²⁾ (United Kingdom)	Design, manufacture, installation and commissioning of control of management information systems and development, manufacture and sale of electronic and micro processor monitoring equipment (United Kingdom)	57,300	57,300	100	100
iii	CSE Technology (Beijing) Co., Ltd ⁽⁷⁾ (China)	Sale and provision of computer network systems (China)	2,524	2,524	100	100

* Shareholding has been transferred from CSE Global Limited to TransTel Engineering Pte Ltd in the financial year ended 31 December 2010.

** Shareholding has been transferred from CSE Global Limited to CSE-Global (Asia) Limited in the financial year ended 31 December 2010.

Notes to the Financial Statements

- 31 December 2010

35

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2010 \$'000	2009 \$'000	2010 %	2009 %
i	TransTel Engineering Pte Ltd (Singapore)	Provision of turnkey telecommunications solutions (Singapore)	25,158	25,158	100	100
i	CSE-IAP Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	– **	5,000	–	100
i	CSE-EIS Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	– **	1,500	–	100
iii	CSE-Global (Australia) Pty Ltd ⁽⁹⁾ (Australia)	Distribution of electrical engineering equipment and distribution and marketing of remote terminal units (Australia)	16,796	16,796	100	100
iv	CSE Environment System Inc (America)	Sales and marketing of air injection technology and energy storage projects (America)	3,356	3,356	100	100
iii	CSE-Hankin Inc ⁽⁴⁾ (America)	Design and install high temperature thermal process and incineration systems (America)	6,631	6,631	100	100
			<u>176,236</u>	<u>166,431</u>		

** Shareholding has been transferred from CSE Global Limited to CSE-Global (Asia) Limited in the financial year ended 31 December 2010.

Notes to the Financial Statements

- 31 December 2010

36

3. Group companies (cont'd)

Details of subsidiary companies held by the Group at 31 December are:-

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2010	2009
			%	%
Held by CSE Global (Asia) Limited				
i	CSE-ITS Pte Ltd (Singapore)	Provision of computer software applications (Singapore)	100	100
i	CSE-IAP Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	100**	–
i	CSE-EIS Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	100**	–
ii	CSE-EIS (Malaysia) Sdn Bhd ⁽¹⁾ (Malaysia)	Sales and provision of computer network systems (Malaysia)	100**	–
iii	CSE Systems & Engineering (India) Private Limited ⁽⁵⁾ (India)	Sales and provision of computer network systems (India)	90**	–
iii	CSE Semaphore Belgium S.A. ⁽¹¹⁾ (Belgium)	Distribution and marketing of remote terminal units and investment holding (Belgium)	100	100
i	CSE Hankin (Singapore) Pte Ltd (Singapore)	Provision of process plant and environmental engineering services (Singapore)	100	100
i	CSE Semaphore Singapore Pte Ltd (Singapore)	Distribution and marketing of remote terminal units (Singapore)	100	100
Held by CSE Semaphore Singapore Pte Ltd				
iii	CSE Semaphore Australia Pty Ltd ⁽⁹⁾ (Australia)	Distribution and marketing of remote terminal units (Australia)	100	100

** Shareholding has been transferred from CSE Global Limited to CSE-Global (Asia) Limited in the financial year ended 31 December 2010.

Notes to the Financial Statements

- 31 December 2010

37

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2010	2009
			%	%
Held by CSE Semaphore Belgium S.A.				
iv	CSE Semaphore Inc. (America)	Distribution and marketing of remote terminal units (America)	100	100
Held by CSE-Global (UK) Limited				
ii	CSE Healthcare Systems Limited ⁽²⁾ (United Kingdom)	Design, manufacture, installation and commissioning of control and management information systems (United Kingdom)	100	100
ii	CSE-Seprol Limited ⁽²⁾ (United Kingdom)	Development, manufacture and sale of electronic and microprocessor monitoring equipment (United Kingdom)	100	100
iii	CSE-Controls s.r.o. ⁽⁸⁾ (Slovakia)	Provision of oil and gas pipeline management systems (Slovakia)	100	100
ii	CSE-Controls Limited ⁽²⁾ (United Kingdom)	Design, installation and commissioning of control and management information systems (United Kingdom)	100	100
ii	CSE-Servelec Limited (formerly known as CSE-Servelec Limited 2009) ⁽²⁾ (United Kingdom)	Design, installation and commissioning of control and management information systems (United Kingdom)	100	100
ii	Systems Integration And Automation Limited ⁽²⁾ (United Kingdom)	Design, manufacture, testing and commissioning of safety systems, protection systems and control systems	100***	–
Held by W-Industries, LLC.				
v	W-Industries of Louisiana, Inc. (America)	Sale and provision of system integration services (America)	100	100

*** On 24 March 2010, the Group through its wholly owned subsidiary, CSE-Global (UK) Limited acquired 100% of the equity interest in Systems Integration and Automation Limited. As a result of this acquisition, Systems Integration and Automation became a subsidiary of CSE-Global (UK) Limited.

Notes to the Financial Statements

- 31 December 2010

38

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2010	2009
			%	%
Held by TransTel Engineering Pte Ltd				
iv	P.T. TransTel Engineering (Indonesia)	Provision of turnkey telecommunications solutions (Indonesia)	100	100
iv	TransTel Engineering (Nigeria) Ltd (Nigeria)	Provision of turnkey telecommunications solutions (Nigeria)	80	80
iii	Transtel Engineering (Tianjin) Co. Ltd ⁽⁶⁾ (China)	Provision of turnkey telecommunications solutions (China)	100	100
ii	CSE-Transtel Engineering Europe Ltd ⁽²⁾ (United Kingdom)	Provision of turnkey telecommunications solutions (United Kingdom)	100	100
ii	Transtel Engineering Thailand Ltd ⁽³⁾ (Thailand)	Provision of turnkey telecommunications solutions (Thailand)	100	100
iv	Transtel Engineering Pty Ltd (Australia)	Provision of turnkey telecommunications solutions (Australia)	100	100
iii	TransTel Engineering(M) Sdn Bhd ⁽¹³⁾ (Malaysia)	Provision of turnkey telecommunications solutions (Malaysia)	80	80
iv	Transtel Engineering Arabian Limited Co. (Saudi Arabia)	Provision of turnkey telecommunications solutions (Saudi Arabia)	100+	60
iv	Transtel Engineering PNG Limited (Papua New Guinea)	Provision of turnkey telecommunications solutions (Papua New Guinea)	100	100
iii	CSE Systems & Engineering (Thailand) Limited ⁽¹²⁾ (Thailand)	Sales and provision of computer network systems (Thailand)	100*	–

+ On 1 October 2010, the Group's subsidiary company, TransTel Engineering Pte Ltd, acquired an additional 40% equity interest in Transtel Engineering Arabian Limited Co. As a result of this acquisition, Transtel Engineering Arabian Limited Co became a 100% owned subsidiary of TransTel Engineering Pte Ltd.

* Shareholding has been transferred from CSE Global Limited to Transtel Engineering Pte Ltd in the financial year ended 31 December 2010.

Notes to the Financial Statements

- 31 December 2010

39

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2010	2009
			%	%
	Held by CSE-Global (Australia) Pty Ltd			
iii	CSE-Uniserve Corporation Pty Ltd ⁽⁹⁾ (Australia)	Distribution of electrical engineering equipment and investment holding (Australia)	100	100
	Held by CSE-Uniserve Corporation Pty Ltd			
iii	CSE-Uniserve Pty Ltd ⁽⁹⁾ (Australia)	Distribution of electrical engineering equipment (Australia)	100	100
iii	CSE-Uniserve Engineering Pty Ltd ⁽⁹⁾ (Australia)	Dormant (Australia)	100	100
iii	CSE-W Arthur Fisher Limited ⁽¹⁰⁾ (New Zealand)	Distribution of electrical engineering equipment and manufacture of process control and automation equipment (New Zealand)	100	100

Notes to the Financial Statements

- 31 December 2010

40

3. Group companies (cont'd)

Details of associated companies include:-

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2010 \$'000	2009 \$'000	2010 %	2009 %
Held by CSE Global (Asia) Limited						
iv	Infiniteinfo, Inc (America)	Dormant (America)	–	–	43	43
ii	eBworx Berhad ⁽¹⁾ (Malaysia)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (Malaysia)	168	168	29	26
Held by TransTel Engineering Pte Ltd						
iv	TransTel Engineering Qatar (Qatar)	Dormant (Qatar)	–	–	49	49
iv	TransTel Engineering & Co LLC (Oman)	Dormant (Oman)	–	–	49	49
iv	TransTel Engineering Kish Co Ltd (Iran)	Provision of turnkey telecommunications solutions for the oil and gas and petrochemical industries (Iran)	–	–	49	49
			168	168		

Notes to the Financial Statements

- 31 December 2010

41

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2010 %	2009 %
Held by eBworx Berhad				
ii	Digital Nervous System Sdn Bhd ⁽¹⁾ (Malaysia)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (Malaysia)	29	26
i	eBworx International Pte Ltd (Singapore)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (Malaysia)	29	26
iii	eBworx Technology (Beijing) Co Ltd ⁽⁷⁾ (China)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (China)	29	26
(i)	Audited by Ernst & Young LLP, Singapore			
(ii)	Audited by associated firms of Ernst & Young LLP, Singapore			
	(1)	Audited by Ernst & Young, Kuala Lumpur		
	(2)	Audited by Ernst & Young LLP, Leeds		
	(3)	Audited by Ernst & Young Office Limited, Thailand		
(iii)	Audited by other auditors			
	(4)	Audited by Flynn, Horlacher & Parker, P.C., Certified Public Accountants		
	(5)	Audited by M.V Guruprasad, Chartered Accountants		
	(6)	Audited by Tianjin Jin Xiang, Certified Public Accountants		
	(7)	Audited by Beijing Zhong Shi, Certified Public Accountants		
	(8)	Audited by Tax Audit Consult s.r.o.		
	(9)	Audited by Foster Raffan, Certified Public Accountants		
	(10)	Audited by JSA Audit, Certified Public Accountants		
	(11)	Audited by Delvaux, Fronville, Servais ET Associes		
	(12)	Audited by ANS Audit Co., Ltd, Certified Public Accountants		
	(13)	Audited by RSM Robert Teo, Kuan & Co.		
(iv)	Not required to be audited under the laws of the country of incorporation			
(v)	Not required to be audited under the laws of the country of incorporation, but audited by Ernst & Young LLP, Singapore for the purpose of consolidation of the Group.			

As required by Rule 716 of the Listing Manual of the Singapore Securities Trading Limited, the Audit Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

Notes to the Financial Statements

- 31 December 2010

42

4. Fixed assets

Group	Freehold land	Leasehold land and building	Leasehold improvements	Plant and machinery	Tools and equipment	Office furniture and fittings	Computer equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost									
At 1 January 2009	1,006	6,383	1,340	1,317	2,946	5,772	3,561	2,767	25,092
Currency realignment	(30)	(191)	(10)	84	1	356	80	109	399
Additions	-	568	663	419	237	342	472	174	2,875
Due to acquisition of subsidiary	-	-	30	-	3	10	1	-	44
Disposals	-	-	-	-	(14)	(25)	(4)	(262)	(305)
Write-off	-	-	-	-	(1)	(29)	(50)	-	(80)
At 31 December 2009 and 1 January 2010	976	6,760	2,023	1,820	3,172	6,426	4,060	2,788	28,025
Currency realignment	(62)	(479)	(92)	(180)	(154)	(155)	(261)	(70)	(1,453)
Additions	-	179	324	547	905	860	703	420	3,938
Due to acquisition of subsidiary	-	1,362	-	13	-	134	88	-	1,597
Disposals	-	-	-	(640)	(20)	(309)	(805)	(402)	(2,176)
Write-off	-	-	(32)	-	(3)	(10)	(6)	(346)	(397)
At 31 December 2010	914	7,822	2,223	1,560	3,900	6,946	3,779	2,390	29,534
Accumulated depreciation									
At 1 January 2009	-	1,402	1,055	1,087	1,318	3,406	2,545	1,610	12,423
Currency realignment	-	(51)	(15)	75	5	193	48	(13)	242
Charge for the year	-	258	205	112	456	650	612	410	2,703
Disposals	-	-	-	-	(5)	(27)	(2)	(215)	(249)
Write-off	-	-	-	-	(1)	(29)	(50)	-	(80)
At 31 December 2009 and 1 January 2010	-	1,609	1,245	1,274	1,773	4,193	3,153	1,792	15,039
Currency realignment	-	(112)	(42)	(121)	(85)	(104)	(195)	(87)	(746)
Charge for the year	-	342	299	137	371	672	585	263	2,669
Disposals	-	-	-	(640)	(18)	(308)	(805)	(353)	(2,124)
Write-off	-	-	(23)	-	(1)	(2)	(2)	(315)	(343)
At 31 December 2010	-	1,839	1,479	650	2,040	4,451	2,736	1,300	14,495
Net book value									
At 31 December 2010	914	5,983	744	910	1,860	2,495	1,043	1,090	15,039
At 31 December 2009	976	5,151	778	546	1,399	2,233	907	996	12,986

During the financial year, the Group acquired fixed assets with an aggregate cost of \$45,000 (2009: \$Nil) by means of finance leases. The cash outflow on acquisition of these fixed assets amounted to \$3,893,000 (2009: \$2,875,000). The carrying amount of fixed assets held under finance leases at the end of the financial year was \$330,000 (2009: \$373,000).

Notes to the Financial Statements

- 31 December 2010

43

4. Fixed assets (cont'd)

Company	Leasehold improvements	Office furniture and fittings	Computer equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
At 1 January 2009	250	59	230	301	840
Additions	18	6	5	–	29
Write off	–	–	(10)	–	(10)
At 31 December 2009 and 1 January 2010	268	65	225	301	859
Additions	41	1	13	–	55
Write off	–	–	(1)	(301)	(302)
At 31 December 2010	309	66	237	–	612
Accumulated depreciation					
At 1 January 2009	226	48	224	206	704
Charge for the year	17	8	6	61	92
Write off	–	–	(10)	–	(10)
At 31 December 2009 and 1 January 2010	243	56	220	267	786
Charge for the year	23	2	7	23	55
Write off	–	–	(1)	(290)	(291)
At 31 December 2010	266	58	226	–	550
Net book value					
At 31 December 2010	43	8	11	–	62
At 31 December 2009	25	9	5	34	73

Notes to the Financial Statements

- 31 December 2010

44

5. Subsidiary companies

	Company	
	2010	2009
	\$'000	\$'000
Unquoted ordinary shares, at cost	176,236	194,659
Less :		
Allowance for impairment losses	-	(25,060)
Investment written off directly to the profit and loss	-	(3,168)
Carrying amount of investments (Note 3)	176,236	166,431

Allowance for impairment losses

At 1 January	25,060	-
Written off against cost	(25,060)	-
Provided during the year	-	25,060
At 31 December	-	25,060

Amounts due from/(to) subsidiary companies

Amounts due from subsidiary companies, current:-		
Trade	5,476	4,393
Non-trade	456	1,987
Short term loans	33,958	28,442
Amounts due from subsidiary companies, current	39,890	34,822

Amounts due from subsidiary companies denominated in foreign currencies are as follows:

United States Dollars	26,034	18,880
British Sterling Pounds	200	2
Australia Dollars	198	1,916
Euro	64	64

Notes to the Financial Statements

- 31 December 2010

45

5. Subsidiary companies (cont'd)

	Company	
	2010	2009
	\$'000	\$'000
Amounts due to subsidiary companies, current:-		
Trade	1,379	2,032
Non-trade	460	580
Short term loans	24,063	17,014
Amounts due to subsidiary companies, current	25,902	19,626

Amounts due to subsidiary companies denominated in foreign currencies are as follows:-

United States Dollars	13,322	9,090
British Sterling Pounds	8	-
Malaysian Ringgit	1,059	892
Hong Kong Dollars	142	473
Chinese Renminbi	3	677
Indian Rupees	-	1,275

The amounts due from/to subsidiary companies are unsecured and are repayable on demand. The short term loans due from subsidiary companies bear interest at 6.0% per annum (2009: 5.0% to 8.5%). The short term loans due to subsidiary companies bear interest at 4.25% per annum (2009: 0%).

Acquisition of subsidiary company in 2010

The Group acquired Systems Integration & Automation Ltd ("SIA") in March 2010. SIA is a private company registered in England, which specialises in the supply of safety systems, protection systems and control systems. SIA's engineering and construction services range from conceptual design, FEED design manufacture and factory acceptance testing through to installation, commissioning and post handover activities.

The fair values of the identifiable assets and liabilities of the subsidiary as at the date of acquisition were:

	Recognition on acquisition
	\$'000
Property, plant and equipment	1,597
Trade and other receivables	2,635
Inventory	6,882
Cash and cash equivalent	3,312
	14,426

Notes to the Financial Statements

- 31 December 2010

46

5. Subsidiary companies (cont'd)

	Recognition on acquisition
	\$'000
Trade and other payables	(7,621)
Provision for taxation	(847)
Long term liabilities	(815)
	<u>(9,283)</u>
Net identifiable assets acquired	5,143
Goodwill	16,349
Total purchase consideration, settled in cash	21,492
Less cash received upon acquisition	(3,312)
Total cash outflow upon acquisition	<u>18,180</u>

Acquisition of subsidiary company in 2009

In the prior year, TransTel Engineering Pte Ltd acquired an additional 40% equity interest in its 40% owned associated company, Transtel Engineering (M) Sdn Bhd ("TEM"). Upon the acquisition, TEM became a 80% owned subsidiary of the company. TEM is an unlisted company based in Malaysia which provides turnkey telecommunications solutions for the oil and gas and petrochemical industries.

The fair values of the identifiable assets and liabilities of the subsidiary as at the date of acquisition were:

	Recognised on acquisition	Total Carrying amount before combination
	\$'000	\$'000
Property, plant and equipment	44	44
Trade and other receivables	210	210
	<u>254</u>	<u>254</u>
Trade and other payables	(516)	(516)
Net identifiable assets acquired	(262)	(262)
Goodwill	346	
Total purchase consideration, settled through capitalisation of amount due from TEM	<u>84</u>	

The fair value adjustments at 31 December 2009 were provisional as the allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities acquired in this business combination was still being determined and had not been completed at the date the 2009 accounts were approved for issue by management.

Subsequent finalisation of the purchase price allocation for the acquisition of TEM did not indicate any changes to the provisional fair value adjustments. As such, there have been no changes to the fair value adjustments as compared to those of the previous financial year.

Notes to the Financial Statements

- 31 December 2010

47

5. Subsidiary companies (cont'd)

Acquisition of non-controlling interests

In October 2010, the Group's subsidiary company, Transtel Engineering Pte Ltd, acquired an additional 40% equity interest in Transtel Arabia Limited Co. ('TEA') from its non-controlling interest for a cash consideration of \$71,000. As a result of this acquisition, TEA became a wholly-owned subsidiary of Transtel Engineering Pte Ltd. The carrying value of the net liabilities of TEA upon acquisition was \$432,000 and the carrying value of the additional interest acquired was \$Nil. The difference of \$71,000 between the consideration and the carrying value of the additional interest acquired has been recognized as 'Premium paid on acquisition of non-controlling interests' within equity.

The following summaries the effect of the change in the Group's ownership interest in TEA on the equity attributable to owners of the parent.

	\$'000
Consideration paid for acquisition of non-controlling interests	71
Decrease in equity attributable to non-controlling interests	-
Decrease in equity attributable to owners of the parent	<u>71</u>

6. Associated companies

	Group	
	2010	2009
	\$'000	\$'000
Quoted shares, at cost	168	168
Share of post-acquisition reserves	7,638	7,003
Carrying amount of investments	<u>7,806</u>	<u>7,171</u>
Market value of quoted shares at 31 December	<u>10,535</u>	<u>5,991</u>

Notes to the Financial Statements

- 31 December 2010

48

6. Associated companies (cont'd)

The summarised financial information of the associated companies is as follows:

	Group	
	2010	2009
	\$'000	\$'000
Results		
Turnover	13,890	12,181
Net profit for the year	2,066	839
Assets and liabilities		
Non-current assets	8,448	8,032
Current assets	20,863	20,729
Total assets	29,311	28,761
Current liabilities	(1,167)	(371)
Total liabilities	(1,167)	(371)
Net assets	28,144	28,390
Amounts due from associated companies :-		
Non-trade	1	145

The amounts due from associated companies are unsecured, interest-free and are repayable on demand.

7. Other investment

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Available-for-sale investment				
- Equity instruments (unquoted) at cost	190	190	190	190

Notes to the Financial Statements

- 31 December 2010

49

8. Intangible assets

Group	Intellectual property rights			Total
	Goodwill	Licenses		
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 January 2009	62,427	260	13,551	76,238
Currency realignment	2,203	6	(100)	2,109
Written off during the year	–	–	(4,769)	(4,769)
Due to acquisition of subsidiary	346	–	–	346
Adjustment	(74)	–	–	(74)
At 31 December 2009 and 1 January 2010	64,902	266	8,682	73,850
Currency realignment	(3,478)	(12)	(664)	(4,154)
Due to acquisition of subsidiary	15,718	–	–	15,718
At 31 December 2010	77,142	254	8,018	85,414
Accumulated amortisation and impairment loss				
At 1 January 2009	5,823	110	2,530	8,463
Currency realignment	(36)	2	(25)	(59)
Provided during the year	–	29	1,286	1,315
Written off during the year	–	–	(1,015)	(1,015)
At 31 December 2009 and 1 January 2010	5,787	141	2,776	8,704
Currency realignment	(44)	(4)	(211)	(259)
Provided during the year	–	29	708	737
At 31 December 2010	5,743	166	3,273	9,182
Net carrying value				
At 31 December 2010	71,399	88	4,745	76,232
At 31 December 2009	59,115	125	5,906	65,146
Remaining amortisation period (years) – 2010	NA	5	6 to 9	NA
Remaining amortisation period (years) – 2009	NA	6	7 to 10	NA

During the prior year, the Group wrote off intangible assets arising from the diminution of intellectual properties in CSE Environmental Systems Inc. in accordance with FRS 36. There was no such write off in the current year.

Notes to the Financial Statements

- 31 December 2010

50

8. Intangible assets (cont'd)

Intellectual property rights

Intellectual property rights mainly relate to the rights and technology relating to the Kingfisher Remote Telemetry Unit (RTU) and the technology relating to the TBOX™ brand of RTU that were acquired in business combinations and related product development costs incurred to further develop the technology.

Company	Licenses \$'000
Cost	
At 1 January 2010 and 31 December 2010	147
Accumulated amortisation	
At 1 January 2009	74
Provided during the year	29
At 31 December 2009	103
Provided during the year	29
At 31 December 2010	132
Net carrying value	
At 31 December 2010	15
At 31 December 2009	44

Amortisation of licenses and intellectual property are included in the line "other operating costs" in the profit and loss statement.

Impairment testing of goodwill and intellectual property rights

Goodwill acquired through business combinations and intellectual property rights have been allocated to the Group's cash-generating units (CGU) identified according to each individual business unit for impairment testing, as follows:-

	Group	
	2010 \$'000	2009 \$'000
W-Industries, Inc.	14,177	15,135
CSE-Global (UK) Limited	28,793	14,470
CSE-Global (Australia) Pty Ltd	8,189	7,816
CSE Global (Asia) Limited	1,282	1,282
CSE-Semaphore Belgium	7,979	9,252
CSE-Semaphore Australia	3,025	2,864
TransTel Engineering Pte Ltd	2,729	2,752
CSE-EIS (Malaysia) Sdn Bhd	486	486
CSE-Hankin, Inc	4,739	5,058
	71,399	59,115

Notes to the Financial Statements

- 31 December 2010

51

8. Intangible assets (cont'd)

Impairment testing of goodwill and intellectual property rights (cont'd)

The recoverable amounts of the CGUs are determined based on value-in-use calculations. The value-in-use calculations use 5-years cash flow projections based on financial budgets approved by management. Management have considered and determined the factors applied in these financial budgets which include budgeted gross margins and average growth rates. The budgeted gross margins are based on past performance and its expectation of market development. Average growth rates of 0% - 35% (2009: 0% - 20%) used are consistent with forecasts based on existing contracts and book orders. The discount rate applied is assumed at 10.4% (2009: 9.09%) for value-in-use calculations, which approximates the Group weighted average cost of capital.

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on average values achieved in the year preceding the start of the budget period. These have been forecasted to remain constant over the budget period.

Discount rate – Discount rate used reflect management's estimate of the risks and the expected returns from the CGUs.

9. Deferred tax assets/liabilities

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	7,282	6,645	42	181
Deferred tax liabilities	(3,843)	(3,915)	-	-
	3,439	2,730	42	181

This can be analysed as follows :-

Differences in depreciation and amortisation	(3,725)	(3,755)	(13)	(6)
Provisions	897	1,182	-	194
Unutilised tax losses	5,588	4,544	55	-
Unutilised capital allowances	112	224	-	-
Profits recognised on percentage of completion	460	571	-	-
Other deferred tax assets/(liabilities)	107	(36)	-	(7)
	3,439	2,730	42	181

Unrecognised tax losses and capital allowances

As at 31 December 2010, the Group has \$16,609,000 tax losses (2009: \$13,944,000) and \$658,000 capital allowances (2009: \$1,318,000) available for offset against future taxable profits of the companies in which the losses and capital allowances arose. The use of the tax losses and capital allowances are subject to the agreement of the tax authorities and compliance with tax regulations of the respective countries in which the subsidiary companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

At 31 December 2010, no deferred income tax liability has been recognised (2009: \$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has control over the remittance and has determined that unremitted earnings will not be remitted in the foreseeable future.

Notes to the Financial Statements

- 31 December 2010

52

9. Deferred tax assets/liabilities (cont'd)

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends proposed by the Company but not recognised as a liability in the financial statements (Note 33).

10. Projects-in-progress, net

	Group	
	2010	2009
	\$'000	\$'000
Cost incurred and attributable profits less recognised losses	469,868	439,394
Less: Progress billings	(389,340)	(367,429)
Amounts due from customers for contract work, net	80,528	71,965
Presented as :		
Gross amount due from customers for contract work	107,024	89,250
Gross amount due to customers for contract work	(26,496)	(17,285)
	80,528	71,965

11. Stocks

	Group	
	2010	2009
	\$'000	\$'000
Raw materials	5,032	5,019
Stocks work-in-progress	1,392	840
Finished goods	5,480	7,072
Stocks in transit	1,056	1,299
Total stocks at lower of cost and net realisable value	12,960	14,230
Stocks are stated after deducting allowance for stock obsolescence	900	597

Allowance for stock obsolescence

Balance at 1 January	597	566
Currency realignment	(61)	23
Allowance during the year	364	103
Allowance utilised during the year	-	(95)
Balance at 31 December	900	597

Notes to the Financial Statements

- 31 December 2010

53

12. Trade and other debtors

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Trade debtors	75,329	75,531	1,271	2,047
Other debtors	1,013	1,091	13	503
Refundable deposits	607	557	28	28
Staff advances	245	221	–	–
Tax recoverable	1,060	1,418	577	854
GST receivables	975	795	–	–
Total trade and other debtors	79,229	79,613	1,889	3,432
Add :				
Amounts due from subsidiary companies (Note 5)	–	–	39,890	34,822
Amounts due from associated companies (Note 6)	1	145	–	–
Cash and cash equivalents (Note 26)	58,373	56,053	3,047	3,891
Total loans and receivables	137,603	135,811	44,826	42,145

Trade debtors

Trade debtors are non-interest bearing and are generally on 30 to 120 days' terms. They are recognised at their original amounts which represent their fair values on initial recognition.

Included in the Group's trade and other debtors balances at 31 December are the following foreign currency denominated balances:

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
United States Dollars	42,635	46,890	582	761
British Sterling Pounds	13,001	10,734	–	–
Australia Dollars	7,966	7,547	–	–
Euro	6,856	5,213	–	–

Staff advances

Staff advances are unsecured and non-interest bearing.

Notes to the Financial Statements

- 31 December 2010

54

12. Trade and other debtors (cont'd)

Receivables that are past due but not impaired

The Group has trade debtors amounting to \$6,417,000 (2009: \$7,766,000) that are past due date at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Trade receivables past due but not impaired:				
Less than 30 days	2,166	3,113	118	452
30 to 60 days	1,132	1,532	219	25
61 to 90 days	242	3,097	–	80
91 to 120 days	473	24	606	339
More than 120 days	2,404	–	–	–
	<u>6,417</u>	<u>7,766</u>	<u>943</u>	<u>896</u>

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance account used to record the impairment are as follows:

	Group		Company	
	Individually impaired 2010	Individually impaired 2009	Individually impaired 2010	Individually impaired 2009
	\$'000	\$'000	\$'000	\$'000
Trade receivables – nominal amounts	1,610	2,823	–	–
Less: Allowance for impairment	<u>(1,610)</u>	<u>(1,273)</u>	<u>–</u>	<u>–</u>
	–	1,550	–	–
Movement in allowance account :				
At 1 January	1,273	742	–	–
Currency realignment	(144)	11	–	–
Charge for the year	1,716	820	–	–
Written back	(7)	(62)	–	–
Written off	<u>(1,228)</u>	<u>(238)</u>	<u>–</u>	<u>–</u>
At 31 December	<u>1,610</u>	<u>1,273</u>	<u>–</u>	<u>–</u>

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Notes to the Financial Statements

- 31 December 2010

55

13. Trade creditors and accruals

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Trade creditors and accruals	74,315	61,081	5,127	5,703
Add :				
Amounts due to subsidiaries (Note 5)	-	-	25,902	19,626
Finance leases (Note 28)	577	532	-	-
Amounts due to bankers (Note 14)	58,380	108,524	58,380	108,524
Total financial liabilities carried at amortised cost	133,272	170,137	89,409	133,853

These amounts are non-interest bearing. Trade payables are normally settled on 60-day terms. Trade creditors and accruals denominated in foreign currencies are as follows:

United States Dollars	27,352	22,354	-	15,307
British Sterling Pounds	4,519	11,356	18	23
Australia Dollars	4,246	5,425	-	2,379
Euro	5,794	2,682	-	129

14. Amounts due to bankers

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Short term loans, unsecured				
- Singapore Dollars	5,625	19,950	5,625	19,950
- British Sterling Pounds	614	6,567	614	6,567
- United States Dollars	11,504	4,912	11,504	4,912
Current portion of long term loans, unsecured				
- Singapore Dollars	-	1,250	-	1,250
- United States Dollars	14,790	15,790	14,790	15,790
Less: Unamortised facility fees	(333)	(614)	(333)	(614)
	32,200	47,855	32,200	47,855
Long term loans, unsecured				
- Singapore Dollars	-	625	-	625
- United States Dollars	26,294	60,701	26,294	60,701
Less: Unamortised facility fees	(114)	(657)	(114)	(657)
	26,180	60,669	26,180	60,669
Total amounts due to bankers	58,380	108,524	58,380	108,524

Notes to the Financial Statements

- 31 December 2010

56

14. Amounts due to bankers (cont'd)

The unsecured short term loans of the Company and of the Group bear interest at 1.10% - 6.30% (2009: 1.85% - 7.80%) per annum.

On 31 July 2009, the Company refinance its short-term borrowings with a US\$50 million 3 years syndicated loan facility from DBS Bank Limited, Overseas-Chinese Banking Corporation Limited, The Hongkong and Shanghai Banking Corporation Limited and United Overseas Bank Limited.

Under the terms of the facility, the interest rate of approximately 72% of the loans is fixed via interest rate swaps at an effective interest rate of 4.978% for 2.5 years with effective dates commencing from 29 January 2010 and the interest rate of the remaining balance of 28% is based on 3-month floating rates fixed quarterly.

15. Provision for warranties

	Group	
	2010	2009
	\$'000	\$'000
At 1 January	1,402	1,582
Currency realignment	(54)	23
Provision during the year	1,261	949
Provision written back	(601)	(1,070)
Provision utilized	(39)	(82)
At 31 December	<u>1,969</u>	<u>1,402</u>

Provision for warranties relates to estimated costs for possible rectification work during the warranty period of the project-in-progress. The provision for such costs is based on estimates made from historical data associated with similar projects. Upon the expiry of the warranty period, the Group would proceed to write back any unused portion of the warranty provision.

The above provision has not been discounted as the effect of discounting is not significant.

Notes to the Financial Statements

- 31 December 2010

57

16. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2010		2009	
	No of shares		No of shares	
	'000	\$'000	'000	\$'000
Issued and fully paid ordinary shares				
At 1 January	511,068	92,498	511,068	92,498
At 31 December	511,068	92,498	511,068	92,498

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company			
	2010		2009	
	No of shares		No of shares	
	'000	\$'000	'000	\$'000
At 1 January	35,022	28,043	35,022	28,043
Disposed during the financial year	(35,022)	(28,043)	-	-
At 31 December	-	-	35,022	28,043

Treasury shares relate to ordinary shares of the Company that are held by the Company.

The Company disposed 35,022,000 treasury shares on 15 April 2010 for \$37,919,000. The surplus arose from the disposal was presented as a component within shareholders' equity.

17. Other reserve

Other reserve comprises of the surplus from the sale of the treasury shares and premium paid on acquisition of non-controlling interests from the purchase of Transtel Arabia Limited Co.

18. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Notes to the Financial Statements

- 31 December 2010

58

19. Revenue

Revenue mainly represent the revenue recognised on projects-in-progress.

20. Miscellaneous income

	Group	
	2010	2009
	\$'000	\$'000
Rental income	423	413
Commission income	82	53
Miscellaneous income	403	16
Net exchange gain	2,616	841
Grant income from Job Credit Scheme	150	753
	<u>3,674</u>	<u>2,076</u>

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme (Scheme). Under the Scheme, the Group received cash grants ranging from 3% to 12% on the first \$2,500 of each month's wages for each employee on their Central Provident Fund payroll. During the financial year, the Group received grant income of \$150,000 (2009: \$753,000) under the Scheme.

21. Finance income

	Group	
	2010	2009
	\$'000	\$'000
Interest income – short-term deposits	<u>353</u>	<u>360</u>

22. Finance costs

	Group	
	2010	2009
	\$'000	\$'000
Interest expense – bank loans	3,734	5,474
Bank charges	1,130	887
	<u>4,864</u>	<u>6,361</u>

Notes to the Financial Statements

- 31 December 2010

59

23. Profit before taxation

	Group	
	2010	2009
	\$'000	\$'000
The following items have been included in arriving at profit before taxation :-		
Non-audit services paid to: -		
Auditors of the Company	4	3
Other auditors of subsidiary companies	61	149
Impairment of investment in associated company	-	161
Depreciation of fixed assets (Note 4)	2,669	2,703
Gain on disposal of fixed assets	(6)	(5)
Intangible assets written off	-	3,754
Fixed assets written off	54	-
Amortisation of intangible assets (Note 8)	737	1,315
Allowance for stock obsolescence, net (Note 11)	364	103
Stock written off directly to profit and loss account	149	86
Allowance for doubtful trade debts, net (Note 12)	1,709	758
Bad trade debts written off directly to the profit and loss	6	37
Provision/(write-back of) for warranties, net (Note 15)	660	(121)
Personnel and related costs comprising :-		
Salaries and bonuses	46,934	41,282
Employees' provident fund	3,422	2,933
Other personnel and related costs	12,645	11,377
Rental expenses	6,119	5,968
Directors' fees		
- Directors of the Company	253	223
Fair value gain in derivative financial instruments	-	(3,880)

Notes to the Financial Statements

- 31 December 2010

60

24. Taxation

The major components of income tax expense for the years ended 31 December are :

	Group	
	2010	2009
	\$'000	\$'000
Current taxation :		
- Singapore	3,223	3,578
- Foreign	12,843	13,390
Deferred taxation :		
- Singapore	(111)	233
- Foreign	(594)	(2,410)
	15,361	14,791
Withholding tax	850	645
Overprovision for prior years' taxation – current	(96)	(89)
Underprovision for prior years' taxation – deferred	8	–
Income tax expense recognised in profit or loss	16,123	15,347

A reconciliation between the tax expense and the product of accounting profit before taxation multiplied by the applicable tax rate for the financial years ended 31 December can be analysed as follows:

	Group	
	2010	2009
	\$'000	\$'000
Profit before taxation (excluding share of results of associated companies)	67,857	58,967
Taxation at statutory tax rate of 17% (2009: 17%)	11,536	10,024
Adjustments :		
Expenses not deductible for tax purposes	915	509
Temporary differences previously not recognised, now recognised	(111)	–
Utilisation of tax losses and capital allowance previously not recognised	(348)	(94)
Income not subject to taxation	(16)	(591)
Unabsorbed losses transferred under Group relief	(3)	–
Effect of tax deductions and reliefs	(255)	(577)
Income subject to lower tax rate	(27)	(282)
Different effective tax rates of other countries	3,915	5,901
Effect of change in tax rate	(10)	20
Others	(235)	(119)
	15,361	14,791
Share of tax of associated companies	18	40

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Notes to the Financial Statements

- 31 December 2010

61

25. Earnings per share

Basic earnings per share

Basic earnings per share amounts are calculated by dividing profit for the financial year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the financial year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2010	2009
	\$'000	\$'000

Profit for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	52,477	43,659
----------------------------------------------------------------------------------------------------------------------------------------	--------	--------

	No. of shares	
	2010	2009
	'000	'000

Weighted average number of shares for basic earnings per share computation :- *		
Outstanding during the year	500,993	476,046

* Rounded to the nearest thousand.

Diluted earnings per share

The weighted average number of ordinary shares adjusted for the effect of all dilutive potential ordinary shares is determined as follows :-

	No. of shares	
	2010	2009
	'000	'000

Weighted average number of shares outstanding during the year, used in the computation of basic earnings per share	500,993	476,046
Weighted average number of ordinary shares adjusted for the effect of dilution	500,993	476,046

Notes to the Financial Statements

- 31 December 2010

62

26. Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Short-term deposits	6,648	3,155	–	–
Cash and bank balances	51,725	52,898	3,047	3,891
	<u>58,373</u>	<u>56,053</u>	<u>3,047</u>	<u>3,891</u>

Cash and cash equivalents denominated in foreign currencies are as follows:

	Group	
	2010	2009
	\$'000	\$'000
United States Dollars	30,609	30,251
British Sterling Pounds	8,944	10,645
Australia Dollars	6,670	3,181
Euro	<u>2,495</u>	<u>4,533</u>

Included in the Company's cash and cash equivalents balance at 31 December 2010 is an amount of approximately \$2,496,000 (2009: \$3,359,000) denominated in US Dollars.

27. Segment information

For management purposes, the Group is organised as one business unit with a single reportable operating segment. The Group is in the business of systems integration solution and the provision of computer network systems. The provision of these services provides the Group with similar risks and rates of returns. For this reason, the management and the directors are of the opinion that the Group only has one operating segment.

Notes to the Financial Statements

- 31 December 2010

63

27. Segment information (cont'd)

Geographical information

The turnover by geographical segments is based on the location of customers regardless of where the goods are produced.

The following table presents revenue and non-current assets information regarding geographical segments for the year ended 31 December 2010 and 2009:

	Asia-Pacific*		America		Europe/Middle East		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	119,285	125,380	154,825	138,714	173,978	140,966	448,088	405,060
Non-current assets	21,421	20,140	27,627	28,587	42,223	29,405	91,271	78,132

* Projects in Asia-Pacific cover countries such as Singapore, China, Hong Kong, Korea, Japan, Thailand, Malaysia, Indonesia, Vietnam and Australia.

Non-current assets information presented above consists of intangible assets and fixed assets as presented in the consolidated balance sheet.

Information about a major customer

Revenue from two major customers amount to approximately \$56,225,000 (2009: \$50,400,000).

28. Commitments

(a) **Operating lease commitments – As lessee**

As at the balance sheet date, the Group has the following minimum lease payments under non-cancellable operating lease on premises and equipment with initial or remaining term of one year or more :-

	Group	
	2010	2009
	\$'000	\$'000
Payable within 1 year	6,739	4,710
Payable later than 1 year but not later than 5 years	14,188	14,647
Payable later than 5 years	7,213	9,752
	<u>28,140</u>	<u>29,109</u>

The Group leases a number of office premises under operating leases. These leases typically run for an initial tenure of between one to ten years. Certain leases include options to renew the leases after the expiry of the initial tenure. Lease payments under these leases are usually fixed for the entire initial tenure.

Notes to the Financial Statements

- 31 December 2010

64

28. Commitments (cont'd)

(a) Operating lease commitments – As lessee (cont'd)

The leases generally do not contain any escalation clauses with the exception of one lease which provides for an increase in rental at a fixed rate of 7% over the preceding year's rent at the commencement of the 4th and 7th year of lease term. There are no restrictions placed upon the Group or the Company by entering into these leases.

(b) Operating lease commitments – As lessor

As at the balance sheet date, the Group and Company have the following minimum lease receivables under non-cancellable operating lease on rental premises located within its leasehold building with a remaining term of one year or more :-

	Group and Company	
	2010	2009
	\$'000	\$'000
Receivable within 1 year	273	228
Receivable later than 1 year but not later than 5 years	198	272
	<u>471</u>	<u>500</u>

(c) Finance lease commitments

The Group conducts a portion of its operations from leased office equipments and motor vehicles. These leases are classified as finance leases and expire over the next four years.

As at the balance sheet date, the Group has the following future minimum lease payments under finance leases together with the present value of the net minimum lease payments on equipment with initial or remaining term of one year or more :-

	Group			
	Total minimum lease payments	Present value of payments	Total minimum lease payments	Present value of payments
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
Payable within 1 year	247	190	255	218
Payable later than 1 year but not later than 5 years	402	387	348	314
	<u>649</u>	<u>577</u>	<u>603</u>	<u>532</u>
Less: Amounts representing finance charges	(72)	–	(71)	–
Present value of minimum lease payments	<u>577</u>	<u>577</u>	<u>532</u>	<u>532</u>

Included in lease creditors of the Group is an amount of approximately \$516,000 (2009: \$491,000) denominated in Australia dollars.

The finance leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or entering into other lease agreements.

Notes to the Financial Statements

- 31 December 2010

65

29. Related party transactions

a) Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial period:

	2010	2009
	\$'000	\$'000
Management fee received	9,755	7,076
Royalties/licensing/agency fees received	5,349	3,436
Interest received	1,752	1,392
Rental income	237	223
Sales commission	30,824	2,019
Dividend received	1,164	28,428
Interest paid	(840)	(1,252)
Waiver of loans receivable	–	(26,022)

Related companies:

These are subsidiaries and associates of the CSE Global Ltd and its subsidiaries, excluding entities within the Group.

b) Compensation of key management personnel

	Group	
	2010	2009
	\$'000	\$'000
Short-term employee benefits	8,698	7,654
Central Provident Fund contribution	118	114
Directors fees	253	223
	9,069	7,991
Comprise amounts paid to:		
Directors of the Company	2,886	2,608
Other key management personnel	6,183	5,383
	9,069	7,991

Notes to the Financial Statements

- 31 December 2010

66

30. Financial risk management objectives and policies

The Group's principal financial instruments, comprise bank loans, finance leases, cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors resolutions and banking mandates which define the permitted financial instruments and facilities limits, approved by the Board of Directors. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Singapore Dollar (SGD), U.S. Dollar (USD), British Pound (GBP), Euro (EUR), and Australia Dollar (AUD). Approximately 94% (2009: 96%) of the Group's sales are denominated in functional currencies whilst approximately 76% (2009: 77%) of costs including taxes are denominated in the respective functional currencies of the Group entities. The Group's trade debtors and trade creditors balances at the balance sheet date have similar exposures with 94% (2009: 94%) and 59% (2009: 76%) denominated in their respective functional currencies respectively.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances are mainly in USD.

The Group is exposed to currency translation risk as it consolidates revenue, expenses and profit from its foreign subsidiaries, in the United Kingdom (UK), America (US), Australia, Malaysia, Belgium, Thailand, People's Republic of China, India and Indonesia, at average exchange rates for the year, which approximates the exchange rates on the dates of transactions.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investment in the foreign subsidiaries are not hedged as the currency positions in the respective countries are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a 1% (2009: 1%) change in the USD, GBP, AUD, EUR and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group			
		Transactional exposure			
		2010		2009	
		Profit after tax	Equity	Profit after tax	Equity
		S\$'000	S\$'000	S\$'000	S\$'000
USD/SGD	Strengthened	(464)	–	(766)	–
	Weakened	464	–	766	–
GBP/SGD	Strengthened	(20)	–	(44)	–
	Weakened	20	–	44	–
AUD/SGD	Strengthened	(1)	–	(1)	–
	Weakened	1	–	1	–
EUR/SGD	Strengthened	(9)	–	7	–
	Weakened	9	–	(7)	–
SGD/USD	Strengthened	(71)	–	(25)	–
	Weakened	71	–	25	–

Notes to the Financial Statements

- 31 December 2010

67

30. Financial risk management objectives and policies (cont'd)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. For other financial assets, the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

In the aspect of credit risk arising from the inability of customers of the Group to make payments when their receivables fall due, it is the Group's policy to provide credit terms to creditworthy and reputable customers. These receivables are continually monitored on an ongoing basis to ensure that issues arising from non-collectibility are minimised. Therefore, the Group does not expect material credit losses on its debts with customers.

Exposure to credit risk

The Group's maximum exposure to credit risk, in the event that the counter-parties to the transactions with the Group fail to perform their obligations as of balance sheet date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet, and is generally limited to the amounts, if any, by which the counter-parties' obligations exceed the obligations of the Group.

The Group has no significant concentration of credit risk.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the geographical segments profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade at the balance sheet date is as follows:

	Group			
	2010		2009	
	\$'000	% of total	\$'000	% of total
By geographical segments:				
Asia-Pacific	21,029	28	26,631	35
The Americas	22,172	29	22,742	30
Europe/Middle East/Africa	32,128	43	26,158	35
Total	75,329	100	75,531	100

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12.

Notes to the Financial Statements

- 31 December 2010

68

30. Financial risk management objectives and policies (cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to related companies and bank deposits. The Company's loans at floating rate given to related parties form a natural hedge for its current floating rate bank loan. All the Group's and Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2009: less than 6 months) from the balance sheet date.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The Group took 39% and 38% of its loans and borrowings at fixed rate of interest for financial ended 31 December 2010 and 31 December 2009 respectively. In respect of the syndicated loan discussed in Note 14, the Group also engages in interest rate swaps to reduce the interest rate risk arising from the portion of the syndicated loan subject to floating interest rates.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to 1% (2009: 1%) change in the interest rates with all other variables held constant on the Group's profit net of tax.

		Group			
		2010		2009	
		Profit after tax	Equity	Profit after tax	Equity
		\$'000	\$'000	\$'000	\$'000
SGD	Increase in 1% interest rate	(40)	–	(171)	–
	Decrease in 1% interest rate	40	–	171	–
USD	Increase in 1% interest rate	(241)	–	(487)	–
	Decrease in 1% interest rate	241	–	487	–
GBP	Increase in 1% interest rate	59	–	5	–
	Decrease in 1% interest rate	(59)	–	(5)	–
EUR	Increase in 1% interest rate	16	–	32	–
	Decrease in 1% interest rate	(16)	–	(32)	–
AUD	Increase in 1% interest rate	29	–	–	–
	Decrease in 1% interest rate	(29)	–	–	–
NZD	Increase in 1% interest rate	5	–	4	–
	Decrease in 1% interest rate	(5)	–	(4)	–

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

Notes to the Financial Statements

- 31 December 2010

69

30. Financial risk management objectives and policies (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with 13 different banks. At the balance sheet date, approximately 55% (2009: 44%) of the Group's loans and borrowings (Note 14) will mature in less than one year based on the carrying amount reflected in the financial statements. The Group and the Company have mitigated liquidity risk by restructuring their debt structure through the syndicated loan (Note 14), improving the Group's ability to meet its obligation to its banks from its operating cash flow.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted payments.

	Group					
	1 year or less	2010 1 to 5 years	Total	1 year or less	2009 1 to 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other debtors	79,229	–	79,229	79,613	–	79,613
Short term deposits	6,648	–	6,648	3,155	–	3,155
Cash and bank balances	51,725	–	51,725	52,898	–	52,898
Amounts due from associated companies	1	–	1	145	–	145
	137,603	–	137,603	135,811	–	135,811
Trade creditors and accruals	74,315	–	74,315	61,081	–	61,081
Finance leases	247	402	649	255	348	603
Loans and borrowings	32,533	26,294	58,827	47,855	60,669	108,524
	107,095	26,696	133,791	109,191	61,017	170,208
Total net undiscounted financial assets/(liabilities)	30,508	(26,696)	3,812	26,620	(61,017)	(34,397)

Notes to the Financial Statements

- 31 December 2010

70

30. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	Company					
	1 year or less	2010 1 to 5 years	Total	1 year or less	2009 1 to 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other debtors	1,889	–	1,889	3,432	–	3,432
Cash and bank balances	3,047	–	3,047	3,891	–	3,891
Amounts due from subsidiary companies	39,890	–	39,890	34,822	–	34,822
	44,826	–	44,826	42,145	–	42,145
Trade creditors and accruals	5,127	–	5,127	5,703	–	5,703
Loans and borrowings	32,533	26,294	58,827	47,855	60,699	108,524
Amounts due to subsidiary companies	25,902	–	25,902	19,626	–	19,626
	63,562	26,294	89,856	73,184	60,669	133,853
Total net undiscounted financial liabilities	(18,736)	(26,294)	(45,030)	(31,039)	(60,669)	(91,708)

31. Financial instruments

Fair value

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and short term deposits, trade and other debtors, trade creditors and accruals, current finance lease and current and non-current bank loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Management has determined that the carrying amounts of the non-current portions of the finance leases amounting to \$387,000 (2009: \$314,000) approximate their fair values.

Financial instruments carried at cost

Fair value information has not been disclosed for the Group's investment in equity instrument that is carried at cost (Note 7) because the fair value cannot be measured reliably. This equity instrument represent ordinary shares in an US company that is not quoted on any market and does not have any comparable industry peer that is listed. The Group does not intend to dispose of this investment in the foreseeable future.

Notes to the Financial Statements

- 31 December 2010

71

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business activities and maximise shareholders' value.

The Group manages its capital structure through issuance of new shares, adjustment of the dividend payout and returning capital to the shareholders. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 2009.

The Group monitors capital using a gearing ratio, which is computed by dividing net debt by total equity. The Group does not have a target gearing ratio. Net debts are defined as amounts due to bankers less cash and cash equivalents.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2010 and 2009.

	Group	
	2010	2009
	\$'000	\$'000
Amounts due to bankers (Note 14)	58,380	108,524
Less: Cash and cash equivalents (Note 26)	(58,373)	(56,053)
Net debt	7	52,471
Equity attributable to the equity holders of the parent	195,152	136,615
Gearing ratio	0%	38%

33. Dividends

	Group and Company	
	2010	2009
	\$'000	\$'000

Declared and paid during the financial year:

Dividends on ordinary shares:

- Final exempt (one-tier) dividend for 2008: \$0.03 per share	-	14,281
- Final exempt (one-tier) dividend for 2009: \$0.035 per share	17,887	-
	17,887	14,281

Proposed but not recognised as a liability as at 31 December:

Dividends on ordinary shares, subject to shareholders' approval at the AGM:

- Final exempt (one-tier) dividend for 2010: \$0.04 (2009: \$0.035) per share	20,443	17,887
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Notes to the Financial Statements

- 31 December 2010

72

34. Events occurring after the reporting period

a) Acquisition of ASTIB Group Pty Ltd ("ASTIB")

On 24 December 2010, CSE Global Limited ("CSE"), through its wholly owned Australian subsidiary, CSE-Global (Australia) Pty Ltd, had entered into a sale and purchase agreement with Sofoulis Holdings Ptd, Robert Nicholas Sofoulis and Wendy Michelle Sofoulis (collectively known as "Vendors") to acquire 100% of ASTIB Group Pty Ltd ("ASTIB") for an initial consideration of AUD34.85 million (approximately \$46.65 million), comprising cash of AUD30 million and 5 million ordinary shares of CSE and upon meeting certain profit targets for 2011 and 2012, up to an additional 15 million ordinary shares of CSE will be paid (approximately \$19.05 million), giving a maximum consideration of approximately \$64.7 million.

The transaction was completed on 12 January 2011.

35. Authorisation of financial statements

The financial statements of CSE Global Limited for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 14 March 2011.



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