



**SINGAPORE  
BUSINESS  
FEDERATION**  
Apex Business Chamber



## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2010**



# FEDERATION INFORMATION

## COUNCIL MEMBERS

Tony Chew Leong-Chee	(Chairman)
Dato' Mohd Zain Abdullah	(Vice Chairman)
Teo Siong Seng	(Vice Chairman)
Rangarajan Narayanamohan	(Vice Chairman)
Philip Ng Chee Tat	(Honorary Secretary)
Kay Kuok Oon Kwong	(Deputy Honorary Secretary)
Bob Tan Beng Hai	(Honorary Treasurer)
Lawrence Leow Chin Hin	(Deputy Honorary Treasurer)
Gautam Banerjee	(Council Member)
Chong Siak Ching	(Council Member)
Micheal Collins	(Council Member)
Shabbir H. Hassanbhai	(Council Member)
Desmond Hill	(Council Member)
George Huang Chang Yi	(Council Member)
Jung Young Soo	(Council Member)
Edwin Khew Teck Fook	(Council Member)
Seiji Kino	(Council Member)
Steven Royce Okun	(Council Member)
Tang Kin Fei	(Council Member)
Wee Ee Cheong	(Council Member)
Dr Robert Yap Chin Kok	(Council Member)
Alvin Yeo Khirn Hai	(Council Member)

## BANKERS

United Overseas Bank Limited  
The Hong Kong and Shanghai Banking  
Corporation Limited  
Malayan Banking Berhad  
Oversea-Chinese Banking Corporation Limited  
Sumitomo Mitsui Banking Corporation

## INDEPENDENT AUDITOR

Foo Kon Tan Grant Thornton LLP  
Public Accountants and  
Certified Public Accountants  
47 Hill Street #05-01  
Singapore Chinese Chamber of Commerce &  
Industry Building  
Singapore 179365



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## STATEMENT BY COUNCIL

In the opinion of the Council, the accompanying statements of financial position, statements of comprehensive income, consolidated statement of changes in members' funds and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Federation and of the Group as at 31 December 2010 and of the results of the business of the Federation and of the Group, changes in members' funds and cash flows of the Group for the financial year ended on that date, and at the date of this statement there are reasonable grounds to believe that the Federation will be able to pay its debts as and when they fall due.

On behalf of the Council

### **TONY CHEW LEONG-CHEE**

Chairman

### **BOB TAN BENG HAI**

Honorary Treasurer

Dated: 31 May 2011

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINGAPORE BUSINESS FEDERATION

We have audited the accompanying financial statements of Singapore Business Federation ("the Federation") and its subsidiaries ("the Group"), which comprise the statements of financial position and statements of comprehensive income of the Federation and of the Group as at 31 December 2010, consolidated statement of changes in members' fund and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

## **Auditor's responsibility**

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

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

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINGAPORE BUSINESS FEDERATION (CONT'D)**

## **Opinion**

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Federation are properly drawn up in accordance with the provisions of the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Federation and of the Group as at 31 December 2010, and the results, changes in members' funds and cash flows of the Group for the financial year ended on that date.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the regulations enacted under Societies Act, Chapter 311 to be kept by the Federation have been properly kept in accordance with those regulations.

The accounting and other records required by the Singapore Companies Act, Cap. 50 (the "Act") to be kept by the subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

## **FOO KONTAN GRANTTHORNTON LLP**

Public Accountants and  
Certified Public Accountants

Singapore, 31 May 2011

# STATEMENTS OF FINANCIAL POSITION

	Note	The Federation		The Group	
		31 December 2010	31 December 2009	31 December 2010	31 December 2009
		\$	\$	\$	\$
<b>Assets</b>					
<b>Non-Current</b>					
Property, plant and equipment	3	182,102	421,996	230,483	439,022
Subsidiaries	4	1,980,000	1,980,000	–	–
Held-to-maturity investment	5	3,000,000	–	3,000,000	–
Deferred tax assets	10.1	15,889	–	15,889	–
		<b>5,177,991</b>	2,401,996	<b>3,246,372</b>	439,022
<b>Current</b>					
Members' subscriptions in-arrears and outstanding charges	6	45,938	310,541	45,938	310,541
Trade and other receivables	7	1,021,142	865,156	1,727,477	1,394,621
Amount due from subsidiaries	8	–	69,567	–	–
Cash and cash equivalents	9	7,610,630	12,309,349	13,025,074	14,522,040
		<b>8,677,710</b>	13,554,613	<b>14,798,489</b>	16,227,202
<b>Total assets</b>		<b>13,855,701</b>	15,956,609	<b>18,044,861</b>	16,666,224
<b>Reserves</b>					
Accumulated funds		10,279,308	9,263,935	12,613,034	11,529,967
Non-controlling Interests		–	–	519,085	488,436
		<b>10,279,308</b>	9,263,935	<b>13,132,119</b>	12,018,403
<b>Liabilities</b>					
<b>Non-Current</b>					
Provision for reinstatement costs of leased premises	3	319,375	319,375	319,375	319,375
Deferred tax liabilities	10.2	–	45,193	5,947	47,958
		<b>319,375</b>	364,568	<b>325,322</b>	367,333
<b>Current</b>					
Trade and other payables	11	3,057,404	3,308,215	4,325,747	3,725,470
Amount due to subsidiaries	8	7,977	2,899,687	–	–
Current tax payable		191,637	120,204	261,673	555,018
		<b>3,257,018</b>	6,328,106	<b>4,587,420</b>	4,280,488
Total liabilities		<b>3,576,393</b>	6,692,674	<b>4,912,742</b>	4,647,821
<b>Total funds and liabilities</b>		<b>13,855,701</b>	15,956,609	<b>18,044,861</b>	16,666,224

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

	Note	The Federation		The Group	
		Year ended	Year ended	Year ended	Year ended
		31 December	31 December	31 December	31 December
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Income</b>					
Members' subscriptions fees		7,361,377	6,734,195	7,361,377	6,734,195
Events and seminars		642,439	608,894	1,669,615	6,561,066
Business missions		1,202,056	528,926	1,202,056	528,926
Sponsorship		185,416	28,482	172,916	28,482
Publications		198,451	132,487	182,662	132,487
Interest earned on fixed deposits		30,701	43,195	32,113	43,195
Rental income		161,715	133,302	100,977	106,302
Other income		151,074	164,941	213,490	164,941
Job Credit		38,364	201,114	41,739	201,114
Allowance for doubtful debts no longer required		82,781	–	82,781	–
Commission received from a subsidiary		–	84,337	–	–
GES Grant		–	–	675,843	745,669
		<b>10,054,374</b>	8,659,873	<b>11,735,569</b>	15,246,377
<b>Expenditure</b>					
Audit remuneration		18,000	16,000	29,000	34,000
Depreciation of property, plant and equipment		273,486	408,213	285,916	412,032
Premise expenses		989,201	1,005,583	989,201	1,005,583
Staff costs					
- salaries, bonuses and other costs		4,223,108	3,962,199	4,829,850	4,306,176
- Central Provident Fund		368,264	370,743	450,652	404,580
Operating expenses	12	3,056,309	2,572,805	3,942,259	5,967,628
		<b>8,928,368</b>	8,335,543	<b>10,526,878</b>	12,129,999
Surplus for the year before taxation		1,126,006	324,330	1,208,691	3,116,378
Income tax expenses	13	(110,633)	(63,731)	(94,975)	(501,310)
Net surplus and total comprehensive income for the year		<b>1,015,373</b>	260,599	<b>1,113,716</b>	2,615,068
Surplus/total comprehensive income attributable to:					
Federation				1,083,067	2,526,632
Non-controlling interests				30,649	88,436
				<b>1,113,716</b>	2,615,068

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

The Group	Accumulated funds	Non-controlling interests	Total
	\$	\$	\$
Balance at 1 January 2009	9,003,335	–	9,003,335
Minority interest contribution to share capital of a subsidiary	–	400,000	400,000
Total comprehensive income for the year	2,526,632	88,436	2,615,068
Balance at 31 December 2009	<b>11,529,967</b>	<b>488,436</b>	<b>12,018,403</b>
Total comprehensive income for the year	<b>1,083,067</b>	<b>30,649</b>	<b>1,113,716</b>
<b>Balance at 31 December 2010</b>	<b>12,613,034</b>	<b>519,085</b>	<b>13,132,119</b>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

The Group	Year ended 31 December 2010 \$	Year ended 31 December 2009 \$
<b>Cash Flows from Operating Activities</b>		
Surplus for the year before taxation	1,208,691	3,116,378
Adjustments for:		
Depreciation of property, plant and equipment	285,916	412,032
Gain on disposal of property, plant and equipment	(585)	(13)
Interest income	(32,113)	(43,195)
Operating surplus before working capital changes	1,461,909	3,485,202
Decrease/(increase) in members' subscription in arrears and outstanding charges	264,603	(192,097)
Increase in trade and other receivables	(329,557)	(139,246)
Increase in trade and other payables	600,277	1,948,396
Net cash generated from operating activities	1,997,232	5,102,255
Interest received	28,814	43,195
Income tax paid	(446,220)	(16,332)
Net cash generated from operating activities	1,579,826	5,129,118
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposal of property, plant and equipment	1,465	294
Purchase of property, plant and equipment	(78,257)	(149,791)
Placement of structured deposit	(3,000,000)	-
Cash used in investing activities	(3,076,792)	(149,497)
<b>Cash Flows from Financing Activity</b>		
Proceeds from issuance of shares to non-controlling interest	-	400,000
Cash generated from financing activity	-	400,000
Net (decrease)/increase in cash and cash equivalents	(1,496,966)	5,379,621
Cash and cash equivalents at beginning of the financial year	14,522,040	9,142,419
Cash and cash equivalents at end of the financial year (Note 9)	13,025,074	14,522,040

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The financial statements of the Federation and of the Group for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Council on the date of the Statement by Council.

The Federation was registered under the Societies Act on 1 April 2002 and is a not-for-profit organization. The Federation is domiciled in the Republic of Singapore.

The registered office of the Federation is located at 10 Hoe Chiang Road #22-01 Keppel Towers Singapore 089315.

The objectives of the Federation are:-

1. to enhance the organisation of the business community in Singapore; and
2. to represent, advance, promote and protect, in Singapore and abroad, the major business concerns (such as investment and trade opportunities and labour management issues) of business entities carrying on commerce and industry in Singapore and, in particular, of larger local and foreign companies.

The principal activities of the subsidiaries are as stated in Note 4.

Under The Singapore Business Federation Act 2001, every local company which has a paid-up share capital of \$500,000 and above and foreign company which has a share capital of \$500,000 and above and registered with the Accounting and Corporate Regulatory Authority, shall become by virtue of the Act and without election, admission or appointment, a member of the Federation.

## 2A. BASIS OF PREPARATION

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars which is the Federation's functional currency. All financial information are presented in Singapore dollars, unless otherwise stated.

## SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, including expectation of future events that are believed to be reasonable, actual results may differ from those estimates.

# NOTES TO THE FINANCIAL STATEMENTS

## 2A. BASIS OF PREPARATION (CONT'D)

### SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

The critical accounting estimates and assumptions used and area involving a high degree of judgement are described below:

#### **Income Tax**

Significant judgement is required in determining the capital allowances, deductibility of certain expenses and taxability of certain capital items during the estimation of the provision for income tax.

There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters are different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### **Depreciation of Property, Plant and Equipment**

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Council and management estimate the useful lives of property, plant and equipment to be within 3 to 5 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2010 is \$230,483 (2009 - \$439,022). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

#### **Allowance for Bad and Doubtful Debts**

The Council assesses the collectability of members' subscriptions in-arrears and outstanding charges. This estimate is based on the credit history of the member and the current market condition. The Council reassesses the impairment loss at the end of the reporting period.

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

# NOTES TO THE FINANCIAL STATEMENTS

## 2B. INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2010

On 1 January 2010, the Federation and Group adopted the new or revised FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. This includes the following FRS and INT FRS, which are relevant to the Group:

Reference	Description
FRS 27	Consolidated and separate financial statements
FRS 101	First-Time adoption of financial reporting standards
FRS 103	Business combinations
Improvement to FRSs 2009	

The adoption of the following new/revised FRS and INT FRS did not result in substantial changes to the Federation's and Group's accounting policies nor any significant impact on these financial statements:-

### FRS 27 (revised) Consolidated and Separate Financial Statements

The revised FRS 27 requires the effects of all transactions with non-controlling interests to be accounted for as equity transactions if there is no change in control. Such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognized in profit or loss.

When control over a subsidiary is lost, any interest retained is re-measured to fair value and the resulting gain or loss is recognized in profit or loss.

Losses incurred by a subsidiary are allocated to the non-controlling interests even if these result in the non-controlling interests having deficit balances.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2B. INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2010 (CONT' D)

### **FRS 103 (revised) Business Combinations**

The revised standard introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. It retains the major features of purchase method of accounting, now referred to as the acquisition method. The most significant changes in FRS103 (revised) are as follows:

- Acquisition-related costs of the combination are recorded as an expense in the profit or loss. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless an exception and specific measurement rules are provided in the standard.
- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.
- Any indemnification asset promised by the seller in an acquisition is recognized at the date of acquisition. Previously, this possible compensation would not have been recognized as an asset and would have been adjusted against goodwill upon receipt from the seller.

FRS 103 (revised) applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. There is no impact to the Group's consolidated financial statements as there is no business combination during the year.

### **Improvements to FRSs Issued in 2009**

The improvements to FRSs issued in 2009 comprise of amendments to the FRS and INT FRS that are effective for annual periods beginning on or after 1 January 2010.

#### ***Issued in June 2009***

### **Amendments to FRS7 Cash Flow Statement**

Under the amendment, only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

## 2C. FRS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following FRS and INT FRS were issued but not yet effective:

Reference	Description	Effective date (annual periods beginning on or after)
FRS 24 (revised)	Related Party Disclosure	01.01.2011
Amendments to FRS 32	Classification of Rights Issues	01.02.2010
Amendments to FRS 101	Limited Exemption from Comparative FRS 107 Disclosure for First-time Adopters	01.07.2010
Amendments to INT FRS 114	Prepayments of a Minimum Funding	01.01.2011
INT FRS 115	Agreements for Construction of Real Estate	01.01.2011
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	01.07.2010
Improvements to FRSs 2010		01.07.2010/ 01.01.2011

The Council does not anticipate that the adoption of the above FRS and INT FRS, where relevant to the Federation, in future periods will have a material impact on the financial statements of the Federation and the Group, except for Improvements to FRSs 2010.

### Improvements to FRSs 2010

Improvements to FRSs 2010 will become effective for the Group's financial statements for the year ending 31 December 2011. These improvements contain amendments to various accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Group is in the process of assessing the impact of these amendments.

## 2D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### CONSOLIDATION

The financial statements of the Group include the financial statements of the Federation and its two subsidiaries made up to the end of financial year. Information on its subsidiaries is given in Note 4.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated profit or loss from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Business combinations are accounted for using the acquisition method. The consideration transferred for an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Costs attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

## 2D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### CONSOLIDATION (CONT'D)

Any excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of previous equity interest in the acquiree over the fair value of the net identifiable assets acquired represents goodwill. In instances where the latter amount exceeds the former, the excess is recognised as a gain from bargain purchase in the profit or loss on the date of acquisition.

When the control over a subsidiary is lost, the assets and liabilities of the subsidiary, including any goodwill, are derecognised. Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Where accounting policies of a subsidiary do not conform to those of the Federation, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated statement of financial position within equity, separately from the parent members' fund, and are separately disclosed in the consolidated statement of comprehensive income. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having deficit balances.

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

### SUBSIDIARIES

A subsidiary is an entity controlled by the Federation. Control exists when the Federation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

### PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Furniture, fitting and equipment	5 years
Office equipment	5 years
Computer	3 years
Renovation	5 years

# NOTES TO THE FINANCIAL STATEMENTS

## 2D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONT'D)

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated assets are retained in the books of accounts until they are no longer in use.

The carrying amounts of property, plant and equipment are reviewed yearly in order to assess whether their carrying amounts need to be written down to recoverable amounts. Recoverable amount is defined as the higher of value in use and net selling price.

### FINANCIAL ASSETS

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date – the date on which the Federation and the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of the reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not have financial asset that are designated as fair value through profit and loss and available-for-sale.

### Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Federation has the positive intent and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 2D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### FINANCIAL ASSETS (CONT'D)

#### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Federation and the Group provide money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include members' subscriptions in-arrears and outstanding charges, trade and other receivables and bank balances. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write back is recognised in the profit or loss.

Receivables are provided against when objective evidence is received that the Federation and the Group will not be able to collect all amounts due to them in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

#### Determination of Fair Value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Federation establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank, cash on hand and short term bank deposits which are not subject to any significant risk of changes in value, and which form an integral part of the Federation's and the Group's cash management.

### FINANCIAL LIABILITIES

The Group's financial liabilities comprise trade and other payables. Financial liabilities are recognised when the Group becomes a party to the contractual agreements governing the financial instrument. All interest related charges is recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

# NOTES TO THE FINANCIAL STATEMENTS

## 2D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### FINANCIAL LIABILITIES (CONT'D)

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

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

Payables are initially measured at fair value and subsequently measured at amortised cost, using effective interest method.

### OPERATING LEASES

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to the profit or loss on a straight-line basis over the lease term. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

### PROVISIONS

Provisions are recognised when the Federation and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The Council and management review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

# NOTES TO THE FINANCIAL STATEMENTS

## 2D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### EMPLOYEE BENEFITS

#### Defined Contribution Plan

The Federation and the Group contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The Federation's and the Group's contributions to CPF are charged to profit or loss in the period to which the contributions relate.

#### Employee Leave Entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

#### Key Management Personnel

Key management personnel are staff with authority and responsibility for planning, directing and controlling the activities of the entity.

### INCOME TAXES

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

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither the accounting or taxable profit or loss at the time of the transaction.

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

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Federation and the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 2D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Federation's and the Group's non-financial assets subject to impairment are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

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 if no impairment loss had been recognised.

### REVENUE RECOGNITION

Revenue from members' subscriptions is recognised on an accrual basis to the extent that it is probable that the fees will be received.

Revenue from events and services, and business missions is recognised upon completion of services.

Revenue from sale of publications is recognised when the sale is completed and the publications are delivered.

Interest income is recognised on a time-apportioned basis using effective interest method.

### FUNCTIONAL CURRENCIES

Items included in the financial statements of each entity in the Group are measured using the currency at the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Federation and the Group are presented in Singapore dollars, which is also the functional currency of the Federation.

# NOTES TO THE FINANCIAL STATEMENTS

## 2D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### CONVERSION OF FOREIGN CURRENCIES

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in the profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the translations.

### FINANCIAL INSTRUMENTS

Financial instruments carried on the statements of financial position include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures on financial risk management are provided in Note 17.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT

The Federation	Furniture, fittings and equipment	Office equipment	Computer	Renovation	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
At 1 January 2009	1,721,876	81,161	1,121,075	85,248	3,009,360
Additions	5,050	–	123,896	–	128,946
Disposals	–	–	(439)	–	(439)
At 31 December 2009	1,726,926	81,161	1,244,532	85,248	3,137,867
Reclassification	(183,734)	183,734	–	–	–
Additions	–	2,632	31,840	–	34,472
Disposals	–	–	(5,315)	–	(5,315)
<b>At 31 December 2010</b>	<b>1,543,192</b>	<b>267,527</b>	<b>1,271,057</b>	<b>85,248</b>	<b>3,167,024</b>
<b>Accumulated depreciation</b>					
At 1 January 2009	1,201,404	65,545	1,037,174	3,693	2,307,816
Depreciation for the year	296,178	10,053	84,932	17,050	408,213
Disposals	–	–	(158)	–	(158)
At 31 December 2009	1,497,582	75,598	1,121,948	20,743	2,715,871
Reclassification	(156,950)	156,950	–	–	–
Depreciation for the year	165,097	23,733	67,606	17,050	273,486
Disposals	–	–	(4,435)	–	(4,435)
<b>At 31 December 2010</b>	<b>1,505,729</b>	<b>256,281</b>	<b>1,185,119</b>	<b>37,793</b>	<b>2,984,922</b>
<b>Net book value</b>					
<b>At 31 December 2010</b>	<b>37,463</b>	<b>11,246</b>	<b>85,938</b>	<b>47,455</b>	<b>182,102</b>
At 31 December 2009	229,344	5,563	122,584	64,505	421,996

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Furniture, fittings and equipment	Office equipment	Computer	Renovation	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
At 1 January 2009	1,721,876	81,161	1,121,075	85,248	3,009,360
Additions	6,195	3,337	140,259	–	149,791
Disposals	–	–	(439)	–	(439)
At 31 December 2009	1,728,071	84,498	1,260,895	85,248	3,158,712
Reclassification	(183,734)	183,734	–	–	–
Additions	4,402	4,742	69,113	–	78,257
Disposals	–	–	(5,315)	–	(5,315)
<b>At 31 December 2010</b>	<b>1,548,739</b>	<b>272,974</b>	<b>1,324,693</b>	<b>85,248</b>	<b>3,231,654</b>
<b>Accumulated depreciation</b>					
At 1 January 2009	1,201,404	65,545	1,037,174	3,693	2,307,816
Depreciation for the year	296,297	10,511	88,174	17,050	412,032
Disposals	–	–	(158)	–	(158)
At 31 December 2009	1,497,701	76,056	1,125,190	20,743	2,719,690
Reclassification	(156,950)	156,950	–	–	–
Depreciation for the year	165,973	24,575	78,318	17,050	285,916
Disposals	–	–	(4,435)	–	(4,435)
<b>At 31 December 2010</b>	<b>1,506,724</b>	<b>257,581</b>	<b>1,199,073</b>	<b>37,793</b>	<b>3,001,171</b>
<b>Net book value</b>					
<b>At 31 December 2010</b>	<b>42,015</b>	<b>15,393</b>	<b>125,620</b>	<b>47,455</b>	<b>230,483</b>
At 31 December 2009	230,370	8,442	135,705	64,505	439,022

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### 3.1 REINSTATEMENT COST

Included in the carrying value of furniture, fittings and equipment is the reinstatement cost, as follows:-

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Balance as at 1 January, cost	319,375	319,375	319,375	319,375
Amount incurred in accumulated depreciation	(295,521)	(243,479)	(295,521)	(243,479)
<b>Amount as at 31 December</b>	<b>23,854</b>	<b>75,896</b>	<b>23,854</b>	<b>75,896</b>
Expense incurred in the depreciation relating to reinstatement cost :	52,042	52,042	52,042	52,042

## 4. SUBSIDIARIES

	2010	2009
	\$	\$
The Federation		
Unquoted equity shares, at cost	<b>1,980,000</b>	1,980,000

Details of the subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2010	2009	2010	2009	
		\$	\$	%	%	
SBF Holdings Pte. Ltd. <sup>(1)(2)</sup>	Singapore	<b>1,980,000</b>	1,980,000	<b>100</b>	100	Investment holding and events management
Subsidiary owned by SBF Holdings Pte. Ltd.						
SBF-Pico Events Pte. Ltd. <sup>(1)</sup>	Singapore	–	–	<b>60</b>	60	Events management

(1) Audited by Foo Kon Tan Grant Thornton LLP, Singapore

(2) The shares are held in trust by three directors of SBF Holdings Pte. Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. HELD-TO-MATURITY INVESTMENT

During the year, the Federation placed an interest rate-linked structured deposit with the carrying amount of \$3 million (2009 – nil) with a financial institution. The structured deposit is carrying average interest of 1.15% per annum and matures on 15 December 2014. The interest amount will be paid semi-annually. The principal sum of the structured deposit is protected if the deposit is held to maturity, or if redeemed early by the financial institution. The management does not identify any potentially significant financial risk exposure.

The maturity period of structured deposit is as follows:-

	2010	2009
	\$	\$
Not later than one year	–	–
Later than one year and not later than five years	<b>3,000,000</b>	–

The structured deposit is not publicly traded, the fair value at the end of reporting period as determined by the issuer (financial institution) was \$2,941,000 (2009 – nil).

## 6. MEMBERS' SUBSCRIPTIONS IN-ARREARS AND OUTSTANDING CHARGES

	2010	2009
	\$	\$
The Federation and The Group		
Members' subscriptions in-arrears and outstanding Charges	<b>166,718</b>	514,102
Less: Allowance for impairment	<b>(120,780)</b>	(203,561)
	<b>45,938</b>	310,541

Members' subscriptions are due immediately upon billing.

The ageing analysis of member subscriptions in arrears and outstanding charges past due but not impaired is as follows:

	2010	2009
	\$	\$
The Federation and The Group		
Past due 1 to 30 days	<b>9,804</b>	90,194
Past due 31 to 60 days	<b>7,724</b>	4,702
Past due 61 to 90 days	<b>4,837</b>	6,957
Past due over 90 days	<b>23,573</b>	208,688
	<b>45,938</b>	310,541

## NOTES TO THE FINANCIAL STATEMENTS

### 6. MEMBERS' SUBSCRIPTIONS IN-ARREARS AND OUTSTANDING CHARGES (CONT'D)

The movement of allowance for impairment is as follows:

	2010	2009
	\$	\$
The Federation and The Group		
Balance at beginning	203,561	204,318
Provision during the year	–	53,743
Provision utilised	–	(54,500)
Provision written back	(82,781)	–
	<b>120,780</b>	203,561

### 7. TRADE AND OTHER RECEIVABLES

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Trade receivables	–	–	706,128	103,790
Less: Allowance for impairment	–	–	–	(28,350)
Net trade receivables	–	–	706,128	75,440
Prepayments	50,021	52,098	50,021	52,098
Sundry deposits	250,971	240,261	250,971	240,261
GST recoverable	306,581	36,469	306,691	36,469
Others	84,016	16,364	84,113	31,751
Monies receivable from government agency	329,553	519,964	329,553	958,602
	<b>1,021,142</b>	865,156	<b>1,727,477</b>	1,394,621

The ageing analysis of accounts receivables past due but not impaired is as follows:

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Past due 1 to 30 days	–	–	2,212	–
Past due 31 to 60 days	–	–	688,606	–
Past due 61 to 90 days	–	–	8,462	52,640
Past due over 90 days	–	–	6,848	22,800
	–	–	<b>706,128</b>	75,440

# NOTES TO THE FINANCIAL STATEMENTS

## 7. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables are denominated in the following currencies:

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Singapore dollars	-	-	<b>697,666</b>	71,240
United States dollars	-	-	<b>8,462</b>	32,550
	-	-	<b>706,128</b>	103,790

The movement of allowance for impairment is as follows:

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Balance at beginning	-	-	<b>28,350</b>	-
Provision during the year	-	-	-	28,350
Provision utilised	-	-	<b>(28,350)</b>	-
Balance at end	-	-	-	28,350

## 8. AMOUNT DUE (TO)/FROM SUBSIDIARIES

The amount due to subsidiaries at end of financial year 2010 represents expenses paid on behalf of the Federation, is unsecured, interest-free and repayable on demand.

The amount due to subsidiaries at end of financial year 2009 represents revenue collection on behalf, is unsecured, interest-free and repayable on demand.

The amount due from subsidiaries at end of financial year 2009 represents payment of expenses on behalf, is unsecured, interest-free and receivable on demand.

Amount due (to)/from subsidiaries is denominated in Singapore dollars.

# NOTES TO THE FINANCIAL STATEMENTS

## 9. CASH AND CASH EQUIVALENTS

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash on hand	<b>2,243</b>	3,301	<b>2,832</b>	4,229
Cash at bank	<b>1,108,816</b>	5,889,784	<b>3,021,356</b>	8,101,547
Short-term bank deposits	<b>6,499,571</b>	6,416,264	<b>10,000,886</b>	6,416,264
	<b>7,610,630</b>	12,309,349	<b>13,025,074</b>	14,522,040

Short-term bank deposits at the end of the reporting period have an average maturity of 2.7 months (2009 - 4.3 months) from the end of the financial year with an effective interest rate of 0.32% (2009 - 0.48%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Singapore dollars	<b>7,610,630</b>	8,797,794	<b>13,023,221</b>	11,010,485
United States dollars	-	3,511,555	<b>1,853</b>	3,511,555
	<b>7,610,630</b>	12,309,349	<b>13,025,074</b>	14,522,040

## 10. DEFERRED TAXATION

### 10.1 DEFERRED TAX ASSETS

The Federation and the Group	2010	2009
	\$	\$
Balance at beginning	-	-
Transfer to profit and loss (Note 13)	<b>61,082</b>	-
Transfer from deferred tax liabilities (Note 10.2)	<b>(45,193)</b>	-
Balance at end	<b>15,889</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

## 10. DEFERRED TAXATION (CONT'D)

### 10.1 DEFERRED TAX ASSETS (CONT'D)

The balance comprises tax on the following temporary differences:

	Excess of net book value over tax written down value of qualifying property, plant and equipment	Excess of tax written down value over carrying value of allowance for employee leave entitlement	Total
	\$	\$	\$
The Federation and the Group			
Deferred tax liabilities at 1 January 2010	(45,193)	–	(45,193)
Transfer to profit and loss (Note 13)	26,805	34,277	61,082
Deferred tax (liabilities)/assets at 31 December 2010	<b>(18,388)</b>	<b>34,277</b>	<b>15,889</b>

### 10.2 DEFERRED TAX LIABILITIES

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Balance at beginning	<b>45,193</b>	71,528	<b>47,958</b>	71,528
Transfer to deferred tax assets (Note 10.1)	<b>(45,193)</b>	–	<b>(45,193)</b>	–
Transfer (to)/from profit and loss (Note 13)	–	(26,335)	<b>3,182</b>	(23,570)
Balance at end	–	45,193	<b>5,947</b>	47,958

The balance comprises tax on the following temporary differences:

	Excess of net book value over tax written down value of qualifying property, plant and equipment	Total
<b>The Federation</b>	\$	\$
Balance at 1 January 2010	45,193	45,193
Transfer to deferred tax assets (Note 10.1)	(45,193)	(45,193)
Balance at 31 December 2010	–	–

	Excess of net book value over tax written down value of qualifying property, plant and equipment	Total
<b>The Group</b>	\$	\$
Balance at 1 January 2010	47,958	47,958
Transfer to deferred tax assets (Note 10.1)	(45,193)	(45,193)
Transfer from profit and loss (Note 13)	3,182	3,182
Balance at 31 December 2010	<b>5,947</b>	<b>5,947</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 11. TRADE AND OTHER PAYABLES

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Trade payables	<b>831,155</b>	291,052	<b>831,236</b>	291,133
Accruals for operating expenses	<b>1,611,666</b>	2,407,750	<b>1,914,872</b>	2,563,561
Sundry creditors	<b>614,583</b>	609,413	<b>994,119</b>	609,413
GES fund*	-	-	<b>585,520</b>	261,363
	<b>3,057,404</b>	3,308,215	<b>4,325,747</b>	3,725,470

\* GES Fund represents balance of funds received from Economic Development Board ("EDB") for the purpose of Global Entrepolis@Singapore ("GES") event.

As per agreement between EDB and the Federation, EDB will provide funds for three GES events which will be hosted by the Federation at the amount of \$1 million per event (total of \$3 million for three GES events), starting financial year 2009. Each \$1 million must be used for the particular year's GES event and lapses if GES event does not take place. Each \$1 million must be repaid within 2 months of notification to EDB that the event is not taking place or by end of the calendar year which the fund was given and GES event did not take place (whichever is earlier). The Federation has assigned the rights to organise and manage GES event to its subsidiary. At end of the reporting period, the Group has received a total of \$2 million of GES fund from EDB.

## 12. OPERATING EXPENSES

Operating expenses include expenses incurred for members' activities. These comprise the following:-

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Direct cost of organising events such as conferences, seminars and workshops for members	<b>432,542</b>	344,875	<b>1,276,790</b>	3,509,330
Direct cost of organising business missions for members	<b>878,720</b>	577,825	<b>878,720</b>	577,825
	<b>1,311,262</b>	922,700	<b>2,155,510</b>	4,087,155

# NOTES TO THE FINANCIAL STATEMENTS

## 13. INCOME TAX EXPENSES

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current taxation	191,637	77,684	197,217	512,498
Deferred income tax assets (Note 10.1)	(61,082)	–	(61,082)	–
Deferred income tax liabilities (Note 10.2)	–	(26,335)	3,182	(23,570)
	<b>130,555</b>	51,349	<b>139,317</b>	488,928
(Over)/underprovision in respect of prior years				
– Current taxation	(19,922)	12,382	(44,342)	12,382
	<b>110,633</b>	63,731	<b>94,975</b>	501,310

The tax expense on the surplus differs from the amount that would arise using Singapore standard rate of income tax due to the following:-

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Surplus for the year before taxation	1,126,006	324,330	1,208,691	3,116,378
Tax at statutory rate of 17%	191,421	55,136	205,477	529,784
Tax effect on non-taxable income	(47,499)	–	(55,833)	–
Tax effect on non-deductible expenses	12,558	22,853	19,769	37,634
Change in tax rate of nil (2009 - 1%)	–	(715)	–	(715)
Deferred tax assets on temporary differences not recognised	–	–	2,259	–
Singapore statutory stepped income exemption	(25,925)	(25,925)	(32,355)	(77,775)
	<b>130,555</b>	51,349	<b>139,317</b>	488,928

## 14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into by the group with related companies at negotiated rates:

	2010	2009
	\$	\$
The Federation and The Group		
Management fees charged by a subsidiary	–	337,350
Commission charged to a subsidiary	–	84,337
Rental fees charged to a subsidiary	60,798	27,000

## NOTES TO THE FINANCIAL STATEMENTS

### 15. OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Not later than one year	<b>487,890</b>	925,524	<b>487,890</b>	925,524
Later than one year but not later than five years	<b>93,749</b>	385,635	<b>93,749</b>	385,635

The operating leases are in respect of the Federation's and the Group's office premise and office equipment on which rentals are payable. The office lease and office equipment lease will expire on 14 June 2011 and 31 December 2015 respectively, and the current rent payable on the office lease is \$77,127 per month. The current lease payable for office equipment ranges between \$21 to \$1,925 per month.

### 16. KEY MANAGEMENT REMUNERATION

Key management personnel compensation for the financial year is as follows:-

	The Federation		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Salaries and other short-term employee benefits	<b>1,540,453</b>	1,312,033	<b>1,807,969</b>	1,477,138
Contribution to CPF	<b>43,633</b>	43,073	<b>63,779</b>	57,809
	<b>1,584,086</b>	1,355,106	<b>1,871,748</b>	1,534,947

# NOTES TO THE FINANCIAL STATEMENTS

## 17. FINANCIAL RISK MANAGEMENT

The management and Council meet periodically to analyse and formulate measures to manage the Federation's and the Group's exposure to market risk, including principal changes in interest rates and currency exchange rates. Generally, the Federation and the Group employ a conservative strategy regarding its risk management. As the Federation's and the Group's exposure to market risk is kept at a minimum level, the Federation and the Group have not used any derivatives or other instruments for hedging purposes.

### 17.1 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

#### Exposure to Credit Risk

As the Federation and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Federation's and the Group's major classes of financial assets are bank deposits, trade receivables and held-to-maturity investment. Cash and held-to-maturity investment are held with financial institutions of good standing/established financial institution/reputable financial institutions. Further details of credit risk on trade and other receivables are disclosed in Note 7.

### 17.2 INTEREST RATE RISK

Interest rate risk is the risk that the fair value of the Federation's and the Group's financial instruments will fluctuate due to changes in market interest rates.

The Federation and the Group are exposed to changes in interest rate for its interest-bearing deposit. The Federation and the Group do not have any interest-bearing payable.

#### Sensitivity Analysis of Interest Rate Risk

An increase/(decrease) of 100 (2009 - 100) basis points in SGD interest rate with all other variables held constant will increase/(decrease) the Group's profit/(loss) by \$17,400/(\$9,800) (2009 - \$64,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 17. FINANCIAL RISK MANAGEMENT (CONT'D)

### 17.3 LIQUIDITY RISK

Liquidity or funding risk is the risk that the Federation and the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Federation and the Group manage their liquidity risk by ensuring sufficient funds are maintained.

The table below summarises the maturity profile of the Federation's and the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments:

The Federation

	2010		2009	
	1 year or less \$	1 to 5 years \$	1 year or less \$	1 to 5 years \$
Trade and other payables	3,057,404	–	3,308,215	–
Amount due to subsidiary	7,977	–	2,899,687	–

The Group

	2010		2009	
	1 year or less \$	1 to 5 years \$	1 year or less \$	1 to 5 years \$
Trade and other payables	4,325,747	–	3,725,470	–

# NOTES TO THE FINANCIAL STATEMENTS

## 17. FINANCIAL RISK MANAGEMENT (CONT'D)

### 17.4 CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Federation's and the Group's activities are not exposed to significant foreign exchange risk as operations are denominated in Singapore dollars, which is the Federation's and the Group's functional currency. The risk arising from movements in foreign exchange rates is low as the Federation and the Group have minimal transactions in foreign currency, except as described below.

The Group charges participation fees for events in foreign currencies and also has cash and cash equivalents denominated in foreign currencies other than Singapore dollars. As a result, the Group is exposed to exchange rates movements in foreign currency other than Singapore Dollar ("SGD"). The foreign currency giving rise to this risk is primarily United States Dollar ("USD"). However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

### Sensitivity analysis for foreign currency risk

If the USD increased against SGD by 1% with all other variable including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

The Federation	Net surplus after taxation
	\$
<b>2010</b>	
USD against SGD - Strengthened	-
2009	
USD against SGD - Strengthened	35,116
The Group	Net surplus after taxation
	\$
<b>2010</b>	
USD against SGD - Strengthened	<b>103</b>
2009	
USD against SGD - Strengthened	35,441

If the USD weakened against SGD by 1% with all other variable including tax rate being held constant, it would have had the equal opposite effect on the amount shown above, on the basis that all other variables remain constant.

# NOTES TO THE FINANCIAL STATEMENTS

## 18. CAPITAL/FUND MANAGEMENT

The Group's objectives when managing the capital /funds are:

- (a) To safeguard the Group's ability to continue as a going concern;
- (b) To support the Group's stability and growth; and
- (c) To provide capital/fund for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital and funds structure to ensure optimal structure taking into consideration the future requirements of the Group and capital/fund efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

## 19. FINANCIAL INSTRUMENTS

### Fair Value

The carrying amounts of the financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

However, the Federation and the Group do not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

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