

News release

Privately held businesses (PHBs) support simplifications to financial reporting

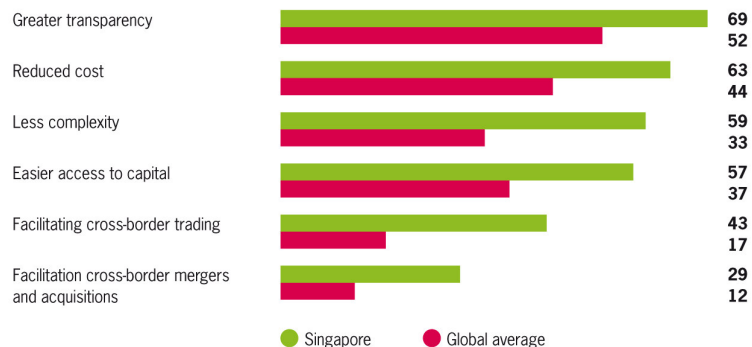
- 75% of PHBs in favour of adoption of IFRS for SMEs in Singapore

Singapore – 27 May 2010

Years of investor and regulator demands for greater transparency in financial reporting amongst listed companies is now affecting attitudes in the world of privately held businesses. More than half of leaders of privately held businesses (PHBs) globally (52%) believe that greater transparency is a key benefit of financial reporting according to the latest IBR research. This sentiment is shared by 69% of Singapore businesses who cited this as the top benefit (Fig 1). They (75%) also indicated they welcome the adoption of IFRS for SME in Singapore. The Grant Thornton International Business Report (IBR) research covers the opinions of over 7,400 business owners across 36 economies. Businesses in Ireland, the Philippines and Taiwan were most enthusiastic about greater transparency with 85% of businesses citing greater transparency as a key benefit.

Said Kon Yin Tong, partner at Foo Kon Tan Grant Thornton LLP, "These results indicate that even though PHBs are often under no obligation to report information about their financial results or legal structures, business leaders are increasingly recognising that in order to compete and grow they need to be more readily comparable with similar businesses around the world – a global solution to increasing desire for greater transparency across borders."

Figure 1: Benefits from financial reporting
Percentage of businesses



Source: Grant Thornton IBR 2010

Business owners were also asked if they had heard of International Financial Reporting Standards for Small and Medium sized Enterprises (IFRS for SMEs). IFRS for SMEs provides a substantially simplified set of internationally recognised accounting principles specifically for PHBs. 53% of businesses globally said they were aware of IFRS for SMEs. Regionally, business owners within the EU are the most likely to be informed with

awareness highest in Ireland (86%), Spain (79%), Finland (78%) and the UK (76%). Business owners in Asia Pacific countries are the least likely to have heard of IFRS for SMEs, with Japan (19%) and Thailand (18%) being the least informed. Philippines (68%) is the region's most IFRS for SMEs awareness country followed by Hong Kong (64%) and Singapore (61%).

Where business owners were already aware of IFRS for SMEs, they were asked if they would like their country to adopt the standard. Globally 52% of business owners said they would like their country to adopt IFRS for SMEs with 75% of Singapore businesses favouring the adoption. The enthusiastic show of support is a reflection of respondents' recognition that financial reporting will help them grow their businesses. This is in tandem to their views that businesses should benefit from the less complex financial reporting that still provides for comparable financial information that will allow convergence across all entities interacting with the financial sector. Businesses in Mexico (89%), the Philippines (85%) and Chile (84%) showed the strongest support. In some countries plans are already in place to adopt the standard, while in others (including the Philippines) the standard has since been adopted.

"This common platform would contribute to a more open global business environment and help SMEs access and compete in global markets. In addition, capital is globally mobile these days so it will serve the interests of SMEs if they wish to pursue merger and acquisition activities globally" commented Yin Tong. "Unlisted businesses around the world who currently have to comply with full IFRS will be pleased to find that the new standard is about one tenth of the length of full IFRS and that the number of potential disclosure items will be nearer to 300 than the current 3,000."

Reduced cost is also regarded as a benefit of financial reporting by 63% PHBs in Singapore (44% globally) and 15 countries cited it as the most popular benefit of all. In Ireland, 89% of businesses cited reduced cost as a benefit, the highest proportion of all countries, followed by Malaysia (85%) and Denmark (80%). Japan (3%) and Botswana (11%) are the least likely to say that reduced cost is a benefit of financial reporting. Less complexity is cited by a third of businesses globally as a benefit of financial reporting. Belgium was the only country to cite less complexity as the top benefit (50%) although higher proportions in Ireland (87%) and Malaysia (79%) cited this as one of the key benefits of financial reporting.

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The IFRS for SMEs is a simplified version of the full IFRS, aimed at the needs of private companies. Containing less than 230 pages compared to the nearly 3,000 pages of full IFRS, IFRS for SMEs is a self-contained standard in which many of the principles for recognising and measuring assets, liabilities, income and expenses have been simplified. Topics not

relevant to SMEs have been omitted, and the number of required disclosures has been significantly reduced. Following its publication in 2009 by the International Accounting Standards Board, there is now, for the first time, an internationally recognised reporting framework for private companies intended to assist those involved in their financing, to assess performance and make decisions on a like for like basis.

About International Business Report (IBR)

Entering its eight year, Grant Thornton's International Business Report (IBR) 2010 was carried out over 7,400 chief executives, managing partners, chairmen or other senior executives in medium to large privately held businesses (PHBs) across 36 countries/regions in late 2009. Grant Thornton International started a major annual survey of the attitudes and expectations of small and medium-sized businesses in 1992 called the European Business Survey (EBS). In 2003 the research project was widened to an international perspective and later renamed to International Business Report. IBR draws upon 18 years of trend data for original EBS participants and eight years for international coverage. To find out more about the Grant Thornton International Business Report, please visit www.internationalbusinessreport.com

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