



CSE

CSE Global Ltd

Co. Reg. No.: 198703851D

Annual Financial Statements

CSE Global Ltd and Subsidiary Companies | 31 December 2008

General Information

Directors

Lim Ming Seong – Chairman
Goh Boon Seong
Tan Mok Koon – Managing Director
Lee Soo Hoon Phillip
Lim Boh Soon
Sin Boon Ann

Company Secretaries

Tan San-Ju
Tan Cher Liang Sebastian

Registered Office

3 Church Street
#08-01 Samsung Hub
Singapore 049483
Tel: 65365355
Fax: 65361360

Bankers

Arab Bank plc
Bank of China Ltd
Bank of East Asia Ltd
DBS Bank Ltd
Deutsche Bank AG
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Ltd
Rabobank International
RHB Bank Berhad
Societe Generale
Standard Chartered Bank
The Hong Kong and Shanghai Banking Corporation Ltd
United Overseas Bank Ltd

Share Registrar

Boardroom Corporate & Advisory Services Pte Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483

Auditors

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

Directors' Report

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of CSE Global Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2008.

Directors

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

Lim Ming Seong
 Goh Boon Seong
 Tan Mok Koon
 Lee Soo Hoon Phillip
 Lim Boh Soon
 Sin Boon Ann

Arrangements to enable Directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

Name of Director	Held by Director			Other shareholdings in which the Director is deemed to have an interest		
	At 1.1.2008	At 31.12.2008	At 21.1.2009	At 1.1.2008	At 31.12.2008	At 21.1.2009
CSE Global Limited						
<i>Number of ordinary shares</i>						
Tan Mok Koon [*]	38,700,750	38,700,750	38,700,750	28,500,000	28,500,000	28,500,000
Goh Boon Seong	536,000	536,000	536,000	–	–	–
Lee Soo Hoon Phillip	450,000	450,000	450,000	–	–	–
Lim Boh Soon	–	330,000	330,000	330,000	–	–
Lim Ming Seong ^{**}	–	3,100,000	3,100,000	3,150,000	150,000	150,000
Sin Boon Ann	45,000	–	–	–	–	–

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

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

Name of Director	At 1.1.2008	At 31.12.2008
Share options granted on 31.12.2003 exercisable at a price of \$0.3533 each in ordinary shares exercisable from 31.12.2005 to 31.12.2008[#]		
Sin Boon Ann	90,000	–

[#] The number of shares have been adjusted for bonus issue.

Directors' Report

Directors' interests in shares and debentures (cont'd)

Saved as disclosed above, there were no changes in the above mentioned interests between the end of the financial year and 21 January 2009.

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

Directors' contractual benefits

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

Share options

The Company

The Company grants share options to Directors and full time employees of the Company and of the Group pursuant to the following share option schemes:

- (i) CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001; and
- (ii) CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan")

Details of the share option schemes and the respective share options that are granted as at 31 December 2008 are disclosed in the following:

- (i) *CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001*

Under the Company's CSE ESOS subsequent to 9 October 2001, the share options that are granted as at 31 December 2008 are as follows:

Date of grant	Balance as at 1.1.2008	Cancelled	Exercised	Balance as at 31.12.2008	Exercise Price	Exercise Period
31 December 2003	4,375,500	(115,500)	(4,260,000)	–	\$0.3533	31 December 2005 to 31 December 2008
	<u>4,375,500</u>	<u>(115,500)</u>	<u>(4,260,000)</u>	<u>–</u>		

There are no participants of CSE ESOS subsequent to 9 October 2001 who are controlling shareholders of the Company or their associates, or who received 5 percent or more of the total number of share options available under the CSE ESOS subsequent to 9 October 2001. As the Company does not have any parent company, there are therefore no participants of CSE ESOS subsequent to 9 October 2001 who are directors or employees of the Company's parent company and its subsidiary companies.

Directors' Report

Share options (cont'd)

The Company (cont'd)

- (i) *CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001 (cont'd)*

The participants of CSE ESOS subsequent to 9 October 2001 who are Directors of the Company as at 31 December 2008 are disclosed in the following tables:

Share options granted on 31.12.2003 exercisable at a price of \$0.3533 each, exercisable from 31.12.2005 to 31.12.2008

Name of participant in respect of CSE ESOS subsequent to 9 October 2001	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Sin Boon Ann	–	90,000	90,000	–

The terms of the share options granted under the CSE ESOS subsequent to 9 October 2001 to the Directors of the Company are the same as those granted to the employees of the Group and they are disclosed below.

Only Directors and full time employees of the Group who have attained the age of twenty one (21) years are eligible to participate in the CSE ESOS subsequent to 9 October 2001. Each option entitles the participant to subscribe for a number of new ordinary shares in the Company pre-determined at the date of grant. The options are granted in consideration of \$1.00 per option for all the shares in respect of which the option is granted. The shares under option may be exercised in full or in blocks of 1,000 shares or a multiple thereof on the payment of the exercise price. The participants to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company. Options granted are cancelled when the participant ceases to be a full-time employee of the Company or any corporation in the Group subject to certain exceptions at the discretion of the Company. The exercise of the options is also subjected to the satisfactory performance of the participant's duties.

For all the options that are granted under CSE ESOS subsequent to 9 October 2001, those options may be exercised within a period commencing after the second anniversary of the date of grant and expiring on the fifth anniversary of the date of grant.

For all the options that are granted under CSE ESOS subsequent to 9 October 2001, the subscription price at which a participant subscribes for new ordinary shares of the Company upon the exercise of the option granted shall be at a discount of between zero (0) percent and twenty (20) percent of the average of the last dealt prices for an ordinary share of the Company, as determined by reference to the daily Official List published by the Singapore Exchange Securities Trading Limited, for the five (5) consecutive trading days immediately preceding the date of grant of the option, or the previous nominal value of the ordinary shares of \$0.05 each of the Company, whichever is higher.

Directors' Report

Share options (cont'd)

The Company (cont'd)

- (i) *CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001 (cont'd)*

The quantum of the discount shall be equal to the compounded rate of growth (expressed in percentage terms) of the Group's audited profit before tax and extraordinary items for two (2) consecutive financial years beginning from the financial year in which the date of grant falls. The discount shall, in no event, exceed twenty (20) percent, notwithstanding that the compounded rate of growth may exceed twenty (20) percent. No discount shall be given if the compounded rate of growth is nil or negative.

The subscription prices of the share options issued under CSE ESOS subsequent to 9 October 2001 are entitled to a maximum discount of 20%. The determination of the quantum of the 20% discount on the subscription prices of share options issued under CSE ESOS subsequent to 9 October 2001 is based on the performance of the CSE Group for the two consecutive financial years beginning from the financial year in which the date of grant falls. The quantum of the discount on the subscription prices of share options issued under CSE ESOS subsequent to 9 October 2001 is only determined on the respective vesting dates. The number, proportion and discount entitlements of the various categories of share options granted under CSE ESOS subsequent to 9 October 2001, where determinable to date, are disclosed in the following table:

Date of grant	Aggregate options outstanding as at end of financial year under review	Proportion against aggregate options outstanding	Financial years considered for performance evaluation	Vesting date of share options	Expiry date of share options	Discount entitlement
31 December 2003	–	–	FY2003 to FY2004	31 December 2005	31 December 2008	18%

- (ii) *CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan")*

Under the Company's US Plan, the share options that are granted as at 31 December 2008 are as follow:

Date of grant	Balance as at 1.1.2008	Cancelled	Exercised	Balance as at 31.12.2008	Exercise Price	Exercise Period
31 December 2003	57,750	(22,500)	(35,250)	–	\$0.4320	31 December 2005 to 31 December 2008
	57,750	(22,500)	(35,250)	–		

Directors' Report

Share options (cont'd)

The Company (cont'd)

(ii) CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan") (cont'd)

There are no participants of US Plan who are Directors of the Company, controlling shareholders of the Company or their associates, or who received 5 percent or more of the total number of share options available under the US Plan. As the Company does not have any parent company, there are therefore no participants of US Plan who are directors or employees of the Company's parent company and its subsidiary companies.

Only full time employees of the subsidiary companies of the Group incorporated in any state of the United States of America who have attained the age of twenty one (21) years are eligible to participate in the US Plan, except for the employees who were already holding options that are granted under the CSE ESOS at the time the US Plan was adopted by the Company. Each option entitles the participant to subscribe for a number of new ordinary shares in the Company pre-determined at the date of grant. The shares under option may be exercised in full or in blocks of 1,000 shares or a multiple thereof on the payment of the exercise price. The participants to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company. Options granted are cancelled when the participant ceases to be a full-time employee of the subsidiary companies of the Group incorporated in any state of the United States of America subject to certain exceptions at the discretion of the Company. The exercise of the options is also subjected to the satisfactory performance of the participant's duties.

The options granted under the US Plan may be exercised within a period commencing after the second anniversary of the date of grant and expiring on the fifth anniversary of the date of grant.

The subscription price at which a participant subscribes for new ordinary shares of the Company upon the exercise of the option granted under the US Plan shall be the average of the last dealt prices for an ordinary share of the Company, as determined by reference to the daily Official List published by the Singapore Exchange Securities Trading Limited, for the five (5) consecutive trading days immediately preceding the date of grant of the option, or the previous nominal value of the ordinary shares of \$0.05 each of the Company, whichever is higher. The subscription prices of the share options issued under US Plan are not entitled to any form of discounts.

Directors' Report

Audit Committee

The Audit Committee was established on 22 January 1999.

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

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

Non-executive/Independent Directors:

Lee Soo Hoon Phillip (Chairman)
Lim Boh Soon
Sin Boon Ann

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

Auditors

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

On behalf of the Board of Directors,

Lim Ming Seong
Director

Tan Mok Koon
Director

Singapore
18 March 2009

Statement by Directors

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

- (i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Lim Ming Seong

Director

Tan Mok Koon

Director

Singapore

18 March 2009

Independent Auditors' Report

To the members of CSE Global Limited

We have audited the accompanying financial statements of CSE Global Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2008, the statements of changes in equity of the Group and the Company, and the profit and loss account and statement of cash flows of the Group 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 financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes 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 account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

- (i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and Certified Public Accountants

Singapore
18 March 2009

Balance Sheets

as at 31 December 2008

	Note	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Fixed assets	4	12,669	12,902	136	222
Subsidiary companies	5	–	–	192,702	174,125
Associated companies	6	7,283	7,009	–	–
Other investment	7	190	190	190	190
Intangible assets	8	67,775	70,457	73	103
Deferred tax assets	9	4,225	3,993	26	17
Current assets					
Projects-in-progress	10	88,720	74,128	–	–
Stocks	11	11,922	9,412	–	–
Trade and other debtors	12	96,857	82,111	6,612	4,443
Prepayments		3,927	3,399	7	10
Amounts due from subsidiary companies	5	–	–	45,482	48,233
Amounts due from associated companies	6	717	6	–	–
Short-term deposits	27	3,696	8,771	–	–
Cash and bank balances	27	38,943	50,137	999	2,261
		244,782	227,964	53,100	54,947
Current liabilities					
Projects-in-progress	10	18,956	13,370	–	–
Derivative financial instruments	13	5,164	–	5,164	–
Trade creditors and accruals	14	61,603	63,514	5,518	5,230
Finance leases	29	177	199	–	–
Amounts due to bankers	15	117,431	80,460	102,965	78,919
Amounts due to subsidiary companies	5	–	–	53,946	25,157
Amounts due to associated companies	6	77	2	–	–
Provision for warranties	16	1,582	1,570	–	–
Provision for taxation		8,825	3,354	301	325
		213,815	162,469	167,894	109,631
Net current assets/(liabilities)		30,967	65,495	(114,794)	(54,684)
Non-current liabilities					
Deferred tax liabilities	9	(3,672)	(4,115)	–	–
Finance leases	29	(398)	(380)	–	–
Amounts due to bankers	15	(10,777)	(19,172)	(10,777)	(19,172)
		108,262	136,379	67,556	100,801
Equity attributable to equity holders of the Company					
Share capital	17	92,498	90,343	92,498	90,343
Treasury shares	17	(28,043)	–	(28,043)	–
Revenue reserve		79,985	54,545	3,093	9,774
Share-based payment reserve	18	–	653	–	653
Foreign currency translation reserve	19	(36,192)	(9,176)	8	31
		108,248	136,365	67,556	100,801
Minority interests		14	14	–	–
		108,262	136,379	67,556	100,801

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

Consolidated Profit and Loss Account

for the financial year ended 31 December 2008

	Note	Group	
		2008 \$'000	2007 \$'000
Revenues	20	441,518	404,696
Cost of sales		(276,473)	(257,088)
Gross profit		165,045	147,608
Other operating income			
Miscellaneous income	21	766	444
Finance income	22	991	1,302
Operating expenses			
Administrative costs		(81,579)	(75,022)
Selling and distribution costs		(6,753)	(6,762)
Other operating costs		(7,550)	(4,462)
Finance costs	23	(5,668)	(5,936)
Share of results of associated companies, net of tax		274	567
Profit before taxation	24	65,526	57,739
Taxation	25	(17,273)	(15,679)
Profit for the financial year		48,253	42,060
Attributable to:			
Equity holders of the Company		48,253	42,059
Minority interest		–	1
		48,253	42,060
Earnings per share (in cents)			
Basic EPS	26	9.65	8.33
Diluted EPS	26	9.63	8.25

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

Statements of Changes in Equity

for the financial year ended 31 December 2008

2007 Group	Attributable to equity holders of the Company					Total	Minority interests	Total equity
	Share capital	Revenue reserve	Share- based payment reserve	Foreign currency translation reserve				
At 1 January 2007	88,412	24,241	1,189	(5,455)	108,387	13	108,400	
Effects of exchange differences arising from:								
– Translation of financial statements of foreign operations	–	–	–	(3,928)	(3,928)	–	(3,928)	
– Hedging of net investment	–	–	–	207	207	–	207	
Net expense recognised directly in equity	–	–	–	(3,721)	(3,721)	–	(3,721)	
Net profit for the financial year	–	42,059	–	–	42,059	1	42,060	
Total recognised net income for the financial year	–	42,059	–	(3,721)	38,338	1	38,339	
Dividends (Note 34)	–	(11,755)	–	–	(11,755)	–	(11,755)	
Exercise of employee share options (Note 17a)	1,400	–	–	–	1,400	–	1,400	
Cancellation of employee share options (Note 18)	–	–	(5)	–	(5)	–	(5)	
Transfer from share-based payment reserve on exercise of share options (Note 18)	531	–	(531)	–	–	–	–	
At 31 December 2007	90,343	54,545	653	(9,176)	136,365	14	136,379	

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

Statements of Changes in Equity

for the financial year ended 31 December 2008

2008 Group	Attributable to equity holders of the Company						Minority interests \$'000	Total equity \$'000
	Share capital \$'000	Treasury shares \$'000	Revenue reserve \$'000	Share- based payment reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000		
At 1 January 2008	90,343	-	54,545	653	(9,176)	136,365	14	136,379
Effects of exchange differences arising from:								
- Translation of financial statements of foreign operations	-	-	-	-	(16,799)	(16,799)	-	(16,799)
- Hedging of net investment	-	-	-	-	(10,217)	(10,217)	-	(10,217)
Net expense recognised directly in equity	-	-	-	-	(27,016)	(27,016)	-	(27,016)
Net profit for the financial year	-	-	48,253	-	-	48,253	-	48,253
Total recognised net income for the financial year	-	-	48,253	-	(27,016)	21,237	-	21,237
Dividends (Note 34)	-	-	(22,813)	-	-	(22,813)	-	(22,813)
Exercise of employee share options (Note 17a)	1,521	-	-	-	-	1,521	-	1,521
Cancellation of employee share options (Note 18)	-	-	-	(19)	-	(19)	-	(19)
Transfer from share-based payment reserves on exercise of share options (Note 18)	634	-	-	(634)	-	-	-	-
Purchase of treasury shares (Note 17b)	-	(28,043)	-	-	-	(28,043)	-	(28,043)
At 31 December 2008	92,498	(28,043)	79,985	-	(36,192)	108,248	14	108,262

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

Statements of Changes in Equity

for the financial year ended 31 December 2008

2007 Company	Attributable to equity holders of the Company				
	Share capital \$'000	Revenue reserve \$'000	Share- based payment reserve \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
At 1 January 2007	88,412	9,702	1,189	34	99,337
Net effect of exchange differences	–	–	–	(3)	(3)
Net expense recognised directly in equity	–	–	–	(3)	(3)
Profit for the financial year	–	11,827	–	–	11,827
Total recognised net income for the financial year	–	11,827	–	(3)	11,824
Transfer from share-based payment reserve on exercise of share options (Note 17a)	531	–	(531)	–	–
Dividends (Note 34)	–	(11,755)	–	–	(11,755)
Cancellation of employee share options (Note 18)	–	–	(5)	–	(5)
Exercise of share options (Note 17a)	1,400	–	–	–	1,400
At 31 December 2007	90,343	9,774	653	31	100,801

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

Statements of Changes in Equity

for the financial year ended 31 December 2008

2008 Company	Attributable to equity holders of the Company					
	Share capital \$'000	Treasury shares \$'000	Revenue reserve \$'000	Share- based payment reserve \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
At 1 January 2008	90,343	–	9,774	653	31	100,801
Net effect of exchange differences	–	–	(2,452)	–	(23)	(2,475)
Profit for the financial year	–	–	18,584	–	–	18,584
Total recognised net income for the financial year	–	–	16,132	–	(23)	16,109
Transfer from share-based payment reserve on exercise of share options (Note 17a)	634	–	–	(634)	–	–
Dividends (Note 34)	–	–	(22,813)	–	–	(22,813)
Cancellation of employee share options (Note 18)	–	–	–	(19)	–	(19)
Exercise of share options (Note 17a)	1,521	–	–	–	–	1,521
Purchase of treasury shares (Note 17b)	–	(28,043)	–	–	–	(28,043)
At 31 December 2008	92,498	(28,043)	3,093	–	8	67,556

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

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2008

	2008	2007
	\$'000	\$'000
Cash flows from operating activities:		
Profit before taxation	65,526	57,739
Adjustments for:		
Depreciation of fixed assets	2,585	2,695
Amortisation of intangible assets	1,314	755
Share of results of associated companies, net of tax	(274)	(567)
Impairment of investment in associated company, net	–	5,834
Negative goodwill arising from business combination	–	(3,327)
Interest expense	5,338	5,510
Interest income	(991)	(1,302)
Loss/(gain) on disposal of fixed assets	55	(128)
Gain on disposal of associated company	(40)	–
Fixed assets written off	–	2
Fair value changes in value of derivative financial instruments	3,905	34
Writeback of share-based payment expense on cancellation of share options	(19)	(5)
Currency realignment	(12,390)	(683)
Operating income before reinvestment in working capital	65,009	66,557
Increase in debtors	(11,111)	(5,194)
(Increase)/decrease in projects-in-progress, net and stocks	(13,994)	1,360
Decrease in creditors	(3,118)	(1,349)
Cash generated from operations	36,786	61,374
Interest paid	(5,338)	(5,510)
Interest received	991	1,302
Income tax paid	(12,824)	(15,925)
Net cash generated from operating activities	19,615	41,241
Cash flows from investing activities:		
Purchase of fixed assets	(2,621)	(3,104)
Acquisition of subsidiary companies, net of cash acquired	(6,734)	(3,411)
Repayment of balance purchase consideration of a subsidiary	–	(30,917)
Acquisition of other investments	–	(190)
Additions of intangible assets	(34)	(1,377)
(Advances to)/repayment from associated companies	(637)	57
Proceeds from disposal of fixed assets	87	260
Proceeds from disposal of equity interest in associated company	40	–
Net cash used in investing activities	(9,899)	(38,682)
Cash flows from financing activities:		
Net proceeds from issuance of shares	1,521	1,400
Acquisition of treasury shares	(28,043)	–
Short-term borrowing from banks	28,577	1,886
Dividends paid to shareholders	(22,813)	(11,755)
Repayment of finance lease obligations	(328)	(197)
Net cash used in financing activities	(21,086)	(8,666)
Net effect of exchange rate changes on cash and cash equivalents	(4,899)	(1,886)
Net decrease in cash and cash equivalents	(16,269)	(7,993)
Cash and cash equivalents at beginning of financial year (Note 27)	58,908	66,901
Cash and cash equivalents at end of financial year (Note 27)	42,639	58,908

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

Notes to the Financial Statements

– 31 December 2008

1. Corporate information

CSE Global Limited (the “Company”) is a limited liability company which is incorporated in the Republic of Singapore. The registered office of the Company is located at 3, Church Street, #08-01 Samsung Hub, Singapore 049483 and its principal place of business is No. 2 Ubi View Level 5 Singapore 408556.

The principal activities of the Company are those relating to provision of total integrated industrial automation, information technology and intelligent transport solutions and investment holding. The principal activities of the subsidiary companies are those relating to design, delivery, commissioning as well as provision of comprehensive maintenance to a wide array of industrial systems and investment holding. There have been no significant changes in the nature of these activities during the financial year.

2. Significant accounting policies

2.1 Basis of preparation

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

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

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

During the current financial year, management had assessed and determined that one of the Group’s significant subsidiaries - Transtel Engineering Pte Ltd had costs and revenue which are primarily denominated in United States dollars. Prior to 31 December 2007, all transactions in currencies other than Singapore Dollars (SGD) were treated as transactions in foreign currencies and were recorded, on initial recognition, in SGD using the exchange rate at the transaction date. The subsidiary has changed its functional currency from SGD to USD prospectively on 1 January 2008 in accordance with the requirements of FRS 21, The Effects of Changes in Foreign Exchange Rates.

2.2 Future changes in accounting policies

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (Annual period beginning on or after)
FRS 1:	Presentation of Financial Statements - Revised presentation	1 January 2009
FRS 23 :	Borrowing Costs	1 January 2009
FRS 27 :	Consolidated and Separate Financial Statement – Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associates	1 January 2009
FRS 32 :	Financial Instruments: Presentation-Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.2 Future changes in accounting policies (cont'd)

		Effective date (Annual period beginning on or after)
FRS 39 :	Amendments to FRS 39 – Recognition and measurement and FRS 107 – Reclassification of Financial Assets	1 July 2008
FRS 39 :	Amendment to FRS 39 – Eligible Hedged Items	1 July 2009
FRS 101 :	First-time Adoption of Financial Reporting Standards - Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associates	1 January 2009
FRS 102 :	Share-based payment-Vesting conditions and cancellations	1 January 2009
FRS 108 :	Operating Segments	1 January 2009
INT FRS 112 :	Service Concession Arrangements	1 January 2009
INT FRS 113 :	Customer Loyalty Programmes	1 July 2008
INT FRS 116 :	Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117 :	Distributions of Non-Cash Assets to owners	1 July 2009

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 1 and FRS 108 as indicated below.

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

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

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgements (cont'd)

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 31 December 2008 approximated \$56,604,000 (2007 : \$57,736,000). More details are given in Note 8.

(ii) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 2 to 57 years. The carrying amount of the Group's fixed assets at 31 December 2008 approximated \$12,669,000 (2007 : \$12,902,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised.

(iii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables at 31 December 2008 approximated \$12,497,000 (2007: \$7,469,000).

(iv) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies. The carrying value of recognised tax losses and capital allowances at 31 December 2008 was \$14,121,000 (2007: \$8,744,000).

(v) Provision for warranties

The Group has exposure to warranties arising from warranty obligations stated in its project contracts. Management estimates the amount of warranty to be provided based on available information and its prior experience. The carrying amount of the Group's provision for warranties at 31 December 2008 approximated \$1,582,000 (2007: \$1,570,000).

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgements (cont'd)

(b) Critical judgements made in applying accounting policies

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

(i) Impairment of loans and receivables

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

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

(ii) Construction contracts

The Group recognises revenue arising from contracts using the percentage of completion method when the stage of contract completion can be reliably determined, cost to date can be clearly identified, and the total contract revenue and costs to complete can be reliably estimated. Significant judgement is involved in the recoverability of gross amount due from customers and the adequacy of foreseeable losses, if any. The net carrying amounts due from customers for contract work (Note 10) is approximately \$69,764,000 (2007 : \$60,758,000).

2.4 Foreign currency

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account in accordance with the revised FRS 21.

The assets and liabilities of foreign operations are translated into SGD equivalents at exchange rates ruling at balance sheet date. Revenues and expenses are translated at average exchange rates for the year, which approximates the exchange rates of the dates of the transactions. All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.4 Foreign currency (cont'd)

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.5 Subsidiary companies

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

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

2.6 Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

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

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.9 below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interest represents the portion of profit or loss and net assets in the subsidiary not held by the Group. It is presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and is separately disclosed in the consolidated profit and loss account.

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.7 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

2.8 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of fixed assets.

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.8 Fixed assets (cont'd)

Depreciation is calculated on the straight-line method to write off the cost of fixed assets over their estimated useful lives at the following annual rates :-

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

No depreciation is provided on freehold land and construction in progress.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of economic benefits from items of fixed assets.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.9 Intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.9 Intangible assets (cont'd)

Goodwill (cont'd)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

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

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

Other intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss account through the 'Other operating costs' line item.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Cost directly attributable to the development of intellectual property on the intangible assets are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the technology and the cost can be measured reliably.

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.9 Intangible assets (cont'd) (cont'd)

Other intangible assets (cont'd)

Licenses and intellectual property rights

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

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.11 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value, plus directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments and gains or losses are recognised in the profit and loss account.

2.12 Cash and cash equivalents

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

Cash and bank balances and short term deposits carried in the balance sheets are accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.11.

2.13 Trade and other debtors

Trade and other debtors include amounts due from subsidiaries, associated companies and related parties. These are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.11.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.14 below.

2.14 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

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

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.14 Impairment of financial assets (cont'd)

(b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.15 Stocks and projects-in-progress

Stocks are stated at the lower of cost and net realisable value. Cost comprises the cost of materials calculated on a first-in-first-out basis. Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

Projects-in-progress are stated at cost plus attributable profits less progress payments received and receivable and provision for foreseeable losses. Cost of projects-in-progress includes direct materials, labour and an appropriate proportion of overheads.

2.16 Trade and other payables

Liabilities for trade and other creditors, which are usually settled on 30-90 day terms, and payables to subsidiary companies, associated companies and related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

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

2.17 Interest bearing loans and borrowings

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

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

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

2.18 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.19 Provisions

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

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

2.20 Employee benefits

(a) Defined contribution plans

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

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

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

Details of the defined contribution pension schemes are as disclosed in Note 24 under employees' provident fund.

(b) Employee leave entitlement

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

(c) Employee stock option scheme

The Company has in place the following share option schemes for granting of share options to eligible employees of the Group to subscribe for shares in the Company :

- (i) CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001; and
- (ii) CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan")

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.20 Employee benefits (cont'd)

(c) Employee stock option scheme (cont'd)

Employees (including senior executives and directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share-based payment reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

2.21 Leases

(a) As lessee

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

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

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

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.21 Leases (cont'd)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22.

2.22 Revenue recognition

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

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

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

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

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

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

Rental income is recognised on a straight-line basis.

Interest income is recognised using the effective interest method.

2.23 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.23 Income taxes (cont'd)

(b) Deferred tax

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

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

Income tax relating to items recognised directly in equity is recognised directly in equity.

(c) Sales tax

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

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

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

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.24 Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

(a) Fair value hedges

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

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

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

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

(a) Fair value hedges (cont'd)

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

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

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

(b) Cash flow hedges

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

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

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

(c) Hedges of a net investment

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

Notes to the Financial Statements

– 31 December 2008

2. Significant accounting policies (cont'd)

2.25 *Derecognition of financial assets and liabilities*

(a) *Financial assets*

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(b) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

2.26 *Treasury shares*

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares.

Notes to the Financial Statements

– 31 December 2008

3. Group companies

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

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2008 S'000	2007 S'000	2008 %	2007 %
iii	CSE Systems & Engineering (Thailand) Limited ⁽¹³⁾ (Thailand)	Sales and provision of computer network systems (Thailand)	758	958	100	100
iii	CSE Systems & Engineering (India) Private Limited ⁽⁶⁾ (India)	Sales and provision of computer network systems (India)	360	360	100	100
iii	Transtel Engineering (Tianjin) Co. Ltd ⁽⁷⁾ (China)	Sales and provision of computer network systems (China)	212	212	100	100
iv	CSE Systems & Engineering (America), Inc. (America)	Sales and provision of computer network systems (America)	759	759	100	100
i	CSE-Myers Pte Ltd (Singapore)	Systems integration solution and sales and provision of computer network systems (Singapore)	25,060	25,060	100	100
ii	CSE-EIS (Malaysia) Sdn Bhd ⁽¹⁾ (Malaysia)	Sales and provision of computer network systems (Malaysia)	1,431	1,431	100	100
i	CSE-Infotech Limited (Singapore)	e-business integration, research and development and investment holding (Singapore)	8,446	12,668	100	100
v	W-Industries, Inc. (America)	Sale and provision of system integration services (America)	36,200	36,200	100	100
ii	CSE-Global (UK) Limited (formerly known as CSE-Servelec Group Limited) ⁽²⁾ (United Kingdom)	Design, manufacture, installation and commissioning of control of management information systems and development, manufacture and sale of electronic and micro processor monitoring equipment (United Kingdom)	57,300	45,646	100	100

Notes to the Financial Statements

– 31 December 2008

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2008 S'000	2007 S'000	2008 %	2007 %
iii	CSE Technology (Beijing) Co., Ltd ⁽⁸⁾ (China)	Sale and provision of computer network systems (China)	493	275	100	100
i	TransTel Engineering Pte Ltd (Singapore)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Singapore)	25,158	25,158	100	100
i	CSE-IAP Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	5,000	5,000	100	100
i	CSE-EIS Pte Ltd (Singapore)	Provision of computer systems integration services (Singapore)	1,500	1,500	100	100
i	RTUnet (Asia) Pte Ltd (Singapore)	Distribution and marketing of remote terminal units (Singapore)	– #	– #	100	100
iii	CSE-Global (Australia) Pty Ltd ⁽¹⁰⁾ (Australia)	Distribution of electrical engineering equipment and distribution and marketing of remote terminal units (Australia)	16,796	16,796	100	100
iv	CSE Environment System Inc (formerly known as Energy Storage and Power Corporation) (America)	Sales and marketing of air injection technology and energy storage projects (America)	6,524	10,299	100	100
vi	CSE-Hankin Inc (America)	Design and install high temperature thermal process and incineration systems (America)	6,705	–	100	–
			192,702	182,322		

2 ordinary shares of S\$1 each.

Notes to the Financial Statements

– 31 December 2008

3. Group companies (cont'd)

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

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2008 %	2007 %
Held by CSE-Infotech Limited				
i	CSE-ITS Pte Ltd (Singapore)	Provision of computer software applications (Singapore)	100	100
iii	CSE (Global) Belgium ⁽¹²⁾ (Belgium)	Distribution and marketing of remote terminal units and investment holding (Belgium)	100	100
Held by CSE (Global) Belgium				
iii	CSE-Semaphore ⁽¹²⁾ (Belgium)	Distribution and marketing of remote terminal units (Belgium)	100	100
Held by CSE-Global (UK) Limited				
ii	CSE-Servelec Limited ⁽²⁾ (United Kingdom)	Design, manufacture, installation and commissioning of control and management information systems (United Kingdom)	100	100
ii	CSE-Seprol Limited ⁽²⁾ (United Kingdom)	Development, manufacture and sale of electronic and microprocessor monitoring equipment (United Kingdom)	100	100
iii	CSE-Controls s.r.o (formerly known as CSE-Servelec s.r.o.) ⁽⁹⁾ (Slovakia)	Provision of oil and gas pipeline management systems (Slovakia)	100	100
ii	CSE-Controls Limited (formerly known as CSE-Scomaġg Limited) ⁽²⁾ (United Kingdom)	Design, installation and commissioning of control and management information systems (United Kingdom)	100	100
Held by W-Industries, Inc.				
v	W-Industries of Louisiana, Inc. (America)	Sale and provision of system integration services (America)	100	100

Notes to the Financial Statements

– 31 December 2008

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2008 %	2007 %
<i>Held by TransTel Engineering Pte Ltd</i>				
iv	P.T. TransTel Engineering (Indonesia)	Provision of turnkey telecommunications solutions for the oil and gas and petrochemical industries (Indonesia)	100	100
iv	TransTel Engineering (Nigeria) Ltd (Nigeria)	Provision of turnkey telecommunications solutions for the oil and gas and petrochemical industries (Nigeria)	80	80
iii	Transtel Engineering (Tianjin) Co. Ltd ⁽⁷⁾ (China)	Provision of turnkey telecommunications solutions for the oil and gas and petrochemical industries (China)	100	100
ii	CSE-Transtel Engineering Europe Ltd ⁽²⁾ (United Kingdom)	Provision of turnkey telecommunications solutions for the oil & gas & petrochemical industries (United Kingdom)	100	100
ii	Transtel Engineering Thailand Ltd ⁽³⁾ (Thailand)	Provision of turnkey telecommunications solutions for the oil and gas and petrochemical industries (Thailand)	100	100
iv	Transtel Engineering Pty Ltd (formerly known as Transtel Engineering Energy Services Pty Ltd) (Australia)	Provision of turnkey telecommunications solutions for the oil and gas and petrochemical industries (Australia)	100	–
<i>Held by CSE-Global (Australia) Pty Ltd</i>				
iii	CSE-Uniserve Corporation Pty Ltd ⁽¹⁰⁾ (Australia)	Distribution of electrical engineering equipment (Australia)	100	100
iii	CSE Semaphore Australia ⁽¹⁰⁾ (Australia)	Distribution and marketing of remote terminal units (Australia)	100	100

Notes to the Financial Statements

– 31 December 2008

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2008 %	2007 %
Held by CSE-Uniserve Corporation Pty Ltd				
iii	CSE-Uniserve Pty Ltd ⁽¹⁰⁾ (Australia)	Distribution of electrical engineering equipment (Australia)	100	100
iii	CSE-Uniserve Engineering Pty Ltd (10) (Australia)	Distribution of electrical engineering equipment (Australia)	100	100
iii	CSE-W Arthur Fisher Limited (formerly known as CSE-Uniserve NZ Limited) ⁽¹¹⁾ (New Zealand)	Distribution of electrical engineering equipment (New Zealand)	100	100
Held by CSE-W Arthur Fisher Limited				
iii	W Arthur Fisher Limited (New Zealand) ⁽¹¹⁾	Manufacture of process control and automation equipment (New Zealand)	100	–
Held by W-Industries of Louisiana, Inc				
vi	Bosco Fabrication LLC	Manufacture of custom panel enclosure and custom built stainless steel cold steel fabrication	100	100

Details of associated companies include:

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2008 \$'000	2007 \$'000	2008 %	2007 %
Held by CSE-Infotech Limited						
iv	Infiniteinfo, Inc (America)	Design and implementation of internet solutions with total integration to client's other applications (America)	551	1,117	43	43

Notes to the Financial Statements

– 31 December 2008

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2008 S'000	2007 S'000	2008 %	2007 %
Held by CSE-Infotech Limited (cont'd)						
ii	eBworx Berhad ⁽¹⁾ (Malaysia)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (Malaysia)	168	168	26	26
ii	Solutions Exchange, Inc. ⁽⁴⁾ (The Philippines)	Purchase, sale, distribution, maintenance of all kinds of goods, commodities, wares, intellectual properties and other related information technology (The Philippines)	–	105	–	35
Held by TransTel Engineering Pte Ltd						
iv	TransTel Engineering Qatar (Qatar)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Qatar)	92	92	49	49
iii	TransTel Engineering(M) Sdn Bhd ⁽¹⁴⁾ (Malaysia)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Malaysia)	17	17	40	40
iv	TransTel Engineering & Co LLC (Oman)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Oman)	318	318	49	49
iv	TransTel Engineering Kish Co Ltd (Iran)	Provision of turnkey telecommunications solutions for the oil and gas and petrolchemical industries (Iran)	– ^	– ^	49	49
			1,712	1,817		

^ represents capital contribution equivalent to Iranian Rial 490,000 (S\$106)

Notes to the Financial Statements

– 31 December 2008

3. Group companies (cont'd)

	Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
			2008 %	2007 %

Held by eBworx Berhad

ii	Digital Nervous System Sdn Bhd ⁽¹⁾ (Malaysia)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (Malaysia)	26	26
i	eBworx International Pte Ltd (Singapore)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (Malaysia)	26	26
iii	eBworx Technology (Beijing) Co Ltd ⁽⁸⁾ (China)	Provision of computer software applications and dealing in computer software and hardware for the financial services industry (China)	26	26

(i) Audited by Ernst & Young LLP, Singapore

(ii) Audited by associated firms of Ernst & Young LLP, Singapore

(1) Audited by Ernst & Young, Kuala Lumpur

(2) Audited by Ernst & Young LLP, Leeds

(3) Audited by Ernst & Young Office Limited

(4) Audited by SyCip Gorres Velayo & Co

(iii) Audited by other auditors

(6) Audited by M.V Guruprasad, Chartered Accountants

(7) Audited by Tianjin Jin Xiang, Certified Public Accountants

(8) Audited by Beijing Zhong Shi, Certified Public Accountants

(9) Audited by Tax Audit Consult s.r.o.

(10) Audited by Foster Raffan, Certified Public Accountants

(11) Audited by BDO Spicers, NZ, Certified Public Accountants

(12) Audited by Delvaux, Fronville, Servais ET Associes

(13) Audited by Nathee Hongratana-uthai, Certified Public Accountants

(14) Audited by RSM Robert Teo, Kuan & Co

(iv) Not required to be audited under the laws of the country of incorporation

(v) Not required to be audited under the laws of the country of incorporation, but audited by Ernst & Young LLP, Singapore for the purposes of consolidation of the Group.

(vi) Not required to be audited under the laws of country of incorporation, but reviewed by Ernst & Young LLP, Singapore for the purposes of consolidation of the Group.

Notes to the Financial Statements

– 31 December 2008

4. Fixed assets

Group	Construction in progress \$'000	Freehold land \$'000	Freehold building \$'000	Leasehold land \$'000	Leasehold building \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Tools and equipment \$'000	Office furniture and fittings \$'000	Computer equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost												
At 1 January 2007	1,090	826	5,379	8	54	1,072	1,451	1,603	5,811	3,121	2,769	23,184
Currency realignment	(61)	(46)	(302)	–	2	14	(67)	(61)	(61)	(32)	(24)	(638)
Additions	–	–	91	–	–	215	291	652	519	783	686	3,237
Due to acquisition of subsidiaries	–	–	–	–	–	–	–	187	13	–	6	206
Disposals	–	–	–	–	–	–	–	(4)	(361)	(150)	(651)	(1,166)
Transfers (from)/to	(1,029)	–	1,029	–	–	–	–	–	–	–	–	–
Write-off	–	–	–	–	–	–	–	–	(27)	(7)	–	(34)
At 31 December 2007 and 1 January 2008	–	780	6,197	8	56	1,301	1,675	2,377	5,894	3,715	2,786	24,789
Currency realignment	–	(3)	(29)	1	(13)	(33)	(413)	(107)	(647)	(284)	(97)	(1,625)
Additions	–	229	215	–	2	90	55	568	920	580	285	2,944
Due to acquisition of subsidiaries	–	–	–	–	–	14	–	111	–	10	18	153
Disposals	–	–	–	–	–	(86)	–	(3)	(389)	(424)	(225)	(1,127)
Write-off	–	–	–	–	–	–	–	–	(6)	(36)	–	(42)
At 31 December 2008	–	1,006	6,383	9	45	1,286	1,317	2,946	5,772	3,561	2,767	25,092
Accumulated depreciation												
At 1 January 2007	–	–	1,082	8	42	523	1,294	1,004	3,017	2,111	1,466	10,547
Currency realignment	–	–	(67)	–	2	12	(65)	(45)	(29)	(46)	(51)	(289)
Charge for the year	–	–	200	–	4	377	120	196	684	603	511	2,695
Disposals	–	–	–	–	–	–	–	(3)	(360)	(150)	(521)	(1,034)
Write-off	–	–	–	–	–	–	–	–	(27)	(5)	–	(32)
At 31 December 2007 and 1 January 2008	–	–	1,215	8	48	912	1,349	1,152	3,285	2,513	1,405	11,887
Currency realignment	–	–	(1)	1	(12)	(12)	(351)	(52)	(428)	(143)	(24)	(1,022)
Charge for the year	–	–	188	–	4	186	89	221	885	619	393	2,585
Disposals	–	–	–	–	–	(80)	–	(3)	(330)	(408)	(164)	(985)
Write-off	–	–	–	–	–	–	–	–	(6)	(36)	–	(42)
At 31 December 2008	–	–	1,402	9	40	1,006	1,087	1,318	3,406	2,545	1,610	12,423
Net book value												
At 31 December 2007	–	780	4,982	–	8	389	326	1,225	2,609	1,202	1,381	12,902
At 31 December 2008	–	1,006	4,981	–	5	280	230	1,628	2,366	1,016	1,157	12,669

During the year, the Group acquired fixed assets with an aggregate cost of \$323,000 (2007: \$133,000) by means of finance leases during the financial year. The carrying amount of fixed assets held under finance leases at the end of the financial year was \$422,000 (2007: \$434,000).

Notes to the Financial Statements

– 31 December 2008

4. Fixed assets (cont'd)

Company	Leasehold improvements \$'000	Office furniture and fittings \$'000	Computer equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost					
At 1 January 2007	201	116	312	301	930
Additions	47	2	2	–	51
Disposals	–	(16)	(7)	–	(23)
At 31 December 2007 and 1 January 2008	248	102	307	301	958
Additions	2	3	9	–	14
Disposals	–	(41)	(50)	–	(91)
Write off	–	(5)	(36)	–	(41)
At 31 December 2008	250	59	230	301	840
Accumulated depreciation					
At 1 January 2007	162	78	300	86	626
Charge for the year	47	17	9	60	133
Disposals	–	(16)	(7)	–	(23)
At 31 December 2007 and 1 January 2008	209	79	302	146	736
Charge for the year	17	13	8	60	98
Disposals	–	(39)	(50)	–	(89)
Write off	–	(5)	(36)	–	(41)
At 31 December 2008	226	48	224	206	704
Net book value					
At 31 December 2007	39	23	5	155	222
At 31 December 2008	24	11	6	95	136

Notes to the Financial Statements

– 31 December 2008

5. Subsidiary companies

	Group	
	2008	2007
	\$'000	\$'000
Unquoted ordinary shares, at cost (Note 3)	192,702	182,322
Less: Impairment losses	–	(8,197)
Carrying amount of investments	<u>192,702</u>	<u>174,125</u>
<i>Allowance for impairment losses</i>		
At 1 January	8,197	4,421
Written off against cost	(8,197)	–
Transferred from impairment losses on investment in associated company #	–	3,776
	<u>–</u>	<u>8,197</u>

This was related to the transfer arising from the business combination of ESPC in the previous financial year. The details of which are disclosed in the subsequent paragraphs. Impairment losses on the investment in associated company has been disclosed in Note 6.

Amounts due from subsidiary companies, current:

Trade	9,575	11,427
Non-trade	2,630	3,320
Short term loans	33,277	33,486
Amounts due from subsidiary companies, current	<u>45,482</u>	<u>48,233</u>

Amounts due from subsidiary companies denominated in foreign currencies included in the Company's amounts due from subsidiary companies are as follows:

United States Dollars	18,333	3,807
British Sterling Pounds	388	12,532
Australia Dollars	2,397	3,137
Euro	5,658	11,249

Amounts due to subsidiary companies, current:

Non-trade	6,277	7,310
Short term loans	47,669	17,847
Amounts due to subsidiary companies, current	<u>53,946</u>	<u>25,157</u>

Amounts due to subsidiary companies denominated in foreign currencies included in the Company's amounts due from subsidiary companies are as follows:

United States Dollars	1,486	2,521
British Sterling Pounds	478	213

The amounts due from/to subsidiary companies are unsecured, interest-free and are repayable on demand. The short term loans due from subsidiary companies bear interest at 5.0% to 9.2% per annum (2007: 5.0% to 6.8%).

Notes to the Financial Statements

– 31 December 2008

5. Subsidiary companies (cont'd)

Acquisitions in 2008

The Group acquired W Arthur Fisher Limited (“WAF”) on 20 August 2008, which is an unlisted company based in New Zealand specialising in the manufacture of process control and automation equipment and offering engineering services to diverse industries. The Group also acquired CSE-Hankin Inc. (“Hankin”) on 2 October 2008, which is an unlisted company based in America specialising in designs and installation of high temperature thermal process and incineration systems.

From the date of acquisition, WAF and Hankin have contributed approximately \$69,000 and \$375,000 to the net profit of the Group respectively. If the combination had taken place at the beginning of the year, the profit for the Group would have been approximately \$49,519,000.

The allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities acquired in these business combinations are currently being determined and have not been completed. In the meantime, the provisional goodwill that results from the difference between the purchase price and the adjusted carrying amount of the assets and liabilities acquired for the above acquisition amount to \$6,463,000 and is reported under intangible assets (Note 8).

The fair values of the identifiable assets and liabilities of the subsidiaries as at the respective dates of acquisitions were:

	WAF		Hankin		Total	
	Recognised on acquisition \$'000	Carrying amount before combination \$'000	Recognised on acquisition \$'000	Carrying amount before combination \$'000	Recognised on acquisition \$'000	Carrying amount before combination \$'000
Property, plant and equipment	129	129	24	24	153	153
Trade and other receivables	1,151	1,151	3,011	3,011	4,162	4,162
Inventories	761	761	-	-	761	761
Deferred tax assets	32	32	-	-	32	32
Cash and cash equivalents	26	26	2,180	2,180	2,206	2,206
	2,099	2,099	5,215	5,215	7,314	7,314
Trade and other payables	(767)	(767)	(394)	(394)	(1,161)	(1,161)
Long term liabilities	(51)	(51)	(6)	(6)	(57)	(57)
Provision for taxation	(19)	(19)	(361)	(361)	(380)	(380)
Work-in-progress	-	-	(3,239)	(3,239)	(3,239)	(3,239)
	(837)	(837)	(4,000)	(4,000)	(4,837)	(4,837)
Net identifiable assets acquired	1,262	1,262	1,215	1,215	2,477	2,477
Goodwill arising on acquisition (Note 8)	973		5,490		6,463	
Total purchase consideration	2,235		6,705		8,940	

Notes to the Financial Statements

– 31 December 2008

5. Subsidiary companies (cont'd)

Acquisitions in 2008 (cont'd)

The total costs of the acquisitions were approximately \$2,235,000 and \$6,705,000 for WAF and Hankin respectively and comprised cash settlement.

	WAF		Hankin		Total	
	Recognised on acquisition \$'000	Carrying amount before combination \$'000	Recognised on acquisition \$'000	Carrying amount before combination \$'000	Recognised on acquisition \$'000	Carrying amount before combination \$'000
Cost of acquisition:						
Cash paid	2,235		6,705		8,940	
Cash outflow on acquisition:						
Cash paid	(2,235)		(6,705)		(8,940)	
Net cash acquired with the subsidiary	26		2,180		2,206	
Net cash outflow on acquisition	(2,209)		(4,525)		(6,734)	

The sale and purchase agreement for Hankin includes a clause for which the Company would pay the vendors of Hankin up to US\$500,000 if Hankin fulfills a profit guarantee agreed between the Company and the vendors for the next financial year. The contingent consideration has not been included in the cost of business combination as management has assessed that the conditions to the profit guarantee will not be met.

Acquisitions in 2007

On 31 August 2007, the Group acquired Bosco Fabrication LLC, which is an unlisted company based in United States specialising in manufacture of custom panel enclosures and custom-built stainless steel and cold steel fabrication for the oil & gas industry.

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

	Recognised on acquisition \$'000	Carrying amount before combination \$'000
Property, plant and equipment	206	206
Trade receivables	426	426
	632	632
Trade payables	(115)	(115)
Net identifiable assets acquired	517	517
Goodwill arising on acquisition (Note 8)	2,990	
Total purchase consideration	3,507	

The total cost of the acquisition was approximately \$3,507,000 and comprised cash settlement.

Cost of acquisition:

Cash paid 3,507

Cash inflow on acquisition:

Cash paid 3,507

Net cash acquired with the subsidiary –

Net cash outflow on acquisition 3,507

Notes to the Financial Statements

– 31 December 2008

5. Subsidiary companies (cont'd)

Business Combination Achieved Without the Transfer of Consideration

On 31 December 2007, the Company's associated company, CSE Environment System Inc ("ESPC") redeemed a total of 51,000 shares from its 3 other shareholders at approximately S\$458,000 as at 31 December 2007. As the redemption was funded using ESPC's internal resources, the Company has effectively obtained control of ESPC without the transfer of any consideration.

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

	Recognised on acquisition	Carrying amount before combination
	S'000	S'000
Intangibles	4,906	3,918
Deferred tax asset	1,488	1,488
Trade and other receivables	416	416
Cash and cash equivalents	96	96
	<hr/>	<hr/>
	6,906	5,918
	<hr/>	<hr/>
Deferred tax liability	(382)	–
Net identifiable assets acquired	6,524	<u>5,918</u>
Share of net identifiable assets equity accounted for	(3,197)	
Negative goodwill arising on business combination (Note 24)	<u>(3,327)</u>	
Total purchase consideration	<hr/> <u>–</u> <hr/>	

There is no cost of acquisition as described above.

Cash inflow on acquisition:

Cash paid	–
Net cash acquired with the subsidiary	96
	<hr/>
Net cash inflow on acquisition	<u>96</u>

Aggregate net cashflow on acquisitions:

Net cash outflow on acquisition of BOSCO	(3,507)
Net cash inflow on acquisition of ESPC	96
	<hr/>
Aggregate net cashflow on acquisitions	<u>(3,411)</u>

The fair value adjustments at 31 December 2007 were provisional as the allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities acquired in this business combination was still being determined and had not been completed at the date the 2007 accounts were approved for issue by management. Subsequent finalization of the purchase price allocation did not indicate any changes to the provisional fair value adjustments. As such, there have been no changes to the fair value adjustments as compared to that of the previous financial year.

Notes to the Financial Statements

– 31 December 2008

6. Associated companies

	Group	
	2008 \$'000	2007 \$'000
Quoted shares, at cost	168	168
Unquoted shares, at cost	978	1,650
	1,146	1,818
Less: Impairment losses	–	(566)
	1,146	1,252
Share of net post-acquisition reserves	6,137	5,757
Carrying amount of investments	7,283	7,009

	Group	
	2008 \$'000	2007 \$'000
Market value of quoted shares at 31 December	4,742	8,846

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

	Group	
	2008 \$'000	2007 \$'000
Results		
Turnover	14,043	17,597
Net profit for the year	1,063	4,172
Assets and liabilities		
Non-current assets	8,431	8,261
Current assets	24,895	25,306
Total assets	33,326	33,567
Non-current liabilities	41	41
Current liabilities	3,141	3,112
Total liabilities	3,182	3,153
Total assets and liabilities	30,144	30,414
Amounts due from associated companies:		
Non-trade	717	6
Amounts due to associated companies:		
Non-trade	77	2

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

Notes to the Financial Statements

– 31 December 2008

6. Associated companies (cont'd)

Allowance for impairment losses

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 January	566	566	–	–
Charge for the year	–	5,834	–	3,776
Write off	(566)	–	–	–
Transferred on completion of acquisition	–	(5,834)	–	(3,776)
At 31 December	–	566	–	–

7. Other investment

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Available-for-sale investment				
– Equity instruments (unquoted) at cost	190	190	190	190

Notes to the Financial Statements

– 31 December 2008

8. Intangible assets

Group	Goodwill \$'000	Licenses \$'000	Intellectual property rights \$'000	Total \$'000
Cost				
At 1 January 2007	55,864	307	7,392	63,563
Currency realignment	(1,118)	(8)	118	(1,008)
Additions	–	–	1,377	1,377
Transferred from previous associated company #	5,834	–	–	5,834
Due to acquisition of subsidiary	2,990	–	4,906	7,896
At 31 December 2007 and 1 January 2008	63,570	299	13,793	77,662
Currency realignment	(7,600)	(39)	(276)	(7,921)
Additions	–	–	34	34
Due to acquisition of subsidiaries	6,463	–	–	6,463
At 31 December 2008	62,427	260	13,551	76,238
Accumulated amortisation and impairment loss				
At 1 January 2007	–	68	547	615
Currency realignment	–	(3)	4	1
Impairment loss transferred from previous associated company #	5,834	–	–	5,834
Provided during the year	–	29	726	755
At 31 December 2007 and 1 January 2008	5,834	94	1,277	7,205
Currency realignment	(11)	(13)	(32)	(56)
Provided during the year	–	29	1,285	1,314
At 31 December 2008	5,823	110	2,530	8,463
Net carrying value				
At 31 December 2008	56,604	150	11,021	67,775
At 31 December 2007	57,736	205	12,516	70,457
Remaining amortisation period (years) – 2008				
	NA	7	8 to 11	NA
Remaining amortisation period (years) – 2007				
	NA	8	9 to 12	NA

Relates to impairment loss on goodwill arising from past acquisition of 49% interest in ESPC which was transferred to intangible assets on acquisition of the remaining 51% equity interest of ESPC in the previous financial year.

Notes to the Financial Statements

– 31 December 2008

8. Intangible assets (cont'd)

Intellectual property rights

Intellectual property rights mainly relate to the rights and technology relating to the Kingfisher Remote Telemetry Unit (RTU) and the technology relating to the TBOX™ brand of RTU that were acquired in business combinations and related product development costs incurred to further develop the technology. Included also in the amount are intellectual property rights relating to power augmentation and energy storage technology.

Company	Licenses \$'000
Cost	
At 1 January 2008 and 31 December 2008	147
Accumulated amortisation	
At 1 January 2008	44
Provided during the year	30
At 31 December 2008	74
Net carrying value	
At 31 December 2008	73
At 31 December 2007	103

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

Impairment testing of goodwill

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

	Group	
	2008 \$'000	2007 \$'000
W-Industries, Inc.	15,600	15,674
CSE-Global (UK) Limited	13,689	18,363
CSE-Global (Australia) Pty Ltd	8,537	9,907
CSE-Infotech Limited	1,282	1,282
TransTel Engineering Pte Ltd	2,406	2,406
CSE-EIS (Malaysia) Sdn Bhd	486	486
CSE (Global) Belgium	9,318	9,618
CSE-Hankin, Inc	5,286	–
	56,604	57,736

Notes to the Financial Statements

– 31 December 2008

8. Intangible assets (cont'd)

The recoverable amounts of the CGUs are determined based on value-in-use calculations. The value-in-use calculations use 5-years cash flow projections based on financial budgets approved by management. Management have considered and determined the factors applied in these financial budgets which include budgeted gross margins and average growth rates. The budgeted gross margins are based on past performance and its expectation of market development. Average growth rates of 0% – 20% (2007: 10% – 25%) used are consistent with forecasts based on existing contracts and book orders. The discount rate applied is assumed at 10.4% (2007: 10.4%) for value-in-use calculations, which approximates the industry weighted average cost of capital.

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

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

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

9. Deferred tax assets/liabilities

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Deferred tax assets	4,225	3,993	26	17
Deferred tax liabilities	(3,672)	(4,115)	–	–
	553	(122)	26	17

This can be analysed as follows:

Differences in depreciation and amortisation	(2,189)	(1,678)	(9)	(10)
Difference in valuation of intangible asset ⁽¹⁾	(1,285)	(1,505)	–	–
Provisions	629	692	30	28
Unutilised tax losses	3,069	2,520	–	–
Unutilised capital allowances	237	113	–	–
Unremitted foreign sourced interest expense/(income)	30	(99)	–	(1)
Profits recognised on percentage of completion	690	294	–	–
Development cost capitalised	(458)	(472)	–	–
Other deferred tax assets	(170)	13	5	–
	553	(122)	26	17

⁽¹⁾ Difference in the current financial year arose mainly as a result of preliminary purchase price allocation relating to the business combination of ESPC.

As at 31 December 2008, the Group has no unutilized tax losses (2007: \$6,841,000) available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of the tax losses is subject to the agreement of the tax authorities and compliance with tax regulations of the respective countries in which the subsidiary companies operate.

Notes to the Financial Statements

– 31 December 2008

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

At 31 December 2008, no deferred income tax liability has been recognised (2007: \$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates, to the extent over which the Group has control over its remittance.

There are no income tax consequences attached to the dividends proposed by CSE Global Limited but not recognised as a liability in the financial statements (Note 34).

10. Projects-in-progress, net

	Group	
	2008	2007
	\$'000	\$'000
Cost incurred and attributable profits less recognised losses	402,895	392,750
Less: Progress billings	(333,131)	(331,992)
	69,764	60,758
Amounts due from customers for contract work, net		
Presented as:		
Gross amount due from customers for contract work	88,720	74,128
Gross amount due to customers for contract work	(18,956)	(13,370)
	69,764	60,758

11. Stocks

	Group	
	2008	2007
	\$'000	\$'000
Raw materials	4,058	3,093
Stocks work-in-progress	122	182
Finished goods	7,380	5,947
Stocks in transit	362	190
	11,922	9,412
Total stocks at lower of cost and net realisable value		
Stocks are stated after deducting allowance for stock obsolescence	566	582
<i>Allowance for stock obsolescence</i>		
Balance at 1 January	582	576
Currency realignment	(146)	(22)
Allowance during the year	186	35
Allowance written back	(56)	(7)
	566	582

Notes to the Financial Statements

– 31 December 2008

12. Trade and other debtors

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade debtors	93,648	79,505	5,684	4,360
Other debtors	786	1,141	1	4
Deposits	730	503	245	79
Staff loans and advances	254	235	2	–
Tax recoverable	1,043	342	680	–
GST receivables	396	385	–	–
Total trade and other debtors	96,857	82,111	6,612	4,443
Add:				
Amounts due from subsidiary companies (Note 5)	–	–	45,482	48,233
Amounts due from associated companies (Note 6)	717	6	–	–
Cash and cash equivalents (Note 27)	42,639	58,908	999	2,261
Total loans and receivables	140,213	141,025	53,093	54,937

Trade debtors

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

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

	Group	
	2008 \$'000	2007 \$'000
United States Dollars	59,868	48,694
British Sterling Pounds	9,807	10,114
Australia Dollars	9,027	12,559
Euro	4,380	2,882

Receivables that are past due but not impaired

The Group has trade debtors amounting to \$8,025,000 (2007: \$4,494,000) that are past due date at the balance sheet date but not impaired.

Notes to the Financial Statements

– 31 December 2008

12. Trade and other debtors (cont'd)

Trade debtors (cont'd)

Receivables that are impaired

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

	Group Individual impaired	
	2008 \$'000	2007 \$'000
Trade receivables – nominal amounts	742	716
Less: Allowance for impairment	(742)	(716)
	–	–
Movement in allowance account:		
At 1 January	716	443
Due to acquisition of subsidiaries	3	–
Charge for the year	101	349
Written back	–	(21)
Exchange differences	(77)	(55)
At 31 December	742	716

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

In the previous financial year, the Company had provided allowance for impairment of \$283,000 in respect of an unsecured loan to an associated company and a subsidiary company for which the nominal amount of the loan extended amounted to approximately \$347,000. No such allowance was provided in the current year as the associated company was disposed off and the subsidiary company was deregistered.

13. Derivative financial instruments

	Group and Company			
	2008		2007	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Derivative contracts # (Note 32)	–	3,905	–	–
Derivative contracts * (Note 32)	–	1,259	–	–
	–	5,164	–	–

These are designated as fair value through profit and loss financial instruments.

* This contract has been designated as a hedging instrument for the hedge of a net investment in a foreign subsidiary.

The settlement dates on open forward contracts ranged between 1 to 10 months.

Notes to the Financial Statements

– 31 December 2008

14. Trade creditors and accruals

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade creditors and accruals	61,603	63,514	5,518	5,230
Add:				
Amounts due to subsidiaries (Note 5)	–	–	53,946	25,157
Amounts due to associated companies (Note 6)	77	2	–	–
Finance leases (Note 29)	575	579	–	–
Amounts due to bankers (Note 15)	128,208	99,632	113,742	98,091
Total financial liabilities carried at amortised cost	190,463	163,727	173,206	128,478

Trade creditors and accruals denominated in foreign currencies included in the Group's trade creditors and accruals at 31 December are as follows:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
United States Dollars	24,209	24,768	644	–
British Sterling Pounds	11,253	13,315	–	–
Australia Dollars	6,620	9,369	30	–
Euro	4,117	1,973	256	–

Notes to the Financial Statements

– 31 December 2008

15. Amounts due to bankers

	Group		Company	
	2008 S'000	2007 S'000	2008 S'000	2007 S'000
Short term loans, unsecured				
– Singapore Dollars	29,030	24,500	29,030	24,500
– British Sterling Pounds	6,430	8,639	6,430	8,639
– United States Dollars	61,264	21,730	46,798	20,276
– Euro	15,591	16,182	15,591	16,095
– Australia Dollars	–	7,592	–	7,592
– New Zealand Dollars	415	–	415	–
Current portion of long term loans, unsecured				
– United States Dollars	4,701	1,817	4,701	1,817
	<u>117,431</u>	<u>80,460</u>	<u>102,965</u>	<u>78,919</u>
Long term loans, unsecured				
– Singapore Dollars	–	5,000	–	5,000
– United States Dollars	10,777	14,172	10,777	14,172
	<u>10,777</u>	<u>19,172</u>	<u>10,777</u>	<u>19,172</u>
Total amounts due to bankers	<u>128,208</u>	<u>99,632</u>	<u>113,742</u>	<u>98,091</u>

The unsecured short term loans of the Company and of the Group bear interest at 2.03% – 7.50% (2007: 3.03% – 7.90%) per annum.

The unsecured long term loans of the Company and of the Group bear interest ranging between 3.41% – 6.30% (2007: 3.71% – 6.30%) per annum and is repayable from June 2008. These floating rate loans fix interest rates based on the prevailing market rate at intervals of 6 months.

Included in amounts due to bankers were bank loans denominated in the following foreign currencies which were used to hedge the Group's exposure to foreign currency risk on its investments in foreign operations:

	Group	
	2008 S'000	2007 S'000
United States Dollars	30,596	–
Euro	15,591	16,095
Australia Dollars	–	7,592
British Sterling Pounds	–	8,639

Gains or losses on the translation of this borrowing are transferred to foreign currency translation reserve in equity to offset any gains or losses on translation of the net investments in these subsidiaries.

Notes to the Financial Statements

– 31 December 2008

16. Provision for warranties

	Group	
	2008 \$'000	2007 \$'000
Balance at 1 January	1,570	1,286
Currency realignment	(131)	(9)
Provision during the year	951	920
Provision written back	(383)	(524)
Provision utilised	(425)	(103)
Balance as at December	1,582	1,570

Provision for warranties relates to estimated costs for possible rectification work during the warranty period of the project-in-progress. The provision for such costs is based on estimates made from historical data associated with similar projects.

17. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2008		2007	
	No of shares	\$'000	No of shares	\$'000
At 1 January	506,772,602	90,343	335,101,907	88,412
Exercise of employee share options	4,295,250	1,521	3,739,250	1,400
	511,067,852	91,864	338,841,157	89,817
Bonus issue	–	–	167,931,445	–
Transfer from share-based payment reserve to share capital	–	634	–	531
At 31 December	511,067,852	92,498	506,772,602	90,343

In the previous financial year, there was a bonus issue of 167,931,445 shares in the capital of the Company on the basis of one (1) bonus share for every two (2) ordinary shares in the capital of the Company held by the existing shareholders of the Company.

As at 31 December 2008, there was a total issue of 4,295,250 (2007: 3,739,250) shares in the capital of the Company arising from the exercise of options to subscribe for 4,260,000 and 35,250 (2007: 3,483,500 and 255,750) ordinary shares in the capital of the Company under the CSE Global Limited Executives' Share Option Plan and the CSE (U.S. Subsidiaries) Incentive Stock Option Plan respectively.

All the shares issued under the share option schemes rank pari passu in all respects with the existing issued ordinary shares of the Company.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends when declared by the Company. All ordinary shares carry one vote per share without restriction.

Notes to the Financial Statements

– 31 December 2008

17. Share capital and treasury shares (cont'd)

(a) Share capital (cont'd)

The Company grants share options to Directors and full time employees of the Company and of the Group pursuant to the following share options schemes:

- (i) CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001; and
- (ii) CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan").

Details of the share option schemes and the respective share options existing as at 31 December 2008 are disclosed in the following:

- (i) *CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001*

Under the Company's CSE ESOS subsequent to 9 October 2001, the number and movement in share options at 31 December 2008 are as follows:

Date of grant	Balance as at 1.1.2008	Cancelled	Exercised	Balance as at 31.12.2008	Exercise price	Exercise Period
31 December 2003	4,375,000	(115,000)	(4,260,000)	–	\$0.3533	31 December 2005 to 31 December 2008
	<u>4,375,000</u>	<u>(115,000)</u>	<u>(4,260,000)</u>	<u>–</u>		

The terms of the share options granted under the CSE ESOS subsequent to 9 October 2001 to the Directors of the Company are the same as those granted to the employees of the Group and they are disclosed below.

Only Directors and full time employees of the Group who have attained the age of twenty one (21) years are eligible to participate in the CSE ESOS subsequent to 9 October 2001. Each option entitles the participant to subscribe for a number of new ordinary shares in the Company pre-determined at the date of grant. The options are granted in consideration of \$1.00 per option for all the shares in respect of which the option is granted. The shares under option may be exercised in full or in blocks of 1,000 shares or a multiple thereof on the payment of the exercise price. The participants to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company. Options granted are cancelled when the participant ceases to be a full-time employee of the Company or any corporation in the Group subject to certain exceptions at the discretion of the Company. The exercise of the options is also subjected to the satisfactory performance of the participant's duties.

For all the options that are granted under CSE ESOS subsequent to 9 October 2001, those options may be exercised within a period commencing after the second anniversary of the date of grant and expiring on the fifth anniversary of the date of grant.

Notes to the Financial Statements

– 31 December 2008

17. Share capital and treasury shares (cont'd)

(a) Share capital (cont'd)

- (i) *CSE Global Limited Executives' Share Option Scheme ("CSE ESOS") subsequent to 9 October 2001 (cont'd)*

For all the options that are granted under CSE ESOS subsequent to 9 October 2001, the subscription price at which a participant subscribes for new ordinary shares of the Company upon the exercise of the option granted shall be at a discount of between zero (0) percent and twenty (20) percent of the average of the last dealt prices for an ordinary share of the Company, as determined by reference to the daily Official List published by the Singapore Exchange Securities Trading Limited, for the five (5) consecutive trading days immediately preceding the date of grant of the option, or the previous nominal value of the ordinary shares of \$0.05 each of the Company, whichever is higher.

The quantum of the discount shall be equal to the compounded rate of growth (expressed in percentage terms) of the Group's audited profit before tax and extraordinary items for two (2) consecutive financial years beginning from the financial year in which the date of grant falls. The discount shall, in no event, exceed twenty (20) percent, notwithstanding that the compounded rate of growth may exceed twenty (20) percent. No discount shall be given if the compounded rate of growth is nil or negative.

The subscription prices of the share options issued under CSE ESOS subsequent to 9 October 2001 are entitled to a maximum discount of 20%. The determination of the quantum of the 20% discount on the subscription prices of share options issued under CSE ESOS subsequent to 9 October 2001 is based on the performance of the CSE Group for the two consecutive financial years beginning from the financial year in which the date of grant falls. The quantum of the discount on the subscription prices of share options issued under CSE ESOS subsequent to 9 October 2001 is only determined on the respective vesting dates.

- (ii) *CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan")*

Under the Company's US Plan, the number and movement in share options as at 31 December 2008 are as follows:

Date of grant	Balance as at 1.1.2008	Cancelled	Exercised	Balance as at 31.12.2008	Exercise Price	Exercise Period
31 December 2003	57,750	(22,500)	(35,250)	–	\$0.4320	31 December 2005 to 31 December 2008
	<u>57,750</u>	<u>(22,500)</u>	<u>(35,250)</u>	<u>–</u>		

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17. Share capital and treasury shares (cont'd)

(a) Share capital (cont'd)

(ii) CSE (US Subsidiaries) Incentive Stock Option Plan ("US Plan") (cont'd)

Only full time employees of the subsidiary companies of the Group incorporated in any state of the United States of America who have attained the age of twenty one (21) years are eligible to participate in the US Plan, except for the employees who were already holding options that are granted under the CSE ESOS at the time the US Plan was adopted by the Company. Each option entitles the participant to subscribe for a number of new ordinary shares in the Company pre-determined at the date of grant. The shares under option may be exercised in full or in blocks of 1,000 shares or a multiple thereof on the payment of the exercise price. The participants to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company. Options granted are cancelled when the participant ceases to be a full-time employee of the subsidiary companies of the Group incorporated in any state of the United States of America subject to certain exceptions at the discretion of the Company. The exercise of the options is also subjected to the satisfactory performance of the participant's duties.

The options granted under the US Plan may be exercised within a period commencing after the second anniversary of the date of grant and expiring on the fifth anniversary of the date of grant.

The subscription price at which a participant subscribes for new ordinary shares of the Company upon the exercise of the option granted under the US Plan shall be the average of the last dealt prices for an ordinary share of the Company, as determined by reference to the daily Official List published by the Singapore Exchange Securities Trading Limited, for the five (5) consecutive trading days immediately preceding the date of grant of the option, or the previous nominal value of the ordinary shares of \$0.05 each of the Company, whichever is higher. The subscription prices of the share options issued under US Plan are not entitled to any form of discounts.

The weighted average share price for the shares exercised for the financial year ended 31 December 2008 and 2007 are as shown below:

	2008	2007
CSE ESOS subsequent to 9 October 2001 granted on 31 December 2003		
Weighted average share price (\$)	1.0720	1.3047
US Plan granted on 31 December 2003		
Weighted average share price (\$)	0.6281	1.2570

Notes to the Financial Statements

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17. Share capital and treasury shares (cont'd)

(b) Treasury shares

	Group and Company			
	2008		2007	
	No of shares	S'000	No of shares	S'000
At 1 January	–	–	–	–
Acquired during the financial year	35,022,000	28,043	–	–
At 31 December	35,022,000	28,043	–	–

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

The Company acquired 35,022,000 (2007: Nil) shares in the Company through purchase on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was \$28,043,000 (2007: Nil) and this was presented as a component within shareholders' equity.

18. Share-based payment reserve

	Group and Company	
	2008 S'000	2007 S'000
At 1 January	653	1,189
Exercise of share options	(634)	(531)
Cancellation of share options	(19)	(5)
At 31 December	–	653

Share-based payment reserve represents the equity-settled share options granted to employees (Note 16). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

19. Foreign currency translation reserve

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

20. Revenue

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

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21. Miscellaneous income

	Group	
	2008 \$'000	2007 \$'000
Rental income	409	206
Commission income	72	29
Miscellaneous income	245	209
Gain on disposal of an associated company	40	–
	<u>766</u>	<u>444</u>

22. Finance income

	Group	
	2008 \$'000	2007 \$'000
Interest income – short-term deposits	991	1,302

23. Finance costs

Interest expense – bank loans	5,338	5,510
Bank charges	330	426
	<u>5,668</u>	<u>5,936</u>

24. Profit before taxation

The following items have been included in arriving at profit before taxation:

Non-audit services paid to:

Auditors of the Company	91	57
Other auditors of subsidiary companies	84	25
Impairment of investment in associated company	–	5,834
Negative goodwill arising from business combination	–	(3,327)
Depreciation of fixed assets (Note 4)	2,585	2,695
Loss/(gain) on disposal of fixed assets	55	(128)
Amortisation of intangible assets (Note 8)	1,314	755
Allowance for stock obsolescence, net (Note 11)	130	28
Allowance for doubtful trade debts, net (Note 12)	101	328
Bad trade debts written back directly from the profit and loss	(113)	–
Provision for warranties, net (Note 16)	568	396
Personnel and related costs comprising:–		
Salaries and bonuses	48,831	42,780
Employees' provident fund	2,636	3,212
Share-based payment expense written back	(19)	(5)
Other personnel and related costs	14,032	4,196
Directors' fees		
– Directors of the Company	229	229
Net exchange loss	2,343	898
Fair value changes in value of derivative financial instruments	3,905	34

Notes to the Financial Statements

– 31 December 2008

25. Taxation

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

	Group	
	2008 S'000	2007 S'000
Current taxation:		
– Singapore	5,062	2,736
– Foreign	12,570	11,160
Deferred taxation:		
– Singapore	(888)	(98)
– Foreign	(1,216)	533
	15,528	14,331
Withholding tax	839	811
(Over)/underprovision for prior years' taxation – current	(523)	496
Underprovision for prior years' taxation – deferred	1,429	41
Taxation	17,273	15,679

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

Profit before taxation (excluding share of results of associated companies)	65,252	57,172
Taxation at statutory tax rate of 18% (2007: 18%)	11,745	10,291
Adjustments:		
Expenses not deductible for tax purposes	562	736
Temporary differences previously not recognised, now recognised	274	–
Utilisation of tax losses and capital allowance previously not recognised	(279)	(386)
Income not subject to taxation	(29)	(645)
Deferred tax assets not recognised	(116)	57
Unabsorbed losses transferred under Group relief	(3)	(182)
Effect of tax deductions and reliefs	(708)	(201)
Income subject to lower tax rate	(673)	(602)
Different effective tax rates of other countries	4,590	5,280
Effect of change in tax rate	–	(22)
Others	165	5
	15,528	14,331
Share of profit of associated companies is net of tax amounting to	4	5

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18% for the year of assessment 2008 onwards from 20% for year of assessment 2007. The corporate income tax rate applicable to Malaysian companies of the Group was reduced from 28% to 27% and 26% for the year of assessment 2007 and the year of assessment 2008 onwards respectively. The corporate income tax rates applicable to New Zealand and United Kingdom companies of the Group were reduced from 33% to 30% and 30% to 28% respectively for the year of assessment 2008.

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26. Earnings per share

Basic earnings per share

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

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

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

	Group	
	2008	2007
	S'000	S'000
Profit for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	48,253	42,059

	No. of shares	
	2008	2007
Weighted average number of shares for basic earnings per share computation:		
Outstanding during the year	506,772,602	335,101,907
Bonus issue	–	167,550,954
Issued during the year	2,430,110	2,448,712
Purchase of treasury shares	(9,251,984)	–
	<u>499,950,728</u>	<u>505,101,573</u>

Diluted earnings per share

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

	No. of shares	
	2008	2007
Weighted average number of shares outstanding during the year, used in the computation of basic earnings per share	499,950,728	505,101,573
Weighted average number of unissued ordinary shares under share options	2,003,140	6,123,184
Number of shares that would have been issued at fair value under share options	(813,642)	(1,604,893)
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>501,140,226</u>	<u>509,619,864</u>

Notes to the Financial Statements

– 31 December 2008

27. Cash and cash equivalents

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Short-term deposits	3,696	8,771	–	–
Cash and bank balances	38,943	50,137	999	2,261
	42,639	58,908	999	2,261

Cash and cash equivalents denominated in foreign currencies included in the Group's cash and cash equivalents balance at 31 December are as follows:

	Group	
	2008 \$'000	2007 \$'000
United States Dollars	22,177	28,986
British Sterling Pounds	6,546	12,791
Australia Dollars	2,986	6,398
Euro	2,880	2,876

Included in the Company's cash and cash equivalents balance at 31 December 2008 is an amount of approximately \$209,000 (2007: \$264,000) denominated in US Dollars.

28. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

The primary operating segment format is not separately presented as the Group only has one business segment. The Group is in the business of systems integration solution and the provision of computer network systems. The provision of these services provides the Group with similar risks and rates of returns. For this reason, the management and the directors are of the opinion that the Group only has one business segment.

Geographical segments

The turnover by geographical segments is based on the location of customers regardless of where the goods are produced. The assets and capital expenditure are based on the location of those assets.

Allocation basis

Segment revenue and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment accounting policies are the same as the policies of the Group as described in Note 2.

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– 31 December 2008

28. Segment information (cont'd)

Geographical segments

The following table presents revenue and expenditure information regarding geographical segments for the year ended 31 December 2008 and 2007:

	Asia-Pacific*		America		Europe/Middle East		Consolidated	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Segment revenue:								
Sales to external customers	143,261	106,321	161,291	156,476	136,966	141,899	441,518	404,696
Total assets	151,994	142,639	107,332	100,346	77,784	79,530	337,110	322,515

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

Other Segment Information:

Capital expenditure	2,253	1,154	6,996	9,208	345	2,354	9,594	12,716
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29. Commitments

(a) Operating lease commitments – As lessee

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

	Group	
	2008 \$'000	2007 \$'000
Payable within 1 year	3,758	3,807
Payable later than 1 year but not later than 5 years	8,255	8,843
Payable later than 5 years	7,084	6,534
	19,097	19,184
Rental expenses (principally for offices and equipment)	5,004	4,448

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

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

Notes to the Financial Statements

– 31 December 2008

29. Commitments (cont'd)

(b) Operating lease commitments – As lessor

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

	Group	
	2008 \$'000	2007 \$'000
Receivable within 1 year	363	433
Receivable later than 1 year but not later than 5 years	340	687
	<u>703</u>	<u>1,120</u>
Rental income (Note 21)	<u>409</u>	<u>206</u>

(c) Finance lease commitments

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

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

	Group			
	Total minimum lease payments	Present value of payments	Total minimum lease payments	Present value of payments
	2008 \$'000	2008 \$'000	2007 \$'000	2007 \$'000
Payable within 1 year	218	177	236	199
Payable later than 1 year but not later than 5 years	447	398	419	380
	<u>665</u>	<u>575</u>	<u>655</u>	<u>579</u>
Less: Amounts representing finance charges	(90)	–	(76)	–
Present value of minimum lease payments	<u>575</u>	<u>575</u>	<u>579</u>	<u>579</u>

Included in lease creditors of the Group is an amount of approximately \$575,000 (2007: \$458,000) denominated in Australian dollars.

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

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30. Key management personnel compensation

	Group	
	2008 \$'000	2007 \$'000
Directors of the Group:		
Short-term employee benefits *	6,933	7,947
Fees paid	229	229
	7,162	8,176
Key executive officers:		
Short-term employee benefits *	4,667	5,410
* Comprising employees' provident fund contributions made to:		
– Directors of the Group	382	268
– Key executive officers	193	114
	575	382

31. Financial risk management objectives and policies

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

Exposure to foreign currency risk, credit risk, interest rate risk and liquidity risk arise in the normal course of the Group's business. The Group uses pre-dominantly foreign exchange forward contracts and options in connection with its risk management activities to reduce the Group's exposure to fluctuations in foreign exchange rates. While these are subject to the risk of market rates changing subsequent to the contract date, such changes are generally offset by the opposite effects on the items being hedged. The Group does not hold any foreign exchange forward contracts for trading or speculative purposes.

The Group has established processes to monitor and control hedging transactions in respect of the foreign exchange forward contracts on a timely and effective manner as part of the Group's risk management procedures. These risk management processes are reviewed by the management on a periodic basis to ensure its effectiveness in managing the Group's risk in respect of the above.

The Group's accounting policies in relation to derivative financial instruments are set out in Note 2.24. Details of the foreign exchange forward contracts and options outstanding as at 31 December 2008 are disclosed in Note 32.

Notes to the Financial Statements

– 31 December 2008

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

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, U.S. Dollars (USD), British Pound (GBP), Euro, and Australia Dollars (AUD). Approximately 96% (2007: 77%) of the Group's sales are denominated in functional currencies whilst approximately 80% (2007: 75%) of costs including taxes are denominated in the respective functional currencies of the Group entities. The Group's trade debtors and trade creditors balances at the balance sheet date have similar exposures with 94% (2007: 76%) and 77% (2007: 69%) denominated in their respective functional currencies respectively.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such these balances (mainly SGD) amount to \$3,987,000 and \$245,000 for the Group and the Company respectively.

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

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. To mitigate structural currency exposure arising from the subsidiaries net assets, the Company borrowed and designated bank loans in the subsidiaries' functional currencies as hedges on its investments in foreign operations. Details of such hedges are disclosed in Note 15 to the financial statements. The Group's net investment in the rest of the foreign subsidiaries are not hedged as currency positions in GBP, AUD, Malaysia Ringgit, Thai Baht, Indonesia Rupee, India Rupee and Renminbi are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of 1% change in the USD, GBP, AUD and EUR, with all other variables held constant, on the Group's profit net of tax and equity.

		Group Transactional exposure			
		2008		2007	
		S\$'000 Profit after tax	S\$'000 Equity	S\$'000 Profit after tax	S\$'000 Equity
Against SGD					
USD	Strengthened	(606)	–	(204)	–
	Weakened	606	–	204	–
GBP	Strengthened	(61)	–	(92)	–
	Weakened	61	–	92	–
AUD	Strengthened	(1)	–	(77)	–
	Weakened	1	–	77	–
EUR	Strengthened	(92)	–	(162)	–
	Weakened	92	–	162	–

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

Credit risk

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

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

In the aspect of credit risk arising from the Group's foreign exchange derivative contracts, it is the Group's policy to enter into foreign exchange derivative contracts with a diversity of creditworthy and reputable financial institutions. Therefore, the Group does not expect material credit losses on its foreign exchange derivative contracts.

Exposure to credit risk

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

The Group has no significant concentration of credit risk.

Credit risk concentration profile

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

	Group			
	2008		2007	
	\$'000	% of total	\$'000	% of total
By geographical segments:				
Asia-Pacific	27,708	30	24,697	31
The Americas	37,579	40	29,888	38
Europe/Middle East/Africa	28,361	30	24,920	31
Total	93,648	100	79,505	100

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to related companies and bank deposits. The Company's loan at floating rate given to related parties from a natural hedge for its current floating rate bank loan. All the Group's and Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2007: less than 6 months) from the balance sheet date.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The Group took 4.2% and 7.3% of its loans and borrowings at fixed rate of interest for financial ended 31 December 2008 and 31 December 2007.

Sensitivity analysis for interest rate risk

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

		Group			
		2008		2007	
		S'000 Profit after tax	S'000 Equity	S'000 Profit after tax	S'000 Equity
SGD	Increase in 1% interest rate	(238)	–	(242)	–
	Decrease in 1% interest rate	238	–	242	–
USD	Increase in 1% interest rate	(479)	–	(221)	–
	Decrease in 1% interest rate	479	–	221	–
GBP	Increase in 1% interest rate	(53)	–	(71)	–
	Decrease in 1% interest rate	53	–	71	–
EUR	Increase in 1% interest rate	(124)	–	(132)	–
	Decrease in 1% interest rate	124	–	132	–
AUD	Increase in 1% interest rate	7	–	(62)	–
	Decrease in 1% interest rate	(7)	–	62	–
NZD	Increase in 1% interest rate	(3)	–	–	–
	Decrease in 1% interest rate	3	–	–	–

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

Liquidity risk

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

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with 13 different banks. At the balance sheet date, approximately 92% (2007: 81%) of the Group's loans and borrowings (Note 15) will mature in less than one year based on the carrying amount reflected in the financial statements. Approximately 91% (2007: 80%) of the Company's loans and borrowings will mature in less than one year at the balance sheet date.

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

	Group						Company					
	2008			2007			2008			2007		
	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total
Trade and other payables	61,603	-	61,603	63,514	-	63,514	5,518	-	5,518	5,230	-	5,230
Derivative financial instrument	5,164	-	5,164	-	-	-	5,164	-	5,164	-	-	-
Finance leases	218	447	665	236	419	655	-	-	-	-	-	-
Loans and borrowings	117,431	10,777	128,208	80,460	19,172	99,632	102,965	10,777	113,742	78,919	19,172	98,091
	184,416	11,224	195,640	144,210	19,591	163,801	113,647	10,777	124,424	84,149	19,172	103,321

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32. Financial instruments

Fair value

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

Financial instruments whose carrying amount approximate fair value

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

Management has determined that the carrying amounts of the non-current portions of the finance leases amounting to \$398,000 (2007: \$380,000) approximate their fair values.

Financial instruments carried at cost

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

Derivative financial instruments and hedging activities

In current financial year, the Group and Company held written options which are fair valued through profit and loss. The terms of these contracts are as follows:

Foreign exchange contracts	Maturity dates	Contract or notional amounts US\$/million	Fair value adjustments	
			Assets \$'000	Liabilities \$'000
2008				
Option to sell USD and buy SGD	26.6.2009	14 to 28	–	1,193
Option to sell USD and buy SGD	7.10.2009	40 to 80	–	2,712
			–	3,905
Option to sell USD and buy SGD #	1.9.2009	18 to 36	–	1,259
			–	5,164

This derivative instrument has been designated as hedging instrument to hedge the Group's foreign currency risk on the net investments in foreign operation.

The above foreign exchange contracts contain various terms and conditions which include escalation clauses on notional amounts and expiration of contract on occurrence of certain stipulated events and conditions agreed between the Group and the financial institutions. The foreign exchange contracts are repriced on a bi-weekly basis.

Notes to the Financial Statements

– 31 December 2008

33. Capital management

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

The Group manages its capital structure through an issue of new shares, adjustment of the dividend payout and returning capital to the shareholders. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

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

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2008 and 2007.

	Group	
	2008	2007
Amounts due to bankers (Note 15)	128,208	99,632
Finance leases (Note 29)	575	579
Less: Cash and cash equivalents (Note 27)	(42,639)	(58,908)
Net debt	86,144	41,303
Equity attributable to the equity holders of the parent	108,248	136,365
Capital and net debt	194,392	177,668
Gearing ratio	44%	23%

34. Dividends

	Group and Company	
	2008 \$'000	2007 \$'000
Interim exempt (one-tier) dividend for 2008 of \$0.01 per ordinary share	5,049	–
Final exempt (one-tier) dividend for 2007 of \$0.035 per ordinary share	17,764	–
Final exempt (one-tier) dividend for 2006 of \$0.035 per ordinary share	–	11,755
	22,813	11,755

The proposed final tax exempt dividends of \$0.03 cents per ordinary share to be paid in respect of the financial year ended 31 December 2008 have not been recognised as a liability as at year-end as it is subject to approval at the Annual General Meeting of the Company.

Notes to the Financial Statements

– 31 December 2008

35. Subsequent events

- (a) On 22 January 2009, the Singapore Government announced a revision in the Singapore corporate tax rate from 18% to 17% for Year of Assessment 2010. In accordance with FRS 12 Income Taxes, and FRS 10 Events After the Balance Sheet Date, this is a non-adjusting subsequent event. The provisions for deferred tax in these financial statements have not been adjusted to reflect the change in the tax rate. The financial effect of the reduced tax rate will be reflected in the 31 December 2009 financial year. Had the provisions been adjusted, the taxation charge for the year for the Group and Company would be reduced by \$94,000 and \$Nil respectively. The provision for deferred tax for the Group and Company would be reduced by approximately \$74,000 and \$76,000 respectively.
- (b) On 22 January 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit scheme. Under this scheme, employers will receive a 12% cash grant on the first \$2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Jobs Credit is for one year, and employers will receive the Jobs Credit in 4 payments: March, June, September and December 2009. For each payment, employers will receive Jobs Credit on the employees that are on their CPF payrolls at the start of the quarter in which payment is made. The wages paid to these employees in the previous quarter will be the qualifying wages used to calculate the 12 % cash credit that employers will receive.

According to FRS 10, this is a non adjusting subsequent event and the financial effect of the Jobs Credit scheme will be reflected in the 31 December 2009 financial year. Applying the Jobs Credit cash grant of 12% would result in an estimated \$745,000 cash grants receivable.

36. Authorisation of financial statements

The financial statements of CSE Global Limited for the financial year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Directors on 18 March 2009.

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