

Retail Holdings N.V has a 56.516% equity interest in Singer Asia Limited, a distributor of consumer durable products in selected emerging markets in Asia, with consumer credit and other financial services available to qualified customers. Singer Asia Limited is Retail Holdings N.V.'s only operating company. The audited Consolidated Financial Statements for Singer Asia Limited and Subsidiaries follow.

**SINGER ASIA LIMITED AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

**SINGER ASIA LIMITED AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2009**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1
Consolidated statement of financial position .....	2
Consolidated statement of income .....	3
Consolidated statement of comprehensive income .....	4
Consolidated statement of changes in equity .....	5
Consolidated statement of cash flows .....	7
Notes to the consolidated financial statements.....	8

## **Independent auditor's report**

To the Board of Directors of  
Singer Asia Limited

We have audited the accompanying consolidated financial statements of Singer Asia Limited (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2009 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Phoomchai Audit Ltd.  
20 April 2010  
Bangkok

## SINGER ASIA LIMITED AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 DECEMBER

*In thousands of U.S. Dollars*

	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>			
Property, plant and equipment	<i>10</i>	31,444	42,455
Intangible assets	<i>11</i>	4,014	800
Trade and other receivables over one year	<i>15</i>	21,595	27,259
Investments in equity accounted investees	<i>12</i>	14,648	5,165
Deferred tax assets	<i>13</i>	997	6,976
Other non-current assets		5,193	4,873
<b>Total non-current assets</b>		<b>77,891</b>	<b>87,528</b>
Inventories	<i>14</i>	38,378	60,378
Trade and other receivables	<i>15</i>	51,898	97,650
Cash and cash equivalents	<i>16</i>	18,229	15,541
Other current assets		5,947	11,657
<b>Total current assets</b>		<b>114,452</b>	<b>185,226</b>
<b>Total assets</b>		<b>192,343</b>	<b>272,754</b>
<b>EQUITY</b>			
	<i>17</i>		
Share capital		10	10
Share premium		73,769	73,301
Reserves		6,755	9,058
Deficit		(4,837)	(16,585)
<b>Total equity attributable to equity holders of the Company</b>		<b>75,697</b>	<b>65,784</b>
<b>Non-controlling interest</b>		<b>11,720</b>	<b>18,799</b>
<b>Total equity</b>		<b>87,417</b>	<b>84,583</b>
<b>LIABILITIES</b>			
Loans and borrowings over one year	<i>19</i>	11,587	20,137
Employee benefits	<i>20</i>	2,811	10,679
Deferred income over one year	<i>22</i>	103	171
Warranty provision over one year	<i>23</i>	123	195
Other non-current liabilities		4,305	4,390
<b>Total non-current liabilities</b>		<b>18,929</b>	<b>35,572</b>
Bank overdraft	<i>16</i>	11,478	33,348
Loans and borrowings	<i>19</i>	46,354	83,686
Trade and other payables	<i>24</i>	26,409	34,128
Deferred income	<i>22</i>	1,051	745
Warranty provision	<i>23</i>	705	692
<b>Total current liabilities</b>		<b>85,997</b>	<b>152,599</b>
<b>Total liabilities</b>		<b>104,926</b>	<b>188,171</b>
<b>Total equity and liabilities</b>		<b>192,343</b>	<b>272,754</b>

*The notes on pages 8 to 48 are an integral part of these consolidated financial statements.*

**SINGER ASIA LIMITED AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 DECEMBER**

*In thousands of U.S. Dollars*

	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>Continuing operations</b>			
Revenue	25	256,557	291,223
Cost of sales		(156,062)	(180,905)
<b>Gross profit</b>		<b>100,495</b>	<b>110,318</b>
Other income	26	7,336	3,940
Selling and administrative expenses		(77,404)	(87,449)
Other expenses	27	(2,566)	(2,937)
<b>Results from operating activities</b>		<b>27,861</b>	<b>23,872</b>
Finance income	29	739	765
Finance costs	29	(16,738)	(20,064)
<b>Net finance costs</b>		<b>(15,999)</b>	<b>(19,299)</b>
Share of profit of equity accounted investees (net of income tax)	12	1,124	1,070
<b>Profit before income tax</b>		<b>12,986</b>	<b>5,643</b>
Income tax expense	30	(2,240)	(4,763)
<b>Profit from continuing operations</b>		<b>10,746</b>	<b>880</b>
<b>Discontinued operation</b>			
Profit / (loss) from discontinued operation (net of income tax)	6	3,243	(514)
<b>Profit for the period</b>		<b>13,989</b>	<b>366</b>
<b>Attributable to:</b>			
Owners of the Company		11,556	(538)
Non-controlling interest		2,433	904
<b>Profit for the period</b>		<b>13,989</b>	<b>366</b>
<b>Earnings/(Loss) per share</b>			
Basic earnings/(loss) per share (U.S. Dollars)	18	11.55	(0.54)
Diluted earnings/(loss) per share (U.S. Dollars)	18	11.48	(0.54)
<b>Continuing operations</b>			
Basic earnings / (loss) per share (U.S. Dollars)	18	8.31	(0.02)
Diluted earnings/(loss) per share (U.S. Dollars)	18	8.26	(0.02)

*The notes on pages 8 to 48 are an integral part of these consolidated financial statements.*

**SINGER ASIA LIMITED AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER**

*In thousands of U.S. Dollars*

	<u><i>Note</i></u>	<u>2009</u>	<u>2008</u>
<b>Profit for the period</b>		<b>13,989</b>	<b>366</b>
Foreign currency translation differences for foreign operations		(1,710)	(3,974)
Revaluation of property, plant and equipment	<i>10</i>	-	15,106
Income tax on income and expense recognized directly in equity	<i>30</i>	-	(1,360)
<b>Total comprehensive income for the period</b>		<u><b>12,279</b></u>	<u><b>10,138</b></u>
<b>Attributable to:</b>			
Owners of the Company		9,641	6,881
Non-controlling interest		2,638	3,257
<b>Total comprehensive income for the period</b>		<u><b>12,279</b></u>	<u><b>10,138</b></u>

*The notes on pages 8 to 48 are an integral part of these consolidated financial statements.*

**SINGER ASIA LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*In thousands of U.S. Dollars*

	<i>Note</i>	Attributable to equity holders of the Company					Non-controlling		Total equity
		Share capital	Share premium	Translation reserve	Revaluation reserve	Deficit	Total	interest	
Balance at 1 January 2008		10	73,189	1,639	-	(16,047)	58,791	16,898	75,689
<b>Total comprehensive income for the period</b>									
Profit / (loss)		-	-	-	-	(538)	(538)	904	366
<b>Other comprehensive income</b>									
Foreign currency translation differences				(2,928)			(2,928)	(1,046)	(3,974)
Revaluation of property, plant and equipment, net of tax		-	-	-	10,347	-	10,347	3,399	13,746
<b>Total other comprehensive income</b>		-	-	(2,928)	10,347	-	7,419	2,353	9,772
<b>Total comprehensive income for the period</b>		-	-	(2,928)	10,347	(538)	6,881	3,257	10,138
<b>Transactions with owners, recorded directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Issuance of share options to Singer Asia Ltd employees	21		112				112	-	112
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	(510)	(510)
<b>Total contributions by and distributions to owners</b>		-	112	-	-	-	112	(510)	(398)
<b>Changes in ownership interests in subsidiaries</b>									
Acquisition of controlling interests	9	-	-	-	-	-	-	(670)	(670)
Disposal of subsidiary								(176)	(176)
<b>Total change in ownership interests in subsidiaries</b>		-	-	-	-	-	-	(846)	(846)
<b>Total transactions with owners</b>		-	112	-	-	-	112	(1,356)	(1,244)
Balance at 31 December 2008		10	73,301	(1,289)	10,347	(16,585)	65,784	18,799	84,583

*The notes on pages 8 to 48 are an integral part of these consolidated financial statements.*

**SINGER ASIA LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

*In thousands of U.S. Dollars*

	Note	Attributable to equity holders of the Company						Non-controlling interest	Total equity
		Share capital	Share premium	Translation reserve	Revaluation reserve	Deficit	Total		
Balance at 1 January 2009		10	73,301	(1,289)	10,347	(16,585)	65,784	18,799	84,583
<b>Total comprehensive income for the period</b>									
Profit						11,556	11,556	2,433	13,989
<b>Other comprehensive income</b>									
Foreign currency translation differences				(1,915)			(1,915)	205	(1,710)
<b>Total other comprehensive income</b>				(1,915)			(1,915)	205	(1,710)
<b>Total comprehensive income for the period</b>				(1,915)		11,556	9,641	2,638	12,279
<b>Transactions with owners, recorded directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Issuance of share options to Singer Asia Ltd employees	21		143				143	-	143
Share options exercised by Singer Asia Ltd employees	21		325				325	-	325
Dividends to non-controlling interests of subsidiaries							-	(644)	(644)
<b>Total contributions by and distributions to owners</b>			468				468	(644)	(176)
<b>Changes in ownership interests in subsidiaries</b>									
Divestment of non-controlling interests					(196)		(196)	1,591	1,395
Acquisition of subsidiary								(203)	(203)
Sale of controlling interest in subsidiaries							-	(10,461)	(10,461)
Sale of revalued property, plant & equipment, net of taxes					(192)	192	-		-
<b>Total change in ownership interests in subsidiaries</b>					(388)	192	(196)	(9,073)	(9,269)
<b>Total transactions with owners</b>			468		(388)	192	272	(9,717)	(9,445)
Balance at 31 December 2009		10	73,769	(3,204)	9,959	(4,837)	75,697	11,720	87,417

*The notes on pages 8 to 48 are an integral part of these consolidated financial statements.*

## SINGER ASIA LIMITED AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

*In thousands of U.S. Dollars*

	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>			
Profit for the period		13,989	366
Adjustments for:			
Depreciation		3,912	3,982
Impairment		-	1,038
Non-cash compensation		143	112
Gain from sale of property, plant and equipment		(625)	(1,749)
Gain on sale of investment		(5,429)	(1,098)
Gain on sale of discontinued operations, net of income tax		(3,569)	-
Net finance costs		15,999	19,529
Share of profit of equity accounted investees		(1,124)	(1,204)
Income tax expense		2,240	4,792
		<b>25,536</b>	<b>25,768</b>
Change in inventories		21,609	(7,242)
Change in trade and other receivables		52,558	(3,673)
Change in other current assets		13,612	(2,465)
Change in trade and other payables		(19,996)	(1,632)
Change in provision and employee benefits		(7,901)	312
Change in deferred income		(238)	(258)
Cash generated from operating activities		<b>85,180</b>	<b>10,810</b>
Interest paid		(16,098)	(19,740)
Income tax paid		(1,955)	(3,158)
<b>Net cash from operating activities</b>		<b>67,127</b>	<b>(12,088)</b>
<b>Cash flows from investing activities</b>			
Interest received		739	765
Changes due to controlling interest		(366)	214
Proceeds from sale of property, plant and equipment		2,832	3,730
Proceeds from sale of investment		7,874	4,913
Acquisition of property, plant and equipment		(7,333)	(6,478)
Disposal of discontinued operations, net of income tax	6	(167)	-
Acquisition of subsidiary, net of cash acquired		(469)	-
<b>Net cash used in investing activities</b>		<b>3,110</b>	<b>3,144</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in borrowings		(46,340)	2,649
Subsidiary dividend paid to minority shareholders		(644)	(510)
Proceeds from share options exercised		324	-
<b>Net cash used in financing activities</b>		<b>(46,660)</b>	<b>2,139</b>
<b>Net increase in cash and cash equivalents</b>		<b>23,577</b>	<b>(6,805)</b>
Cash and cash equivalents at 1 January		(17,807)	(12,187)
Effect of exchange rate fluctuations on cash held		981	1,185
<b>Cash and cash equivalents at 31 December</b>	16	<b>6,751</b>	<b>(17,807)</b>

*The notes on pages 8 to 48 are an integral part of these consolidated financial statements.*

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	<b>Page</b>		<b>Page</b>
1. Reporting entity	9	24. Trade and other payables	40
2. Basis of preparation	9	25. Revenue	40
3. Significant accounting policies	10	26. Other income	40
4. Determination of fair values	19	27. Other expenses	41
5. Financial risk management	20	28. Personnel expenses	41
6. Discontinued operations	22	29. Finance income and finance costs	41
7. Acquisition of subsidiary	24	30. Income tax expense	42
8. Sale of controlling interest	25	31. Financial instruments	43
9. Acquisition and sale of non-controlling interests	25	32. Operating leases	47
10. Property, plant and equipment	27	33. Capital commitments	47
11. Intangible assets	28	34. Contingencies	47
12. Equity accounted investees	30	35. Related parties	48
13. Deferred tax assets and liabilities	31	36. Group entities	48
14. Inventories	33		
15. Trade and other receivables	33		
16. Cash and cash equivalents	33		
17. Capital and reserves	34		
18. Earnings/(loss) per share	34		
19. Loans and borrowings	35		
20. Employee benefits	37		
21. Share-based payments	38		
22. Deferred income	39		
23. Warranty provision	40		

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Reporting entity

Singer Asia Limited (“Singer Asia” or the “Company”) is a company domiciled in the Cayman Islands. The address of the Company’s registered office is Windward One Building, Safehaven Corporate Centre, West Bay Road, Grand Cayman, Cayman Islands, British West Indies. The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates. The Group is engaged in the retail distribution of consumer durable products through operating units located in selected emerging markets in Asia, with consumer credit and other financial services available to qualified customers. The Company licenses the SINGER® trademark name from a third party.

### 2. Basis of preparation

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The consolidated financial statements were authorized for issue by the Board of Directors on 20 April 2010.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Freehold land is measured at fair value
- Liabilities for cash-settled share-based payment arrangements are measured at fair value
- The defined benefit liability is recognized as the present value of the defined benefit obligation and unrecognized actuarial gains, less the net total of plan assets

The methods used to measure fair values are discussed further in note 4.

#### (c) Functional and presentation currency

These consolidated financial statements are presented in U.S. Dollars, which is the Company’s functional currency. All financial information presented in U.S. Dollars has been rounded to the nearest thousand.

#### (d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 11 – recoverability of amounts of cash-generating units containing goodwill
- Note 13 and 30 – utilization of tax losses
- Note 15 – recovery of trade and other receivables
- Note 20 – measurement of defined benefit obligations

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. Basis of preparation (continued)

#### (e) Adoption of new accounting standards

##### (i) Overview

Starting as of 1 January 2009, the Group adopted new accounting standards in the following areas:

- Accounting for borrowing costs
- Determination and presentation of operating segments
- Presentation of financial statements

##### (ii) Accounting for borrowing costs

Prior to 1 January 2009, the group capitalized borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. As of 1 January 2009 the group adopted IAS 23 *Borrowing costs* (2007) which is consistent with the previous policy.

##### (iii) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

##### (iv) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and, except as explained in note 2 (e), which addresses changes in accounting policies, have been applied consistently by Group entities.

The comparative income statement has been re-presented as if an operation discontinued during the current period had been discontinued at the start of the comparative period (see note 6).

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (ii) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Except for the investment in Singer India Ltd, investments in associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Group considers that it did not have significant influence over the financial and operating policies of Singer India Ltd during the period that it had a 49.6% interest and prior to it becoming a subsidiary (see note 7) and accordingly accounted for the investment using the cost basis.

##### (iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

#### (b) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

##### (ii) Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to U.S. Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to U.S. Dollars at the average monthly exchange rate in the month in which the transactions arise.

Foreign currency differences are recognized in other comprehensive income. Since 1 January 2007, the Group's date of transition to IFRSs, such differences have been recognized in the foreign currency translation reserve (translation reserve or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented within equity in the FCTR.

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Significant accounting policies (continued)

#### (c) Financial instruments

##### (i) Non-derivative financial assets

The Group initially recognizes receivables and deposits on the date that they are originated.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has receivables as non-derivative financial assets. Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### (ii) Non-derivative financial liabilities

Financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

##### (iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for freehold land which is measured at fair value.

Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the balance sheet date.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve within equity unless it reverses a previous revaluation decrease relating to the same asset, which was recognized as an expense at the time. In these circumstances the increase is recognized as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous surplus relating to that asset, in which case it is charged against any related revaluation reserve, to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Significant accounting policies (continued)

#### (d) Property, plant and equipment (continued)

##### (i) Recognition and measurement (continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 - 50 years
Plant and equipment	2 - 20 years
Fixtures and fittings	2 - 10 years

#### (e) Intangible assets

##### (i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the operating subsidiaries of Singer Asia, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

##### *Acquisitions of minority interests*

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Significant accounting policies (continued)

#### (e) Intangible assets (continued)

##### (ii) Trademarks

Trademarks have indefinite useful lives and are measured at cost less accumulated impairment losses.

##### (iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

#### (f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Group's statement of financial position.

#### (g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventory is based on the weighted average principle for finished goods and on the standard cost principle for raw materials and work-in-progress for inventories that are manufactured.

Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

#### (h) Impairment

##### (i) Financial assets (including receivables)

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment of receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends.

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Significant accounting policies (continued)

#### (h) Impairment (continued)

##### (i) Financial assets (including receivables) (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

##### (i) Employee benefits

##### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods in which the services are rendered by the employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Significant accounting policies (continued)

#### (i) Employee benefits (continued)

##### (ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit rated bonds or equivalent that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefits relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Group recognizes all actuarial gains and losses arising from defined benefit plans directly in other comprehensive Income.

##### (iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on that AA credit rated bonds or equivalent that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognized in profit or loss in the period in which they arise.

##### (iv) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

##### (v) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (vi) Share-based payment transactions

The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (j) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

##### Warranties

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

##### (k) Revenue

###### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

###### (ii) Finance charges

Finance charges on installment sales are recognized using the effective interest method.

###### (iii) Services

Revenue from services rendered is recognized in the profit or loss when the services are performed.

###### (iv) Commissions

When the Group acts in the capacity of an agent rather than as principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

###### (v) Royalty and license income

Royalty and license fees paid by third parties and affiliates for the right to use the SINGER® name for certain products, services and locations in selected markets are included in revenues.

##### (l) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payment made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### (m) Finance income and costs

Finance income comprises interest income. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not related to the acquisition or construction of qualifying assets are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis and are included in finance costs.

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Significant accounting policies (continued)

#### (n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity, or in comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied on temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### (o) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

#### (p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

#### (q) Segment reporting

The Group has not presented segment information as its securities are not publicly traded and it is not in the process of issuing equity or debt securities in public securities markets.

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (r) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements:

- Revised IFRS 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and, therefore, there will be no material impact on prior periods in the Group's 2010 consolidated financial statements.

- Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

In addition to the standards explained above, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

#### 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### (i) Freehold land

The fair value of freehold land is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

##### (ii) Trade and other receivables

The fair value of trade and other receivables which is determined for disclosure purposes in Note 31 is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. Determination of fair values (continued)

#### (iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

#### (iv) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

### 5. Financial risk management

#### Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors oversee how management monitors compliance with the Group's risk management policies and procedures, and review the adequacy of the risk management framework in relation to the risks faced by the Group. The Company's Directors are assisted in their oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Directors.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables.

#### Trade and other receivables

The Group's exposure to credit risk relates to sale of products on installment credit / hire purchase which is an integral part of the business of the Group, and from the KSIN Notes (see note 15).

The Group's exposure to credit risk on installment credit / hire purchase contracts is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has a lesser influence on credit risk. Geographically there is no concentration of credit risk.

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 5. Financial risk management (continued)

##### **Credit risk (continued)**

Goods are sold subject to collateral undertakings so that in the event of non-payment, the Group can have a secured claim.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

##### **Guarantees**

The Group's policy is not to provide financial guarantees to subsidiaries.

##### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

##### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### **Currency risk**

The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency in which these transactions primarily are denominated is U.S. Dollars. The currency risk is limited by the short-term nature of the period between the dates of the purchase and the settlements of the related liability.

##### **Interest rate risk**

The Group manages interest rate risk on borrowings by using a combination of fixed and floating interest rates.

##### **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 5. Financial risk management (continued)

##### Operational risk (continued)

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

##### Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, and non-controlling interests.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements except for one finance subsidiary. In this case all required capital requirements have been complied.

#### 6. Discontinued operations

In June 2008 the Group sold the holding company for its operating subsidiary in Indonesia. This subsidiary was not classified as a discontinued operation as at December 31, 2008 as it was not material. An amount of USD 270 thousand was received from the sale and a loss on disposal recorded in the amount of USD 40 thousand.

In April 2009 the Group sold the holding company for its operating subsidiary in the Philippines. The subsidiary was not a discontinued operation or classified as for sale as at 31 December, 2008. A nominal consideration was received on the disposal and a profit on disposal recorded in the amount of USD 3,428 thousand.

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 6. Discontinued operations (continued)

The consolidated income statement and comparative consolidated income statement have now been re-presented to show both discontinued operations separately from continued operations as summarized below:

<i>In thousands of US Dollars</i>	<b>2009</b>	<b>2008</b>
<b>Results of discontinued operations</b>		
Revenues	227	2,520
Expenses net of other income	(638)	(2,869)
<b>Results from operating activities</b>	<b>(411)</b>	<b>(349)</b>
Net finance cost	(51)	(230)
Share of profit from equity accounted investees (net of tax)	279	134
Income tax	(2)	(29)
<b>Results from operating activities, net of income tax</b>	<b>(185)</b>	<b>(474)</b>
Gain/(loss) on sale of discontinued operations	3,428	(40)
<b>Profit/(loss) for the period</b>	<b>3,243</b>	<b>(514)</b>
Basic earnings/(loss) per share (US Dollars)	3.24	(0.51)
Diluted earnings/(loss) per share (US Dollars)	3.22	(0.51)
<b>Cash flows from (used in) discontinued operations</b>		
Net cash used in operating activities	(579)	749
Net cash from investing activities	629	115
Net cash from financing activities	(118)	(814)
Net cash from (used in) discontinued operations	(68)	50

#### **Effect of disposal on the financial position of the Group**

<i>In thousands of US Dollars</i>	<b>2009</b>
Property, plant and equipment	(126)
Inventories	(81)
Trade and other receivables	(775)
Cash and cash equivalents	(167)
Other assets	(350)
Trade and other payables	1,418
Loans and Borrowings	1,246
Net assets and liabilities	1,165

The sales reflect management's strategic decision to concentrate on growth and development in the Group's core markets: Bangladesh, India, Pakistan, Sri Lanka and Thailand.

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 7. Acquisition of subsidiary

Prior to March 2009, the Group had a 49.6% interest in Singer India Limited (“SIL”). Since May, 2005 SIL has been registered as a sick company by the Board for Industrial and Financial Reconstruction (“BIFR”) pursuant to the Sick Industries Companies (Special Provisions) Act, 1985 of India.

During 2008, the BIFR approved a restructuring plan for SIL which provided for an equity infusion by the Group of India Rupee (INR) 83.5 million (USD 1,720 thousand) and relief from certain claims by secured and unsecured creditors.

In accordance with the BIFR plan, the Group remitted INR 40.2 million (USD 780 thousand) in March 2009 and INR 28.4 million (USD 578 thousand) in May 2009, resulting in the Group owning a 90.1% interest in SIL. The Group subsequently sold shares from this holding, reducing its percentage of ownership to 85.9% at 31 December, 2009. A further infusion of INR 14.9 million (USD 307 thousand) by the Group is required to meet the requirements of the BIFR.

The Company started accounting for its investment in SIL as a subsidiary in March 2009. In the period to 31 December, 2009, SIL contributed revenue of USD 12,845 thousand and profit of USD 953 thousand. If the acquisition had occurred on 1 January, 2009 management estimates that consolidated revenue from continuing operations would have been USD 258,595 thousand and consolidated profit for the period would have been USD 16,666 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January, 2009.

The following summarizes the recognized amounts of assets acquired and liabilities assumed as at the acquisition date:

#### Identifiable assets acquired and liabilities assumed

<i>In thousands of US Dollars</i>	<b>2009</b>
Property, plant and equipment	147
Intangible assets	3,221
Inventories	1,083
Trade and other receivables	330
Cash and cash equivalents	1,060
Other assets	187
Trade and other payables	(6,078)
Loans and borrowings	(226)
Total net identifiable assets	<u>(276)</u>

The values attributed to the assets and liabilities acquired are based on their book values as at 1 March, 2009. Management believes that the book value of the assets and liabilities acquired approximates their fair value.

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 8. Sale of controlling interest

Effective December 2009 the group sold a controlling interest in Singer Thailand Public Company Limited (“STL”) which decreased its ownership interest to 48.5%. Consequently, STL is considered as an equity accounted investee at the year end. The consolidated financial statements include the results of operation of STL until the date of the sale.

The consideration received was USD 499 thousand in cash. The carrying amount of STL’s net assets in the consolidated financial statements on the date of divestiture was USD 987 thousand. Accordingly, the Group recognized a loss of USD 488 thousand on the sale. Due to the adjustments for the foreign currency transaction differences for foreign operations, the consolidated statement of income recorded a gain of USD 81 thousand while the consolidated statement of comprehensive income recorded a loss of USD 569 thousand.

The assets and liabilities mentioned below were reduced and the net value of assets and liabilities were accounted as equity accounted investees.

#### Effect of sale of controlling interest on the financial position of the Group

*In thousands of US Dollars*

Property, plant and equipment	8,041
Inventories	5,975
Trade and other receivables	32,298
Cash and cash equivalents	8,504
Other assets	7,613
Trade and other payables	(6,469)
Loans and borrowings	(26,154)
Other liabilities	(9,501)
Minority interest	(10,461)
Net value of assets and liabilities accounted as equity accounted investees	<u>9,846</u>

#### 9. Acquisition and sale of non-controlling interests

In 2008, the Group acquired an additional 2.6% interest in Singer (Sri Lanka) PLC (“SSL”) for USD 1,009 thousand in cash, increasing its ownership from 84.9% to 87.5%. The carrying amount of SSL’s net assets in the consolidated financial statements on the date of acquisition was USD 25,000 thousand. The Group recognized a decrease in minority interests of USD 670 thousand and goodwill of USD 339 thousand.

The following summarizes the effect of changes in the Group’s (parent) ownership interest in SSL:

<i>In thousands of U.S. Dollars</i>	<b>2008</b>
Parent's ownership interest at beginning of the year	21,228
Effect of increase in parent's ownership interest	660
Share of comprehensive income	3,328
Share of dividend	(3,045)
Parent's ownership interest at end of the year	<u>22,171</u>

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 9. Acquisition and sale of non controlling interests (continued)

In 2009, the Group sold a 5.0% interest in Singer Bangladesh Limited (“SBL”) for a cash consideration of USD 3,950. SBL’s net assets in the consolidated financial statements on the date of divestiture was USD 831 thousand. The Group recognized a profit of USD 3,119 thousand. Due to the adjustments for the foreign currency transaction differences for foreign operations, the consolidated statement of income recorded a gain of USD 2,918 thousand while the consolidated statement of comprehensive income recorded a gain of USD 49 thousand.

The following summarizes the effect of changes in the Group’s (parent) ownership interest in SBL:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>
Parent's ownership interest at beginning of the year	12,544
Effect of decrease in parent's ownership interest	(831)
Share of comprehensive income	4,394
Share of dividend	(2,336)
Parent's ownership interest at end of the year	<u>13,771</u>

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. Property, plant and equipment

*In thousands of U.S. Dollars*

	<b>Land, buildings and leasehold improvements</b>	<b>Plant and equipment</b>	<b>Fixtures and fittings</b>	<b>Total</b>
<b>Cost or revalued</b>				
Balance at 1 January 2008	28,693	18,017	6,125	52,835
Acquisitions	3,619	2,308	551	6,478
Revaluation of freehold land	15,106	-	-	15,106
Disposals	(4,762)	(382)	(127)	(5,271)
Reclassification	(518)	-	518	-
Effect of movements in exchange rates	(1,659)	(1,405)	(303)	(3,367)
Balance at 31 December 2008	<u>40,479</u>	<u>18,538</u>	<u>6,764</u>	<u>65,781</u>
Balance at 1 January 2009	40,479	18,538	6,764	65,781
Acquisitions	551	2,320	308	3,179
Disposals	(1,305)	(2,261)	(602)	(4,168)
Change of controlling interest	(12,513)	(1,049)	(568)	(14,130)
Effect of movements in exchange rates	437	(1)	(6)	430
Balance at 31 December 2009	<u>27,649</u>	<u>17,547</u>	<u>5,896</u>	<u>51,092</u>
<b>Depreciation and impairment losses</b>				
Balance at 1 January 2008	11,811	9,258	2,915	23,984
Depreciation charge for the year	1,457	1,813	712	3,982
Impairment loss	162	-	-	162
Disposals	(2,876)	(296)	(118)	(3,290)
Reclassification	45	-	(45)	-
Effect of movements in exchange rates	(582)	(761)	(169)	(1,512)
Balance at 31 December 2008	<u>10,017</u>	<u>10,014</u>	<u>3,295</u>	<u>23,326</u>
<b>Depreciation and impairment losses</b>				
Balance at 1 January 2009	10,017	10,014	3,295	23,326
Depreciation charge for the year	1,405	1,617	890	3,912
Disposals	(391)	(698)	(407)	(1,496)
Change of controlling interest	(5,423)	(373)	(659)	(6,455)
Effect of movements in exchange rates	233	87	41	361
Balance at 31 December 2009	<u>5,841</u>	<u>10,647</u>	<u>3,160</u>	<u>19,648</u>
<b>Carrying amounts</b>				
At 1 January 2008	<u>16,882</u>	<u>8,759</u>	<u>3,210</u>	<u>28,851</u>
At 31 December 2008	<u>30,462</u>	<u>8,524</u>	<u>3,469</u>	<u>42,455</u>
At 1 January 2009	<u>30,462</u>	<u>8,524</u>	<u>3,469</u>	<u>42,455</u>
At 31 December 2009	<u>21,808</u>	<u>6,900</u>	<u>2,736</u>	<u>31,444</u>

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. Property, plant and equipment (continued)

#### Lease plant and machinery

The Group leases production equipment under a number of finance lease agreements. At 31 December 2009 the net carrying amount of leased plant and machinery was USD 768 thousand (2008: USD 1,079 thousand).

#### Security

At 31 December, 2009 properties with a carrying amount of USD 3,671 thousand (2008: USD 2,709 thousand) were collateralized to secure bank loans (see note 19).

### 11. Intangible assets

<i>In thousands of U.S. Dollars</i>	<i>Note</i>	<b>Trademarks</b>	<b>Goodwill</b>	<b>Total</b>
<b>Cost</b>				
Balance at 1 January 2008		835	537	1,372
Acquisition of minority interest		-	339	339
Effect of movements in exchange rates		(35)	-	(35)
Balance at 31 December 2008		800	876	1,676
Balance at 1 January 2009		800	876	1,676
Acquisition of subsidiary	7	3,221	-	3,221
Effect of movements in exchange rates		(7)	-	(7)
Balance at 31 December 2009		4,014	876	4,890
<b>Impairment losses</b>				
Balance at 1 January 2008		-	-	-
Impairment loss		-	876	876
Balance at 31 December 2008		-	876	876
Balance at 1 January 2009		-	876	876
Impairment loss		-	-	-
Balance at 31 December 2009		-	876	876
<b>Carrying amounts</b>				
At 1 January 2008		835	537	1,372
At 31 December 2008		800	-	800
At 1 January 2009		800	-	800
At 31 December 2009		4,014	-	4,014

For the purpose of impairment testing, goodwill is allocated to the Group's operating subsidiaries which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Value in use was determined by discounting the future cash flows generated from the continuing use of the cash generating units and was based on the following key assumptions:

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 11. Intangible assets (continued)

Cash flows are projected based on actual operating results and the five year business plan. Thereafter the cash flows are extrapolated into the future over the useful life of cash-generating units. Management believes that this forecast period is justified due to the long-term nature of the retail business.

The discount rate is estimated based on an industry average weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the retail industry and are based on both external sources and internal sources (historical data).

In 2008, the Group reviewed the market value less cost to sell and the discounted cash flows of cash generating units containing goodwill. Based on the goodwill valuation review, the Group recorded an impairment charge of USD 876 thousand on the basis that all of the goodwill was impaired.

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 12. Equity accounted investees

The Group's share of profit in its equity accounted investees for the year was USD 1,124 thousand (2008: USD 1,070 thousand).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group.

<i>In thousands of U.S. Dollars</i>	<b>Ownership</b>	<b>Non-current assets</b>	<b>Current asset</b>	<b>Total assets</b>	<b>Non-current liabilities</b>	<b>Current liabilities</b>	<b>Total liabilities</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Profit / (loss)</b>
<b>2008</b>										
International Leasing and Financial Services Ltd (Bangladesh)	45%	1,294	152,175	153,469	1,015	8,179	9,194	17,110	(15,435)	1,675
Singer India Limited	49.6%	-	-	-	-	-	-	-	-	-
Other	20%-49%	457	1,332	1,789	498	1,961	2,459	994	(1,823)	(829)
		<u>1,751</u>	<u>153,507</u>	<u>155,258</u>	<u>1,513</u>	<u>10,140</u>	<u>11,653</u>	<u>18,104</u>	<u>(17,258)</u>	<u>846</u>
<b>2009</b>										
International Leasing and Financial Services Ltd (Bangladesh)	35.6%	2,391	185,480	187,871	1,677	9,988	11,665	21,724	(18,849)	2,875
Singer Thailand Public Company Limited	48.5%	15,080	47,351	62,431	33,823	8,301	42,124	46,767	(45,135)	1,632
		<u>17,471</u>	<u>232,831</u>	<u>250,302</u>	<u>35,500</u>	<u>18,289</u>	<u>53,789</u>	<u>68,491</u>	<u>(63,984)</u>	<u>4,507</u>

During 2009 the Group acquired a controlling interest of Singer India Limited. (see note 7).

During 2009, the Group sold a 9.4% interest in its holding in International Leasing and Financial Services Ltd and recorded a gain in the amount of USD 1,954 thousand

Effective 31 December, 2009 the Group sold a controlling interest in Singer Thailand Public Company Limited (STL), which decreased its ownership interest to 48.5% (see note 8), and recorded a loss of USD 488 thousand.

In 2008, the Group sold its investment in Commercial Leasing Company Ltd., and recorded a gain in the amount of USD 1,098 thousand.

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Deferred tax assets and liabilities

#### Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Tax losses	11,040	15,802
Deductible temporary differences	1,032	3,271
	<u>12,072</u>	<u>19,073</u>

The major portion of the tax loss will expire in the period 2014 to 2016. Deferred tax assets have not been recognized in respect of tax losses of USD 11,040 thousand because it is not probable that future taxable profit will be available against which the Group can utilize the benefits.

#### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of U.S. Dollars</i>	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Property, plant and equipment	-	84	(1,749)	(3,157)	(1,749)	(3,073)
Receivables	1,529	4,813	-	-	1,529	4,813
Inventories	306	1,344	-	-	306	1,344
Employee benefit plans	817	2,855	-	-	817	2,855
Provision	164	-	-	-	164	-
Finance charges on installment sales	-	1,004	(330)	(663)	(330)	341
Tax loss carry forward	471	576	-	-	471	576
Others	-	370	(211)	(250)	(211)	120
Net tax assets (liabilities)	<u>3,287</u>	<u>11,046</u>	<u>(2,290)</u>	<u>(4,070)</u>	<u>997</u>	<u>6,976</u>

**SINGER ASIA LIMITED AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**13. Deferred tax assets and liabilities (continued)**  
**Movement in temporary differences during the year**

<i>In thousands of U.S. Dollars</i>	<b>Balance 1 January 2008</b>	<b>Recognized in profit or loss</b>	<b>Recognized in equity</b>	<b>Effects from movements in exchange rate</b>	<b>Balance 31 December 2008</b>	<b>Recognized in profit or loss</b>	<b>Effects from movements in exchange rate</b>	<b>Sale of controlling interest</b>	<b>Balance 31 December 2009</b>
Property, plant and equipment	(1,689)	-	(1,360)	(24)	(3,073)	265	(108)	1,167	(1,749)
Receivables	7,367	(2,251)	-	(303)	4,813	334	(21)	(3,597)	1,529
Inventories	1,492	(31)	-	(117)	1,344	41	(4)	(1,075)	306
Employee benefit plans	3,357	68	-	(570)	2,855	28	(6)	(2,060)	817
Provision	-	-	-	-	-	(115)	1	278	164
Finance charges on installment sales	12	(182)	-	511	341	(1)	(1)	(669)	(330)
Tax loss carry forwards	629	12	-	(65)	576	(256)	152	(1)	471
Others	(146)	-	-	266	120	161	2	(494)	(211)
	<u>11,022</u>	<u>(2,384)</u>	<u>(1,360)</u>	<u>(302)</u>	<u>6,976</u>	<u>457</u>	<u>15</u>	<u>(6,451)</u>	<u>997</u>

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 14. Inventories

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Raw materials and consumables	4,773	5,319
Work in progress	1,906	1,635
Finished goods	31,699	53,424
	<u>38,378</u>	<u>60,378</u>

In 2009 raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales amounted to USD 156,062 thousand (2008: USD 182,555 thousand). In 2009 the write-down of inventories to net realizable value amounted to USD 354 thousand (2008: USD 453 thousand). The write-down is included in cost of sales.

At 31 December, 2009, inventories with carrying amount of USD 3,369 thousand (2008: USD 567 thousand) were collateralized to secure bank loans (see note 19).

#### 15. Trade and other receivables

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Receivables from related parties	-	4,757
Trade receivables	79,700	130,998
Others	7,985	20,381
Less: Unearned finance charges	(14,192)	(31,227)
	<u>73,493</u>	<u>124,909</u>
Non-current	21,595	27,259
Current	51,898	97,650
	<u>73,493</u>	<u>124,909</u>

At 31 December 2009, trade receivables with carrying amount of USD 7,647 thousand (2008: USD 4,254 thousand) are collateralized to secure bank loans (see note 19).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 31.

#### 16. Cash and cash equivalents

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Bank balances	14,045	15,134
Call deposits	4,184	407
Cash and cash equivalents	<u>18,229</u>	<u>15,541</u>
Bank overdrafts	(11,478)	(33,348)
Cash and cash equivalents in the statement of cash flows	<u>6,751</u>	<u>(17,807)</u>

At 31 December, 2009 cash pledged as collateral in the amount of USD nil (2008: USD 3,305 thousand) is shown as other current assets.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 31.

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. Capital and reserves Ordinary shares and preferred shares

<i>In thousands of shares</i>	Ordinary Shares					
	Class A		Class B		Common Share	
	2009	2008	2009	2008	2009	2008
On issue at 1 January	432	432	568	568	-	-
Exercise of share options	-	-	-	-	5	-
On issue at 31 December	432	432	568	568	5	-

#### Ordinary shares

As at 31 December, 2009, the authorized share capital comprised 1,000 thousand Class A ordinary shares (2008 – 1,000 thousand), 1,000 thousand Class B ordinary shares (2008 – 1,000 thousand) and 2,000 thousand Common shares (2008 – 2,000 thousand). All ordinary shares have a par value of USD 0.01 per share. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and have equal voting rights. However, certain actions require the approval of Class A shareholders as well as the approval of a majority of all shareholders.

During the year ended 31 December 2009, 5 thousand Common shares were issued following the exercise of share options. (2008:nil). Options were exercised at an average price of USD 64.50 per share (see note 21).

#### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### Revaluation reserve

The revaluation reserve relates to the increase in the carrying amount of freehold land.

### 18. Earnings/(loss) per share

#### Basic earnings/(loss) per share

The calculation of basic earnings per share at 31 December 2009 was based on the earnings attributable to ordinary shareholders of USD 11,556 thousand (2008: USD 539 thousand - loss) and a weighted average number of ordinary shares outstanding of 1,001 thousand (2008: 1,000 thousand), calculated as follows:

#### Weighted average number of ordinary shares

<i>In thousands of shares</i>	<i>Note</i>	2009	2008
Issued ordinary shares at 1 January	17	1,000	1,000
Effect of share options exercised		1	-
Weighted average number of ordinary shares at 31 December		1,001	1,000

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 18. Earnings/(loss) per share (continued)

##### Diluted earnings/(loss) per share

The calculation of diluted earnings per share at 31 December, 2009 was based on the earnings attributable to ordinary shareholders of USD 11,556 thousand and a weighted average number of ordinary shares outstanding of 1,006 thousand calculated as shown below.

Weighted average number of ordinary shares

<i>In thousands of shares</i>	<b>2009</b>	<b>2008</b>
Weighted average number of ordinary shares (basic) at 31 December	1,001	1,000
Effect of share options on issue	5	-
Weighted average number of ordinary shares at 31 December	<u>1,006</u>	<u>1,000</u>

#### 19. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 31.

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
<b>Non-current liabilities</b>		
Secured bank loans	3,522	5,014
Unsecured bank loans	4,088	14,015
Public deposits	1,311	415
Promissory notes	2,185	-
Finance lease liabilities	481	693
	<u>11,587</u>	<u>20,137</u>
<b>Current liabilities</b>		
Current portion of secured bank loans	3,848	8,725
Current portion of unsecured bank loans	30,820	57,063
Public deposits	11,483	9,544
Promissory notes	-	8,056
Current portion of finance lease liabilities	203	298
	<u>46,354</u>	<u>83,686</u>

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19. Loans and borrowings (continued)

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

<i>In thousands of U.S. Dollars</i>	Currency	Nominal interest rate	Year of maturity	31 December 2009		31 December 2008	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loans	PKR	14.3%	2010 - 2014	3,073	3,073	3,509	3,509
Secured bank loans	SLR	10.2%	2010 - 2012	2,441	2,441	5,755	5,755
Secured bank loans	BDT	13.4%	2010 - 2013	1,780	1,780	2,077	2,077
Secured bank loans	INR	12.0%	2012	76	76	1,200	1,200
Secured bank loans	PHP	-	-	-	-	1,198	1,198
Unsecured bank loans	SLR	11.7%	2010 - 2012	34,908	34,908	46,359	46,359
Unsecured bank loans	THB	-	-	-	-	24,719	24,719
Public Deposits	SLR	16.6%	2010 - 2013	12,794	12,794	9,959	9,959
Promissory Notes	SLR	17.8%	2011	2,185	2,185	2,292	2,292
Promissory Notes	PHP	-	-	-	-	63	63
Promissory Notes	THB	-	-	-	-	5,701	5,701
Total interest-bearing liabilities				57,257	57,257	102,832	102,832

#### Security

The bank loans are secured by plant and equipment, receivables and inventories with the following carrying amounts:

<i>In thousands of U.S. Dollars</i>	2009	2008
Property, plant and equipment	3,671	2,709
Receivables	7,647	4,254
Inventories	3,369	567
	14,687	7,530

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

<i>In thousands of U.S. Dollars</i>	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2009	2009	2009	2008	2008	2008
Less than one year	282	79	203	420	122	298
Between one and five years	556	75	481	851	158	693
	838	154	684	1,271	280	991

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 20. Employee benefit

<i>In thousands of U.S. Dollars</i>	2009	2008
Present value of unfunded obligations	2,929	7,193
Present value of funded obligations	1,406	1,113
Total present value of obligations	4,335	8,306
Fair value of plan assets	(1,574)	(1,590)
Unrecognized surplus	-	397
Recognized liability for defined benefit obligations	2,761	7,113
Other long-term employee benefits	50	3,566
Total employee benefits	2,811	10,679

The Group makes contributions to non-contributory defined benefit plans that provide benefits for employees upon retirement. Plans vary from location to location. Most plans entitle a retired employee to receive a lump sum payment equal to 10 days to 1 month of the final salary for each year of service that the employee provided. Other plans entitle a retired employee to receive an annual payment equal to a percentage of final salary, based on the years of service.

Plan assets comprise:

<i>In thousands of U.S. Dollars</i>	2009	2008
Term deposits	499	872
Government securities	949	550
Cash and cash equivalents	33	97
Equity securities	-	71
Others	93	-
	1,574	1,590

#### Movement in the present value of the defined benefit obligations

<i>In thousands of U.S. Dollars</i>	2009	2008
Defined benefit obligations at 1 January	8,306	8,600
Benefits paid by the plan	(529)	(391)
Sale of controlling interest	(4,442)	-
Current service costs and interest (see below)	709	1,348
Actuarial (gains) losses recognized in the period	422	(654)
Effect from movements in exchange rates	(131)	(597)
Defined benefit obligations at 31 December	4,335	8,306

#### Movement in the present value of plan assets

<i>In thousands of U.S. Dollars</i>	2009	2008
Fair value of plan assets at 1 January	1,590	1,938
Contributions to the plan	28	113
Benefits paid by the plan	(116)	(261)
Expected return on plan assets	187	179
Actuarial (losses) gains recognized in profit and loss	(20)	42
Effect from movements in exchange rates	(95)	(421)
Fair value of plan assets at 31 December	1,574	1,590

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. Employee benefits (continued)

#### Expense recognized in profit or loss

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Current service costs	278	823
Interest on obligation	429	525
Expected return on plan assets	(22)	(179)
Actuarial (gain) / loss	(187)	(696)
	<u>498</u>	<u>473</u>

The expense is recognized in the following line item in the income statements:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Cost of sales	39	-
Selling and administrative expenses	459	473
	<u>498</u>	<u>473</u>

#### Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<b>2009</b>	<b>2008</b>
Discount rate at 31 December	10.6%	8.6%
Expected return on plan assets at 1 January	9.7%	9.3%
Future salary increases	7.0%	6.8%

Assumptions regarding future mortality are based on published statistics and mortality tables.

#### Historical information

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Present value of the defined benefit obligation	4,335	8,306
Fair value of plan assets	(1,574)	(1,590)
Deficit in the plan	<u>2,761</u>	<u>6,716</u>

The Group expects USD 91 thousand in contributions to be paid to the funded defined benefit plans and USD 311 thousand in benefits to be paid for the unfunded plans in 2010.

### 21. Share-based payments

The terms and conditions of the grants are as follows:

<b>Grant date / employees entitled</b>	<b>Number of instruments in thousands</b>	<b>Exercise conditions</b>	<b>Contractual life of options</b>
Option grant to key management on 15 August, 2005	50,000	The options are exercisable at 40% of the number of options granted on the second anniversary of the date of grant and 20% of the number of options granted on each successive anniversary of the date of grant so that they are fully exercisable within 5 years from date of grant.	Earlier of 10 years from grant date or 6 month after the termination of employment

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 21. Share-based payments (continued)

The number and weighted average exercise prices of share options is as follows:

<i>In thousands of options</i>	<b>Weighted average exercise price 2009</b>	<b>Number of options 2009</b>	<b>Weighted average exercise price 2008</b>	<b>Number of options 2008</b>
Outstanding at 1 January	US\$ 64.50	50,000	US\$ 64.33	60,000
Exercised during the period	US\$ 64.50	(5,025)	-	-
Forfeited during the period		-	US\$ 63.30	(10,000)
Outstanding at 31 December	US\$ 64.50	44,975	US\$ 64.50	50,000
Exercisable at 31 December	US\$ 64.50	34,975	US\$ 64.50	30,000

The fair value of services received for share options granted is based on the fair value of options granted, measured using a Black-Scholes model, with the following inputs:

<i>Fair value of share options and assumptions</i>	<b>2009</b>	<b>2008</b>
Fair value at grant date	13.06	13.06
Share price	64.50	64.33
Expected volatility (weighted average volatility)	15%	15%
Option life (expected weighted average life)	5	5
Expected dividends	nil	nil
Risk-free interest rate (based on government bonds)	4.2%	4.2%

During 2009 5,025 stock options were exercised at a value of USD 324 thousand.

The Company recognized stock-based compensation expense of USD 143 thousand in 2009 and USD 112 thousand in 2008, which was based on the fair value of the awards.

#### 22. Deferred income

Deferred income consists of customers' advances under service contracts where the service will be performed in a future period. The income is deferred and recognized as income in the period that the service is performed

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23. Warranty provision

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Balance at 1 January	887	871
Provisions made during the year	1,010	915
Provisions used during the year	(920)	(899)
Sale of controlling interest	(149)	-
Balance at 31 December	<u>828</u>	<u>887</u>
Non-current	123	195
Current	<u>705</u>	<u>692</u>
	<u>828</u>	<u>887</u>

The provision for warranty relates mainly to products sold during the years ended 31 December, 2009 and 2008. The provision is based on estimates made from historical warranty data associated with similar products.

### 24. Trade and other payables

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Trade payables	9,341	21,047
Non-trade payables and accrued expenses	17,068	13,081
	<u>26,409</u>	<u>34,128</u>

The Group's exposure to currency and liquid risks related to trade and other payables is disclosed in Note 31.

### 25. Revenue

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Sale of goods	219,165	244,755
Finance charges	33,599	42,215
Commission	504	926
Service income	1,786	1,740
Others	1,503	1,587
	<u>256,557</u>	<u>291,223</u>

### 26. Other income

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Gain on disposal of subsidiary and affiliate shares	5,429	1,098
Gain on sale of property, plant and equipment	625	1,749
Others	1,282	1,093
	<u>7,336</u>	<u>3,940</u>

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 27. Other expenses

*In thousands of U.S. Dollars*

	<b>2009</b>	<b>2008</b>
Royalty expense	2,566	2,937

#### 28. Personnel expenses

*In thousands of U.S. Dollars*

	<b>Note</b>	<b>2009</b>	<b>2008</b>
Wages and salaries		33,424	41,474
Compulsory social security contributions		384	704
Contributions to defined contribution plans		1,212	1,278
Expenses related to defined benefit plans	20	498	473
Others		3,230	2,266
		<u>38,748</u>	<u>46,195</u>

#### 29. Finance income and finance costs recognized in profit or loss

*In thousands of U.S. Dollars*

	<b>2009</b>	<b>2008</b>
Interest income on bank deposits	37	247
Other	702	518
Finance income	<u>739</u>	<u>765</u>
Interest expense	16,640	19,787
Net foreign exchange loss	98	277
Finance costs	<u>16,738</u>	<u>20,064</u>
Net finance costs recognized in profit or loss	<u>15,999</u>	<u>19,299</u>

**SINGER ASIA LIMITED AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30. Income tax expense**

<i>In thousands of U.S. Dollars</i>	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>Current tax expense</b>			
Current period		2,482	2,520
Adjustment for prior periods		217	(112)
		<u>2,699</u>	<u>2,408</u>
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences		(371)	2,384
Change in unrecognized deductible temporary differences		(167)	-
Change in previously unrecognized tax losses		92	-
Other		(11)	-
		<u>(457)</u>	<u>2,384</u>
Income tax expense excluding tax on sale of discontinued operations and share of income tax of equity accounted investees		<u>2,242</u>	<u>4,792</u>
Income tax expense from continuing operations		2,240	4,763
Income tax from discontinued operations (excluding gain on sale)	6	2	29
		<u>2,242</u>	<u>4,792</u>
Income tax on gain on sale of discontinued operations		-	-
Share of income tax of equity accounted investees		275	72
Total income tax expense		<u>2,517</u>	<u>4,864</u>

**Income tax recognized directly in equity**

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Revaluation of property, plant and equipment	-	1,360

**Reconciliation of effective tax rate**

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>%</b>		<b>%</b>	
Profit/(loss) for the period		13,990		366
Total income tax expense		2,517		4,864
Profit/(loss) excluding income tax		<u>16,507</u>		<u>5,230</u>
Weighted average tax using the tax rates in the jurisdictions where the Group operates	15.79%	2,606	32.64%	1,707
Under (over) provided in prior periods	1.31%	217	(2.14%)	(112)
Change in unrecognized temporary differences and effect of tax expense on loss before tax	(0.45%)	(75)	57.53%	3,009
Permanent differences	(0.11%)	(19)	5.76%	301
Other	(1.29%)	(212)	(0.78%)	(41)
	<u>15.25%</u>	<u>2,517</u>	<u>93.00%</u>	<u>4,864</u>

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 31. Financial instruments

##### Credit risk

##### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

<i>In thousands of U.S. Dollars</i>	Carrying amount	
	2009	2008
Receivables	73,493	124,909
Cash and cash equivalents	18,229	15,541
	<u>91,722</u>	<u>140,450</u>

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was:

<i>In thousands of U.S. Dollars</i>	Carrying amount	
	2009	2008
Asian countries	<u>73,493</u>	<u>124,909</u>

The maximum exposure to credit risk for receivables at the reporting date by type of counterparty was:

<i>In thousands of U.S. Dollars</i>	Carrying amount	
	2009	2008
Retail customers	60,815	105,061
Wholesale customers	6,805	10,329
Others	5,873	9,519
Total	<u>73,493</u>	<u>124,909</u>

##### Impairment losses

The aging of receivables at the reporting date was:

<i>In thousands of U.S. Dollars</i>	Gross	Impairment	Gross	Impairment
	2009	2009	2008	2008
Not past due	55,345	-	111,338	-
Past due 0-30 days	7,374	1	6,688	56
Past due 31-120 days	8,323	447	6,348	1,962
Past due more than 120 days	6,796	3,897	22,178	19,625
	<u>77,838</u>	<u>4,345</u>	<u>146,552</u>	<u>21,643</u>

The movement in the allowance for impairment in respect of receivables during the year was as follows:

<i>In thousands of U.S. Dollars</i>	2009	2008
	Balance at 1 January	21,643
Impairment loss recognized	1,771	3,008
Impairment loss reversed	(19,069)	(9,474)
Balance at 31 December	<u>4,345</u>	<u>21,643</u>

The Group believes that the unimpaired amounts that are past due are still collectible, based on historic payment behavior and analysis of the underlying customers' crediting ratings.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due; the balance relates to customers that have a good track record with the Group.

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31. Financial instruments (continued)

#### Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

#### 31 December 2009

<i>In thousand of U.S. Dollars</i>	<b>Carrying amount</b>	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Secured bank loans	7,370	9,035	2,696	1,381	2,878	2,080	-
Unsecured bank loans	34,908	33,087	24,453	6,626	143	1,865	-
Public deposits	12,794	14,753	6,620	6,620	808	705	-
Promissory notes	2,185	2,733	1,104	1,629	-	-	-
Finance lease liabilities	684	838	147	135	268	288	-
Trade and other payables	26,402	26,402	25,523	879	-	-	-
Bank overdraft	11,478	13,109	8,686	4,423	-	-	-
	<b>95,821</b>	<b>99,957</b>	<b>69,229</b>	<b>21,693</b>	<b>4,097</b>	<b>4,938</b>	<b>-</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### 31 December 2008

<i>In thousand of U.S. Dollars</i>	<b>Carrying Amount</b>	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Secured bank loans	13,739	16,462	6,983	2,757	3,036	2,651	1,035
Unsecured bank loans	71,078	79,354	48,018	9,410	11,515	10,411	-
Public deposits	9,959	11,661	7,015	3,472	411	763	-
Promissory notes	8,056	8,247	7,197	955	44	51	-
Finance lease liabilities	991	1,270	226	200	571	273	-
Trade and other payables	34,128	34,128	34,128	-	-	-	-
Bank overdraft	33,348	36,243	27,668	8,575	-	-	-
	<b>171,299</b>	<b>187,365</b>	<b>131,235</b>	<b>25,369</b>	<b>15,577</b>	<b>14,149</b>	<b>1,035</b>

#### Currency risk

##### Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

##### Net exposure consists of :

<i>In thousands of U.S. Dollars</i>	<b>31 December 2009</b>	<b>31 December 2008</b>
U.S. Dollar to Bangladesh Taka	(554)	(1,962)
U.S. Dollar to Sri Lanka Rupee	(11,825)	(14,709)
Total exposure	<b>(12,379)</b>	<b>(16,671)</b>

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31. Financial instruments (continued)

#### Currency risk (continued)

The significant foreign currencies during the year for the Group were the Bangladesh Taka (BT), Pakistan Rupee (PKR), Sri Lanka Rupee (SLR) and the Thailand Baht (THB):

<i>U.S. Dollar</i>	Average rate		Reporting date Spot rate	
	2009	2008	2009	2008
BT 1	69.04	68.59	69.26	68.94
PKR 1	81.51	70.47	84.25	78.78
SLR 1	114.95	108.32	114.40	113.42
THB 1	34.47	33.23	33.52	35.16

#### Sensitivity analysis

A 10 percent strengthening of the U.S. Dollar against the following currencies at 31 December would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2008 and 2009 as indicated below.

<i>Effect in thousands of U.S. Dollars</i>	Equity	Profit or loss
<b>31 December 2009</b>		
SLR	(3,187)	(134)
BT	(1,669)	(55)
<b>31 December 2008</b>		
SLR	(3,111)	(620)
BT	(1,425)	(196)

A 10 percent weakening of the U.S. Dollars against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### Interest rate risk

##### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

<i>In thousands of U.S. Dollars</i>	2009	2008
<b>Fixed rate instruments</b>		
Financial assets	75,077	99,227
Financial liabilities	(36,552)	(32,853)
	<u>38,525</u>	<u>66,374</u>
<b>Variable rate instruments</b>		
Financial assets	-	1,551
Financial liabilities	(10,024)	(105,848)
	<u>(10,024)</u>	<u>(104,297)</u>

# SINGER ASIA LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31. Financial instruments (continued)

#### Fair value flow sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit and loss.

A change of 100 basis points in interest rates would have increased or decreased equity by USD 385 thousand (2008: USD 664 thousand)

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at 31 December would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2009 and 2008.

<i>In thousands of U.S. Dollars</i>	Profit or loss	
	100 bp increase	100 bp decrease
<b>31 December 2009</b>		
Variable rate instruments	(100)	100
Cash flow sensitivity	<u>(100)</u>	<u>100</u>
<b>31 December 2008</b>		
Variable rate instruments	(1,043)	1,043
Cash flow sensitivity	<u>(1,043)</u>	<u>1,043</u>

#### Fair values

##### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

<i>In thousands of U.S. Dollars</i>	Note	31 December 2009		31 December 2008	
		Carrying amount	Fair values	Carrying amount	Fair values
<b>Assets carried at amortised cost</b>					
Loans and other receivables		73,493	94,031	124,909	130,196
Cash and cash equivalents		18,229	18,229	15,541	15,541
		<u>91,722</u>	<u>112,260</u>	<u>140,450</u>	<u>145,737</u>
<b>Liabilities carried at amortised cost</b>					
Secured bank loans		(7,370)	(7,637)	(13,739)	(14,277)
Unsecured bank loans		(34,908)	(33,085)	(71,078)	(67,893)
Promissory notes		(2,185)	(2,733)	(8,056)	(8,091)
Public deposits		(12,794)	(14,753)	(9,959)	(10,242)
Finance lease liabilities		(684)	(684)	(991)	(992)
Trade and other payables		(26,409)	(26,409)	(34,128)	(34,128)
Bank overdraft		(11,478)	(11,478)	(33,348)	(33,348)
		<u>(95,828)</u>	<u>(96,779)</u>	<u>(171,299)</u>	<u>(168,971)</u>

The basis for determining fair values is discussed in note 4.

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 31. Financial instruments (continued)

##### Interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2009	2008
Loans and other receivables	24.17%	18.92%
Loans and borrowings	14.3%	15.54%
Leases	16.8%	11.54%

#### 32. Operating leases

##### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of U.S. Dollars</i>	2009	2008
Less than one year	1,443	1,676
Between one and five years	1,640	2,051
	<u>3,083</u>	<u>3,727</u>

The Group leases a number of shop, warehouse and factory facilities under operating leases. The lease periods vary and may contain an option to renew after the end of the lease term. Some lease payments increase at regular intervals to reflect market rentals.

During the year ended 31 December, 2009, USD 1,556 thousand was recognized as an expense in the income statement in respect of operating leases (2008: USD 2,748 thousand).

#### 33. Capital Commitments

The group has an obligation to make a further equity investment in Singer India Ltd. of INR 14.9 million (USD 307 thousand) (see note 7).

The Group is committed to incur capital expenditure of USD 1,117 thousand to acquire software.

#### 34. Contingencies

The Company is subject to a number of environmental and pollution control laws and regulations in some jurisdictions in which it operates and has operated, and may face exposure from actual or potential claims involving such matters. The Company believes that any costs resulting from environmental matters known to it will not have a material adverse impact on the Company's financial position, results of operations or liquidity.

## SINGER ASIA LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 35. Related parties

##### Transactions with key management personnel

##### Loans to directors

There were no loans made to directors in 2009 (2008: nil).

##### Key management personnel compensation

In addition to their salaries, the Group also provides other benefits to directors and executive officers. Key management compensation comprised:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Short-term employee salaries and benefits	1,904	2,042
Termination benefits	-	66
Other long-term benefits	79	75
Share-based payments	143	112
	<u>2,126</u>	<u>2,295</u>

Key management personnel and directors of the company hold 0.5% of the voting shares of the Company.

#### 36. Group entities

<b>Significant subsidiaries</b>	<b>Country of incorporation</b>	<b>Ownership Interest</b>	
		<b>2009</b>	<b>2008</b>
Singer (Sri Lanka) PLC	Sri Lanka	87.5	87.5
Singer Bangladesh Limited	Bangladesh	75.0	80.0
Singer Pakistan Limited	Pakistan	70.3	70.3
Singer India Limited	India	85.9	-