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International Financial Reporting Standards
Model financial statements 2009

Amended to illustrate the adoption of IFRS 9

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International GAAP Holdings Limited
Financial statements for the year ended 31 December 2009

(amended to illustrate the adoption of IFRS 9 *Financial Instruments* issued in November 2009)

The model financial statements of International GAAP Holdings Limited are intended to illustrate the presentation and disclosure requirements of International Financial Reporting Standards (IFRSs). They also contain additional disclosures that are considered to be best practice, particularly where such disclosures are included in illustrative examples provided with a specific Standard.

International GAAP Holdings Limited is assumed to have presented financial statements in accordance with IFRSs for a number of years. Therefore, it is not a first-time adopter of IFRSs. Readers should refer to IFRS 1 *First-time Adoption of International Financial Reporting Standards* for specific requirements regarding an entity's first IFRS financial statements, and to the IFRS 1 section of Deloitte's Presentation and Disclosure Checklist for details of the particular disclosure requirements applicable for first-time adopters.

The model financial statements have been presented without regard to local laws or regulations. Preparers of financial statements will need to ensure that the options selected under IFRSs do not conflict with such sources of regulation (e.g. the revaluation of assets is not permitted in certain regimes – but these financial statements illustrate the presentation and disclosures required when an entity adopts the revaluation model under IAS 16 *Property, Plant and Equipment*). In addition, local laws or securities regulations may specify disclosures in addition to those required by IFRSs (e.g. in relation to directors' remuneration). Preparers of financial statements will consequently need to adapt the model financial statements to comply with such additional local requirements.

The model financial statements do not include separate financial statements for the parent, which may be required by local laws or regulations, or may be prepared voluntarily. Where an entity presents separate financial statements that comply with IFRSs, the requirements of IAS 27 *Consolidated and Separate Financial Statements* will apply. Separate statements of comprehensive income, financial position, changes in equity and cash flows for the parent will generally be required, together with supporting notes.

Suggested disclosures are cross-referenced to the underlying requirements in the texts of the relevant Standards and Interpretations. References are generally to the most recent version of the relevant Standard or Interpretation (unless specified otherwise) where the Standard or Interpretation has been adopted by International GAAP Holdings Limited. Therefore, references to IFRS 3, IAS 1 and IAS 27 are to IFRS 3 (as revised in 2008), IAS 1 (as revised in 2007) and IAS 27 (as revised in 2008) respectively.

In these 2009 model financial statements, we have illustrated the impact of the adoption of a number of new and revised Standards and Interpretations, **including IFRS 9 *Financial Instruments*** (issued in November 2009) (see note 2 to the financial statements for details).

IAS 1 (as revised in 2007) introduced a number of terminology changes, including revised titles for the financial statements (e.g. 'statement of financial position' instead of 'balance sheet'). The revised terminology has been adopted throughout these model financial statements. Preparers should be aware, however, that the new titles for the financial statements are not mandatory.

For the purposes of presenting the statements of comprehensive income and cash flows, the alternatives allowed under IFRSs for those statements have been illustrated. Preparers should select the alternatives most appropriate to their circumstances.

Note that in these model financial statements, we have frequently included line items for which a nil amount is shown, so as to illustrate items that, although not applicable to International GAAP Holdings Limited, are commonly encountered in practice. This does not mean that we have illustrated all possible disclosures. Nor should it be taken to mean that, in practice, entities are required to display line items for such 'nil' amounts.

Adoption of IFRS 9 *Financial Instruments*

The International Accounting Standards Board issued IFRS 9 *Financial Instruments* (IFRS 9) in November 2009. The Standard introduces new classification and measurement requirements for financial assets which replace the classification and measurement requirements previously included in IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39).

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with early application permitted. When adopted, the Standard is applied retrospectively. For annual reporting periods beginning before 1 January 2012 an entity can choose not to restate the comparative periods. These model financial statements do not apply the limited exemption to not restate comparative information, and therefore IFRS 9 is applied retrospectively in full.

Should an entity choose to apply the limited exemption not to restate comparative information in the year of the initial application the following points are relevant:

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with IAS 39 and disclosures required in IFRS 7 *Financial Instruments: Disclosures* will be retained.
- The entity will need to disclose accounting policies for both periods, one applying IFRS 9 (current period) and one applying IAS 39 (prior periods).
- Any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognised in the opening retained earnings (or other component of equity, as appropriate).
- As comparative information is not restated an entity is not required to provide a third statement of financial position at the beginning of the earliest comparative period in accordance with IAS 1 *Presentation of Financial Statements* (although as in the case of International GAAP Holdings, the additional statement of financial position may be required in any case due to other changes in accounting policies).

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Source	International GAAP Holdings Limited			
IAS 1.10(b), 51(b),(c)	**Consolidated statement of comprehensive income for the year ended 31 December 2009**			**[Alt 1]**
IAS 1.113		Notes	Year ended 31/12/09	Year ended 31/12/08
IAS 1.51(d),(e)			CU'000	CU'000
	Continuing operations			
IAS 1.82(a)	Revenue	5	140,918	151,840
IAS 1.99	Cost of sales		(87,897)	(91,840)
IAS 1.85	Gross profit		53,021	60,000
IAS 1.85	Investment revenue	7	3,454	2,203
IAS 1.85	Other gains and losses	8	789	1,372
IAS 1.82(aa)	Net gain/(loss) from derecognising financial assets measured at amortised cost		–	–
IAS 1.82(ca)	Net gain/(loss) on reclassification of financial assets from amortised cost to fair value through profit or loss		–	–
IAS 1.99	Distribution expenses		(5,087)	(4,600)
IAS 1.99	Marketing expenses		(3,305)	(2,254)
IAS 1.99	Occupancy expenses		(2,128)	(2,201)
IAS 1.99	Administration expenses		(11,001)	(15,124)
IAS 1.82(b)	Finance costs	9	(4,418)	(6,023)
IAS 1.99	Other expenses		(2,801)	(2,612)
IAS 1.82(c)	Share of profits of associates	20	1,186	1,589
IAS 1.85	Gain recognised on disposal of interest in former associate	20	581	–
IAS 1.85	Profit before tax		30,291	32,350
IAS 1.82(d)	Income tax expense	10	(11,560)	(11,865)
IAS 1.85	Profit for the year from continuing operations	13	18,731	20,485
	Discontinued operations			
IAS 1.82(e)	Profit for the year from discontinued operations	11	8,310	9,995
IAS 1.82(f)	**Profit for the year**		27,041	30,480
	Other comprehensive income			
IAS 1.82(g)	Exchange differences on translating foreign operations		(39)	85
IAS 1.82(g)	Net value gain/(loss) on investments in equity instruments designated as at fair value through other comprehensive income		74	(143)
IAS 1.82(g)	Net value gain on cash flow hedges		39	20
IAS 1.82(g)	Gain on revaluation of properties		–	1,150
IAS 1.82(h)	Share of other comprehensive income of associates		–	–
IAS 1.85	Other comprehensive income for the year, net of tax		74	1,112
IAS 1.82(i)	**Total comprehensive income for the year**		27,115	31,592
	Profit attributable to:			
IAS 1.83(a)	Owners of the Company		23,041	27,717
IAS 1.83(a)	Non-controlling interests		4,000	2,763
			27,041	30,480
	Total comprehensive income attributable to:			
IAS 1.83(b)	Owners of the Company		23,115	28,829
IAS 1.83(b)	Non-controlling interests		4,000	2,763
			27,115	31,592

Consolidated statement of comprehensive income
for the year ended 31 December 2009 – continued

Source		Notes	Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
	Earnings per share	14		
	From continuing and discontinued operations			
IAS 33.66	Basic (cents per share)		132.2	137.7
IAS 33.66	Diluted (cents per share)		115.5	131.3
	From continuing operations			
IAS 33.66	Basic (cents per share)		84.5	88.0
IAS 33.66	Diluted (cents per share)		74.0	84.0

Note: Alt 1 above illustrates the presentation of comprehensive income in one statement. Alt 2 (see next pages) illustrates the presentation of comprehensive income in two statements.

Whichever presentation is selected, the distinction is retained between items recognised in profit or loss and items recognised in other comprehensive income. The only difference between the one-statement and the two-statement approaches is that, for the latter, a total is struck in the separate income statement at 'profit for the year' (this is the same amount as is presented as a sub-total under the one-statement approach). This 'profit for the year' is then the starting point for the statement of comprehensive income, which is required to be presented immediately following the income statement. Under the two-statement approach, the analysis of 'profit for the year' between the amount attributable to the owners of the parent and the amount attributable to non-controlling interests is presented at the end of the separate income statement.

Irrespective of whether the one-statement or the two-statement approach is followed, for the components of other comprehensive income, additional presentation options are available, as follows.

IAS 1.90

- *The individual components may be presented net of tax in the statement of comprehensive income (as illustrated on the previous page), or they may be presented gross with a single line deduction for tax (see page 4). Whichever option is selected, the income tax relating to each component of comprehensive income must be disclosed, either in the statement of comprehensive income or in the notes (see note 29).*

IAS 1.93

- *For reclassification adjustments, an aggregated presentation may be adopted, with separate disclosure of the current year gain or loss and reclassification adjustments in the notes (see previous page and note 29). Alternatively, using a disaggregated presentation, the current year gain or loss and reclassification adjustments are shown separately in the statement of comprehensive income (see page 4).*

Alt 1 aggregates expenses according to their function.

Source	International GAAP Holdings Limited

Source		Notes	Year ended 31/12/09	Year ended 31/12/08
IAS 1.10(b), 81(b), 51(b),(c)	**Consolidated income statement for the year ended 31 December 2009**			**[Alt 2]**
IAS 1.113		Notes	Year ended 31/12/09	Year ended 31/12/08
IAS 1.51(d),(e)			CU'000	CU'000
	Continuing operations			
IAS 1.82(a)	Revenue	5	140,918	151,840
IAS 1.85	Investment revenue	7	3,454	2,203
IAS 1.85	Other gains and losses	8	789	1,372
IAS 1.82(aa)	Net gain/(loss) from derecognising financial assets measured at amortised cost		–	–
IAS 1.82(ca)	Net gain/(loss) on reclassification of financial assets from amortised cost to fair value through profit or loss		–	–
IAS 1.99	Changes in inventories of finished goods and work in progress		(7,134)	2,118
IAS 1.99	Raw materials and consumables used		(70,391)	(85,413)
IAS 1.99	Depreciation and amortisation expenses	13	(11,193)	(13,878)
IAS 1.99	Employee benefits expense	13	(9,803)	(11,655)
IAS 1.82(b)	Finance costs	9	(4,418)	(6,023)
IAS 1.99	Consulting expense		(3,120)	(1,926)
IAS 1.99	Other expenses		(10,578)	(7,877)
IAS 1.82(c)	Share of profits of associates	20	1,186	1,589
IAS 1.85	Gain recognised on disposal of interest in former associate	20	581	–
IAS 1.85	Profit before tax		30,291	32,350
IAS 1.82(d)	Income tax expense	10	(11,560)	(11,865)
IAS 1.85	Profit for the year from continuing operations	13	18,731	20,485
	Discontinued operations			
IAS 1.82(e)	Profit for the year from discontinued operations	11	8,310	9,995
IAS 1.82(f)	**Profit for the year**		27,041	30,480
	Attributable to:			
IAS 1.83(a)	Owners of the Company		23,041	27,717
IAS 1.83(a)	Non-controlling interests		4,000	2,763
			27,041	30,480
	Earnings per share	14		
	From continuing and discontinued operations			
IAS 33.66, 67A	Basic (cents per share)		132.2	137.7
IAS 33.66, 67A	Diluted (cents per share)		115.5	131.3
	From continuing operations			
IAS 33.66, 67A	Basic (cents per share)		84.5	88.0
IAS 33.66, 67A	Diluted (cents per share)		74.0	84.0

Note: The format outlined above aggregates expenses according to their nature.

See previous page for a discussion of the format of the statement of comprehensive income. Note that where the two statement approach is adopted (above and on the next page), as required by IAS 1.12, the income statement must be displayed immediately before the statement of comprehensive income.

Source	International GAAP Holdings Limited		
IAS 1.10(b), 81(b), 51(b),(c)	**Consolidated statement of comprehensive income for the year ended 31 December 2009**		**[Alt 2 continued]**
IAS 1.113		Year ended 31/12/09	Year ended 31/12/08
IAS 1.51(d),(e)		CU'000	CU'000
IAS 1.82(f)	**Profit for the year**	27,041	30,480
	Other comprehensive income		
IAS 1.82(g)	Exchange differences on translating foreign operations		
	Exchange differences arising during the year	75	121
	Exchange differences arising on hedging of foreign operations	(12)	–
	Reclassification adjustments relating to foreign operations disposed of in the year	(166)	–
	Reclassification adjustments relating to hedges of foreign operations disposed of in the year	46	–
		(57)	121
IAS 1.82(g)	Net value gain/(loss) on investments in equity instruments designated as at fair value through other comprehensive income	106	(203)
		106	(203)
IAS 1.82(g)	Cash flow hedges		
	Gains arising during the year	436	316
	Reclassification adjustments for amounts recognised in profit or loss	(123)	(86)
	Reclassification adjustments for amounts transferred to the initial carrying amounts of hedged items	(257)	(201)
		56	29
IAS 1.82(g)	Gain arising on revaluation of properties	–	1,643
IAS 1.82(h)	Share of other comprehensive income of associates	–	–
	Income tax relating to components of other comprehensive income	(31)	(478)
IAS 1.82(i)	**Total comprehensive income for the year**	27,115	31,592
	Total comprehensive income attributable to:		
IAS 1.83(b)	Owners of the Company	23,115	28,829
IAS 1.83(b)	Non-controlling interests	4,000	2,763
		27,115	31,592

Source	International GAAP Holdings Limited				
IAS 1.10(a),(f), 51(b),(c)	**Consolidated statement of financial position at 31 December 2009**				
IAS 1.113		Notes	31/12/09	31/12/08	01/01/08
IAS 1.51(d),(e)			CU'000	CU'000	CU'000
	Assets				
IAS 1.60	*Non-current assets*				
IAS 1.54(a)	Property, plant and equipment	15	109,783	135,721	161,058
IAS 1.54(b)	Investment property	16	1,936	132	170
IAS 1.55	Goodwill	17	20,285	24,060	23,920
IAS 1.54(c)	Other intangible assets	18	9,739	11,325	12,523
IAS 1.54(e)	Investments in associates	20	7,402	7,270	5,706
IAS 1.54(o)	Deferred tax assets	10	–	–	–
IAS 1.55	Finance lease receivables	26	830	717	739
IAS 1.54(d)	Other financial assets	22	10,806	9,690	7,950
IAS 1.55	Other assets	23	–	–	–
	Total non-current assets		160,781	188,915	212,066
IAS 1.60	*Current assets*				
IAS 1.54(g)	Inventories	24	31,213	28,982	29,688
IAS 1.54(h)	Trade and other receivables	25	19,735	16,292	14,002
IAS 1.55	Finance lease receivables	26	198	188	182
IAS 1.54(d)	Other financial assets	22	8,757	6,949	5,528
IAS 1.54(n)	Current tax assets	10	125	60	81
IAS 1.55	Other assets	23	–	–	–
IAS 1.54(i)	Cash and bank balances		23,446	19,778	9,082
			83,474	72,249	58,563
IAS 1.54(j)	Assets classified as held for sale	12	22,336	–	–
	Total current assets		105,810	72,249	58,563
	Total assets		266,591	261,164	270,629

Note: As required by IAS 1.10(f), a statement of financial position is presented at the beginning of the earliest comparative period. The additional statement is required because the entity has applied new accounting policies retrospectively in the year (see note 2 to the financial statements).

Consolidated statement of financial position at 31 December 2009 – continued

Source		Notes	31/12/09 CU'000	31/12/08 CU'000	01/01/08 CU'000
	Equity and liabilities				
	Capital and reserves				
IAS 1.55	Issued capital	28	32,439	48,672	48,672
IAS 1.55	Reserves	29	3,915	3,046	1,596
IAS 1.55	Retained earnings	30	111,180	95,292	74,054
			147,534	147,010	124,322
IAS 1.55	Amounts recognised directly in equity relating to assets classified as held for sale	12	–	–	–
IAS 1.54(r)	Equity attributable to owners of the Company		147,534	147,010	124,322
IAS 1.54(q)	Non-controlling interests	31	24,316	20,005	17,242
	Total equity		171,850	167,015	141,564
IAS 1.60	*Non-current liabilities*				
IAS 1.55	Borrowings	32	20,221	31,478	28,014
IAS 1.54(m)	Other financial liabilities	34	15,001	–	–
IAS 1.55	Retirement benefit obligation	39	508	352	739
IAS 1.54(o)	Deferred tax liabilities	10	4,628	3,675	2,593
IAS 1.54(l)	Provisions	35	2,294	2,231	4,102
IAS 1.55	Deferred revenue	41	219	95	41
IAS 1.55	Other liabilities	36	180	270	–
	Total non-current liabilities		43,051	38,101	35,489
IAS 1.60	*Current liabilities*				
IAS 1.54(k)	Trade and other payables	37	16,373	21,220	52,750
IAS 1.55	Borrowings	32	22,446	25,600	33,618
IAS 1.54(m)	Other financial liabilities	34	116	18	–
IAS 1.54(n)	Current tax liabilities	10	5,270	5,868	4,910
IAS 1.54(l)	Provisions	35	3,356	3,195	2,235
IAS 1.55	Deferred revenue	41	355	52	63
IAS 1.55	Other liabilities	36	90	95	–
			48,006	56,048	93,576
IAS 1.54(p)	Liabilities directly associated with assets classified as held for sale	12	3,684	–	–
	Total current liabilities		51,690	56,048	93,576
	Total liabilities		94,741	94,149	129,065
	Total equity and liabilities		266,591	261,164	270,629

Source	International GAAP Holdings Limited

IAS 1.10(c), 51(b),(c)
IAS 1.106

Consolidated statement of changes in equity for the year ended 31 December 2009

IAS 1.51(d),(e)

	Share capital	Share premium	General reserve	Properties revaluation reserve
	CU'000	CU'000	CU'000	CU'000
Balance at 1 January 2008	23,005	25,667	807	51
Effect of change in accounting policy for classification and measurement of financial assets (note 2.1)	–	–	–	–
Effect of change in accounting policy for customer loyalty programmes (note 2.1)	–	–	–	–
Effect of change in accounting policy for mail order catalogues (note 2.1)	–	–	–	–
As restated	23,005	25,667	807	51
Payment of dividends	–	–	–	–
Profit or loss for the year	–	–	–	–
Other comprehensive income for the year	–	–	–	1,150
Total comprehensive income for the year	–	–	–	1,150
Recognition of share-based payments	–	–	–	–
Balance at 31 December 2008	23,005	25,667	807	1,201
Payment of dividends	–	–	–	–
Profit or loss for the year	–	–	–	–
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	–	–	–
Additional non-controlling interests arising on the acquisition of Subsix Limited (note 44)	–	–	–	–
Additional non-controlling interests arising on disposal of interest in Subone Limited (note 19)	–	–	–	–
Difference arising on disposal of interest in Subone Limited (note 19)	–	–	–	–
Recognition of share-based payments	–	–	–	–
Issue of ordinary shares under employee share option plan	314	–	–	–
Issue of ordinary shares for consulting services performed	3	5	–	–
Issue of convertible non-participating preference shares	100	–	–	–
Issue of convertible notes	–	–	–	–
Share issue costs	–	(6)	–	–
Buy-back of ordinary shares	(5,603)	(10,853)	–	–
Share buy-back costs	–	(277)	–	–
Transfer to retained earnings	–	–	–	(3)
Income tax relating to transactions with owners	–	84	–	–
Balance at 31 December 2009	17,819	14,620	807	1,198

Note: See explanatory note preceding note 28 regarding the level of detail presented in the statement of changes in equity. The format adopted on this page shows a single line for 'Total comprehensive income for the year'. Due to concern that this presentation appears to be inconsistent with the requirements of IAS 1.106 as currently drafted, the International Accounting Standards Board has clarified that its original intention was to allow this aggregated presentation and a proposal to clarify the wording of IAS 1.106 has recently been issued. This model has been prepared taking account of the proposed clarification. Entities should take into consideration any specific requirements by local regulators.

Investments revaluation reserve	Equity-settled employee benefits reserve	Cash flow hedging reserve	Foreign currency translation reserve	Option premium on convertible notes	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
470	–	258	140	–	73,977	124,375	17,242	141,617
(130)	–	–	–	–	230	100	–	100
–	–	–	–	–	(61)	(61)	–	(61)
–	–	–	–	–	(92)	(92)	–	(92)
340	–	258	140	–	74,054	124,322	17,242	141,564
–	–	–	–	–	(6,479)	(6,479)	–	(6,479)
–	–	–	–	–	27,717	27,717	2,763	30,480
(143)	–	20	85	–	–	1,112	–	1,112
(143)	–	20	85	–	27,717	28,829	2,763	31,592
–	338	–	–	–	–	338	–	338
197	338	278	225	–	95,292	147,010	20,005	167,015
–	–	–	–	–	(6,635)	(6,635)	–	(6,635)
–	–	–	–	–	23,041	23,041	4,000	27,041
74	–	39	(39)	–	–	74	–	74
74	–	39	(39)	–	23,041	23,115	4,000	27,115
–	–	–	–	–	–	–	132	132
–	–	–	–	–	–	–	179	179
–	–	–	–	–	34	34	–	34
–	206	–	–	–	–	206	–	206
–	–	–	–	–	–	314	–	314
–	–	–	–	–	–	8	–	8
–	–	–	–	–	–	100	–	100
–	–	–	–	834	–	834	–	834
–	–	–	–	–	–	(6)	–	(6)
–	–	–	–	–	(555)	(17,011)	–	(17,011)
–	–	–	–	–	–	(277)	–	(277)
–	–	–	–	–	3	–	–	–
–	–	–	–	(242)	–	(158)	–	(158)
271	544	317	186	592	111,180	147,534	24,316	171,850

Source	International GAAP Holdings Limited			
IAS 1.10(d), 51(b),(c)	**Consolidated statement of cash flows for the year ended 31 December 2009**			**[Alt 1]**
IAS 1.113		Notes	Year ended 31/12/09	Year ended 31/12/08
IAS 1.51(d),(e)			CU'000	CU'000
IAS 7.10	**Cash flows from operating activities**			
IAS 7.18(a)	Receipts from customers		211,032	214,487
	Payments to suppliers and employees		(165,666)	(181,378)
	Cash generated from operations		45,366	33,109
IAS 7.31	Interest paid		(4,493)	(6,106)
IAS 7.35	Income taxes paid		(13,848)	(13,340)
	Net cash generated by operating activities		27,025	13,663
IAS 7.10	**Cash flows from investing activities**			
	Payments to acquire financial assets		(3,163)	(2,163)
	Proceeds on sale of financial assets		938	1,712
IAS 7.31	Interest received		2,315	1,313
	Royalties and other investment income received		1,137	884
IAS 24.17(a)	Dividends received from associates		30	25
IAS 7.31	Other dividends received		156	154
	Amounts advanced to related parties		(738)	(4,311)
	Repayments by related parties		189	1,578
	Payments for property, plant and equipment		(22,932)	(11,875)
	Proceeds from disposal of property, plant and equipment		11,462	21,245
	Payments for investment property		(10)	(12)
	Proceeds from disposal of investment property		–	58
	Payments for intangible assets		(6)	(358)
IAS 7.39	Net cash outflow on acquisition of subsidiaries	44	(477)	–
IAS 7.39	Net cash inflow on disposal of subsidiary	45	7,566	–
	Net cash inflow on disposal of associate		360	–
	Net cash (used in)/generated by investing activities		(3,173)	8,250
IAS 7.10	**Cash flows from financing activities**			
	Proceeds from issue of equity shares		414	–
	Proceeds from issue of convertible notes		4,950	–
	Payment for share issue costs		(6)	–
	Payment for buy-back of shares		(17,011)	–
	Payment for share buy-back costs		(277)	–
	Proceeds from issue of redeemable cumulative preference shares		15,000	–
	Proceeds from issue of perpetual notes		2,500	–
	Payment for debt issue costs		(595)	–
	Proceeds from borrowings		17,122	26,798
	Repayment of borrowings		(37,761)	(23,209)
	Proceeds from government loans		2,610	–
	Proceeds on disposal of partial interest in a subsidiary		213	–
IAS 7.31	Dividends paid on redeemable preference shares		(613)	–
IAS 7.31	Dividends paid to owners of the Company		(6,635)	(6,479)
	Net cash used in financing activities		(20,089)	(2,890)
	Net increase in cash and cash equivalents		3,763	19,023
	Cash and cash equivalents at the beginning of the year		19,400	561
IAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(80)	(184)
	Cash and cash equivalents at the end of the year	46	23,083	19,400

Note: The above illustrates the direct method of reporting cash flows from operating activities.

Source	International GAAP Holdings Limited			
IAS 1.10(d), IAS 1.51(b),(c)	**Consolidated statement of cash flows for the year ended 31 December 2009**			**[Alt 2]**
IAS 1.113		Notes	Year ended 31/12/09	Year ended 31/12/08
IAS 1.51(d),(e)			CU'000	CU'000
IAS 7.10	**Cash flows from operating activities**			
IAS 7.18(b)	Profit for the year		27,041	30,480
	Income tax expense recognised in profit or loss		14,720	14,863
	Share of profits of associates		(1,186)	(1,589)
	Finance costs recognised in profit or loss		4,418	6,023
	Investment revenue recognised in profit or loss		(3,454)	(2,203)
	Gain on disposal of property, plant and equipment		(6)	(67)
	Gain on revaluation of investment property		(297)	(8)
	Gain on disposal of subsidiary		(1,940)	–
	Gain on disposal of interest in former associate		(581)	–
	Net loss arising on financial liabilities designated as at fair value through profit or loss		488	–
	Net gain arising on financial assets classified as at fair value through profit or loss		(13)	(367)
	Net gain/(loss) from derecognising financial assets measured at amortised cost		–	–
	Net gain/(loss) on reclassification of financial assets from amortised cost to fair value through profit or loss		–	–
	Hedge ineffectiveness on cash flow hedges		(89)	(68)
	(Gain)/loss transferred from equity on sale of available-for-sale financial assets		–	–
	(Gain)/loss transferred from equity on impairment of available-for-sale financial assets		–	–
	Impairment loss recognised on trade receivables		63	430
	Reversal of impairment loss on trade receivables		(103)	–
	Depreciation and amortisation of non-current assets		14,179	17,350
	Impairment of non-current assets		1,439	–
	Net foreign exchange (gain)/loss		(101)	117
	Expense recognised in respect of equity-settled share-based payments		206	338
	Expense recognised in respect of shares issued in exchange for consulting services		8	–
	Amortisation of financial guarantee contracts		6	18
	Gain arising on effective settlement of claim against Subseven Limited		(40)	–
			54,758	65,317
	Movements in working capital			
	Increase in trade and other receivables		(3,012)	(1,880)
	(Increase)/decrease in inventories		(5,900)	204
	Increase in other assets		(34)	(20)
	Decrease in trade and other payables		(929)	(29,979)
	Increase/(decrease) in provisions		151	(941)
	Increase in deferred revenue		427	43
	(Decrease)/increase in other liabilities		(95)	365
	Cash generated from operations		45,366	33,109
IAS 7.31	Interest paid		(4,493)	(6,106)
IAS 7.35	Income taxes paid		(13,848)	(13,340)
	Net cash generated by operating activities		27,025	13,663

Source	International GAAP Holdings Limited

Consolidated statement of cash flows for the year ended 31 December 2009 – continued

Alt 2 continued

Source		Notes	Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
IAS 7.10	**Cash flows from investing activities**			
	Payments to acquire financial assets		(3,163)	(2,163)
	Proceeds on sale of financial assets		938	1,712
IAS 7.31	Interest received		2,315	1,313
	Royalties and other investment income received		1,137	884
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IAS 7.31	Other dividends received	7	156	154
	Amounts advanced to related parties		(738)	(4,311)
	Repayments by related parties		189	1,578
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	Payments for investment property		(10)	(12)
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	Net cash (used in)/generated by investing activities		(3,173)	8,250
IAS 7.10	**Cash flows from financing activities**			
	Proceeds from issue of equity shares		414	–
	Proceeds from issue of convertible notes		4,950	–
	Payment for share issue costs		(6)	–
	Payment for buy-back of shares		(17,011)	–
	Payment for share buy-back costs		(277)	–
	Proceeds from issue of redeemable preference shares		15,000	–
	Proceeds from issue of perpetual notes		2,500	–
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	Repayment of borrowings		(37,761)	(23,209)
	Proceeds from government loans		2,610	–
	Proceeds on disposal of partial interest in a subsidiary		213	–
IAS 7.31	Dividends paid on redeemable cumulative preference shares		(613)	–
IAS 7.31	Dividends paid to owners of the Company		(6,635)	(6,479)
	Net cash used in financing activities		(20,089)	(2,890)
	Net increase in cash and cash equivalents		3,763	19,023
	Cash and cash equivalents at the beginning of the year		19,400	561
IAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(80)	(184)
	Cash and cash equivalents at the end of the year	46	23,083	19,400

Note: The above illustrates the indirect method of reporting cash flows from operating activities.

IAS 1.10(e), 51 (b),(c)

Notes to the consolidated financial statements for the year ended 31 December 2009

1. General information

IAS 1.138(a)

International GAAP Holdings Limited (the Company) is a limited company incorporated in A Land. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 6.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

IAS 8.28

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

Standards affecting presentation and disclosure

Source	Standard	Description
	IAS 1 (as revised in 2007) *Presentation of Financial Statements*	IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard has required the presentation of a third statement of financial position at 1 January 2008, because the entity has applied two new accounting policies retrospectively (see below).
	IFRS 8 *Operating Segments*	IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 6).
	Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
IFRS 5.44E	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (adopted in advance of effective date of 1 January 2010)	Disclosures in these financial statements have been modified to reflect the International Accounting Standards Board's clarification (as part of *Improvements to IFRSs* (2009)) that the disclosure requirements in Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations.
IAS 7.56	Amendments to IAS 7 *Statement of Cash Flows* (adopted in advance of effective date of 1 January 2010)	The amendments (part of *Improvements to IFRSs* (2009)) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in IAS 38 *Intangible Assets* for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows. Prior year amounts have been restated for consistent presentation.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

Standards and Interpretations affecting the reported results or financial position

Note: The impact of the changes described in this section on basic and diluted earnings per share is disclosed in note 14.

IAS 8.28(a)

IFRS 3 (as revised in 2008) *Business Combinations*

IFRS 3.64

IFRS 3(2008) has been adopted in the current year in advance of its effective date (business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009). Its adoption has affected the accounting for business combinations in the current period.

IAS 8.28(b),(d)
IAS 8.28(c)

In accordance with the relevant transitional provisions, IFRS 3(2008) has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2009. The impact of the adoption of IFRS 3(2008) *Business Combinations* has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree. In the current period, when accounting for the acquisition of Subsix Limited, the Group has elected to measure the non-controlling interests at fair value at the date of acquisition. Consequently, the goodwill recognised in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the fair value of the identifiable net assets of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

IAS 8.28(f)(i)

In the current period, these changes in policies have affected the accounting for the acquisition of Subsix Limited and Subseven Limited as follows:

Statement of financial position	31/12/09
	CU'000
Excess of the fair value of non-controlling interests in Subsix Limited over their share of the fair value of the identifiable net assets (reflected in non-controlling interests)	62
Liability recognised in respect of the fair value of contingent consideration that would not have been recognised under the previous version of the Standard (reflected in 'other financial liabilities')	75
Adjustment to purchase consideration to reflect the effective settlement of the Group's law suit against Subseven Limited (profit or loss)	40
Acquisition-related costs expensed when incurred (profit or loss)	(145)
Additional goodwill recognised as result of the adoption of IFRS 3(2008)	32

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

Statement of comprehensive income	Year ended 31/12/09
	CU'000
Gain recognised to reflect the effective settlement of the Group's lawsuit against Subseven Limited (included in 'other gains and losses')	40
Cost of share-based payment awards allocated to post-combination service	–
Acquisition-related costs expensed when incurred (included in 'other expenses')	(145)
Decrease in profit for the year as a result of the adoption of IFRS 3(2008)	(105)

IFRS 3(2008) has also required additional disclosures in respect of the business combinations in the period (see note 44).

Results in future periods may be affected by future impairment losses relating to the increased goodwill, and by changes in the fair value of contingent consideration recognised as a liability.

IAS 8.28(a)

IAS 27 (as revised in 2008) *Consolidated and Separate Financial Statements*

IAS 27.45

IAS 27(2008) has been adopted in advance of its effective date (annual periods beginning on or after 1 July 2009). The revisions to IAS 27 principally affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries. The adoption of the revised Standard has affected the accounting for the Group's disposal of part of its interest in Subone Limited in the year (see below).

IAS 8.28(b),(d)
IAS 8.28(c)

IAS 27(2008) has been adopted for periods beginning on of after 1 January 2009 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under IAS 27(2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

IAS 8.28(f)(i)

In respect of the disposal during the period of part of the Group's interest in Subone Limited, the change in policy has resulted in the difference of CU34,000 between the consideration received and the non-controlling interests recognised being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of CU34,000.

IAS 8.28(a)

IAS 28 (as revised in 2008) *Investments in Associates*

IAS 28(2008) has been adopted in advance of its effective date (annual periods beginning on or after 1 July 2009). The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendment to IAS 28; therefore, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

IAS 8.28(b) to (f)(i)

IAS 28(2008) has been adopted for periods beginning on or after 1 January 2009 and has been applied prospectively in accordance with the relevant transitional provisions. The changes have affected the accounting for the partial disposal of the Group's interest in E Plus Limited in the year. The difference of CU104,000 between the carrying amount of the interest retained in E Plus Limited and its fair value has been recognised in profit or loss in the period, net of a deferred tax expense of CU32,000. Had the Group's previous accounting policy been followed and had the Group not also adopted IFRS 9 *Financial Instruments*, the carrying amount of the investment retained would have been regarded as cost for the purpose of subsequent accounting as an available-for-sale investment under IAS 39 *Financial Instruments: Recognition and Measurement* and the movement in fair value (and related deferred tax) would have been recognised in other comprehensive income. The profit reported for 2009 has therefore been increased by CU72,000 as a result of the change in accounting policy. This increase will be offset by a decrease in profits of an equivalent amount when the investment is disposed of in future accounting periods.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 8.28(a)

IFRIC 13 *Customer Loyalty Programmes*

IAS 8.28(c)

The adoption of IFRIC 13 has resulted in a change to the Group's accounting policy for its customer loyalty programme. The Group's Maxi-Points Scheme, operated for the benefit of its on-line customers, falls within the scope of the Interpretation. Under the Maxi-Points Scheme, on-line customers purchasing the Group's electronic equipment are entitled to receive loyalty points dependent on their level of purchases, which can be used to obtain discounts on subsequent purchases. In the past, the Group had accounted for the Maxi-Points Scheme by recognising the full consideration from the on-line sales as revenue, with a separate liability for the estimated cost of the subsequent discounts. However, IFRIC 13 requires that such transactions be accounted for as 'multiple element revenue transactions' and that the consideration received in the initial sale transaction be allocated between the sale of equipment and the discount entitlements earned by the customer in that sale transaction.

IAS 8.28(b),(d), (f)(i), (g)

This change in accounting policy has been applied retrospectively, in accordance with the transitional provisions of IFRIC 13. The impact of this change in accounting policy at the beginning of the comparative period has been to reduce provisions by CU23,000, to increase deferred revenue by CU104,000 and to decrease deferred tax liabilities by CU20,000, with a corresponding adjustment for the net effect of CU61,000 against opening retained earnings. Revenue for the year ended 31 December 2009 has been reduced by CU47,000 (2008: 75,000), [cost of sales/other expenses] has been increased by CU10,000 (2008: reduced by CU48,000) and the income tax expense for the year has been reduced by CU10,000 (2008: 12,000). Profit for the year ended 31 December 2009 has therefore been reduced by CU47,000 as a result of the new policy (2008: CU15,000). At 31 December 2009, revenue deferred in relation to the scheme amounted to CU184,000.

IAS 8.28(a)

Amendments to IAS 38 *Intangible Assets*

IAS 8.28(c)

As part of *Improvements to IFRSs* (2008), IAS 38 has been amended to state that an entity is permitted to recognise a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. Mail order catalogues have been specifically identified as a form of advertising and promotional activities. In the past, the Group had recognised inventories of catalogues held as an asset up to the date of dispatch to the customer.

IAS 8.28(b),(d), (f)(i), (g)

The amendments have been applied retrospectively in accordance with the relevant transitional provisions, resulting in a reduction in inventories held at 1 January 2008 of CU132,000 and a reduction in deferred tax liabilities of CU40,000 at the same date, leading to a net adjustment to retained earnings at 1 January 2008 of CU92,000. [Marketing expenses/raw materials and consumables used] in 2009 have been increased by CU12,000 (2008: CU7,000), and the income tax expense reduced by CU4,000 (2008: CU2,000). The impact of the change at 31 December 2009 has been to decrease inventories by CU151,000 (2008: CU139,000), to decrease deferred tax liabilities by CU46,000 (2008: CU42,000) and to decrease retained earnings by CU105,000 (2008: CU97,000).

IAS 8.28(a)

Amendments to IAS 40 *Investment Property*

IAS 8.28(c)

As part of *Improvements to IFRSs* (2008), IAS 40 has been amended to include within its scope investment property in the course of construction. Therefore, following the adoption of the amendments and in line with the Group's general accounting policy, investment property under construction is measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in profit or loss. The Group had previously accounted for such assets at cost less accumulated impairment losses under IAS 16 *Property, Plant and Equipment*.

IAS 8.28(b),(d), (f)(i)

The change has been applied prospectively from 1 January 2009 in accordance with the relevant transitional provisions, resulting in a reclassification of investment property at its previous carrying amount of CU1.51million in the year, and the recognition of a gain on revaluation of the property in profit or loss (reported as part of 'other gains and losses') of CU290,000, offset by a deferred tax expense of CU87,000. At 31 December 2009, the impact has been to decrease property, plant and equipment by CU1.51million, to increase investment property by CU1.8 million, to increase deferred tax liabilities by CU87,000 and to increase retained earnings by CU203,000.

IAS 8.28(a)

Amendments to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*

IAS 8.28(c)

As part of *Improvements to IFRSs* (2008), IAS 20 has been amended to require that the benefit of a government loan at a below-market rate of interest be treated as a government grant. This accounting treatment was not permitted prior to these amendments.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 8.28(b),(d),(f)(i)

In accordance with the relevant transitional provisions, the policy has been applied prospectively to government loans received on or after 1 January 2009. On 17 December 2009, the Group received an interest-free government loan of CU3 million to finance staff training over a two-year period. Using prevailing market interest rates for an equivalent loan of 7.2% per annum, the fair value of the loan is estimated at CU2.61 million. The difference between the gross proceeds and the fair value of the loan of CU390,000 is the benefit derived from the interest-free loan and is recognised as deferred revenue. This amount will be offset against training costs incurred in 2010 (CU250,000) and 2011 (CU140,000). Interest expenses will be recognised in 2010 (CU188,000) and 2011 (CU202,000), resulting in a net increase in profit for 2010 of CU62,000, and an equivalent reduction in profit for 2011.

IAS 8.28(a)

IFRS 9 ***Financial Instruments***

IAS 8.28(c),(d)
IFRS 9.8.2.3

The Group has adopted IFRS 9 *Financial Instruments* (IFRS 9) in 2009 in advance of its effective date. The Group has chosen 31 December 2009 as its date of initial application (i.e. the date on which the Group has assessed its existing financial assets) as this is the first reporting period end since the Standard was issued on 12 November 2009. The Standard has been applied retrospectively and comparative amounts have been restated.

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

Debt instruments are measured at amortised cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amoritsed cost criteria the Group may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the current period, the Group has not elected to designate any debt instruments meeting the amortised cost criteria as at FVTPL.

Only financial assets that are classified as measured at amortised cost are tested for impairment.

All derivatives, including embedded derivatives that are embedded in financial liabilities or host contracts outside the scope of IAS 39 that are separately accounted for, are FVTPL, except if designated in an effective cash flow hedge or hedge of a foreign operation hedge accounting relationship. In accordance with IFRS 9, embedded derivatives within the scope of that Standard are not separately accounted for financial assets.

Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income recognised in accordance with IAS 18 *Revenue*, are recognised in other comprehensive income and are not subsequently reclassified to profit or loss.

The directors have reviewed and assessed all of the Group's existing financial assets as at the date of initial application of IFRS 9. As a result:

- the Group's investments in debt instruments meetng the required criteria are measured at amortised cost;
- most of the Group's equity investments not held for trading have been designated as at FVTOCI;
- the Group's remaining investments in equity investments and debt instruments are meassured at FVTPL.

The reclassification of financial assets on initial application of IFRS 9 changed either the measurement basis and/or the policy for the recognition of gains or losses for the following financial assets of the Group:

- redeemable notes that were previously measured at fair value and classified as available-for-sale have been reclassified to FVTPL;
- some investments in equity instruments that were previously measured at fair value and classified as available-for-sale have been reclassified to FVTPL;
- the remaining investments in equity instruments that were previously measured at fair value and classified as available-for-sale have been designated as at FVTOCI;
- some asset-backed securities that were previously fair valued and classified as held for trading have been reclassified to amortised cost whereas some other asset-backed securities have been reclassified to FVTPL.

For more information and detail on the new classification see notes 22 and 40.4.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IAS 8.28(f)(i)

The impact of adopting IFRS 9 has been a reclassification of fair value gains of CU130,000 from the Investments revaluation reserve to retained earnings at 1 January 2008 for redeemable notes as they were reclassified from available-for-sale investments to financial assets at FVTPL. Reclassification of other asset-backed securities from held for trading financial assets to amortised cost resulted in a reversal of losses from retained earnings to increase the carrying amount of the financial assets by CU100,000.

In 2008 fair value gains of CU284,000 were reclassified from other comprehensive income to profit or loss, along with the related deferred tax expense of CU84,000 with respect to redeemable notes. In addition, other asset-backed securities were reclassified from held for trading to amortised cost which resulted in an increase in carrying amounts at 31 December 2008 of CU35,000 (consisting of an increase of CU100,000 at 1 January 2008 and a decrease of CU65,000 at 31 December 2008) with a reversal of the gain of CU65,000, along with the related deferred tax expense of CU18,000 recognised in profit or loss in 2008.

In 2009 fair value gains of CU78,000 were reclassified from other comprehensive income to profit or loss, along with the related deferred tax expense of CU23,000 for redeemable notes. In addition, other asset-backed securities held at 31 December 2009 have been increased by CU35,000 with the net gain of CU35,000, along with the related deferred tax charge of CU18,000 (2008) recognised in retained earnings.

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
IAS 23 (as revised in 2007) *Borrowing Costs*	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.
Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* regarding reclassifications of financial assets	The amendments to IAS 39 permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' (FVTPL) and 'available-for-sale' (AFS) categories in very limited circumstances. Such reclassifications are permitted from 1 July 2008. As the Group has adopted IFRS 9 in 2009 and applied the Standard retrospectively for classification and measurement of its financial assets (see note 2.1 above), including restatement of comparative information, these amendments to IAS 39 do not apply to the Group.
Amendments to IAS 32 *Financial Instruments: Presentation* regarding classifications of rights issues	The amendments to IAS 32 address classification of certain rights issues denominated in a foreign currency as either an equity instrument or a financial liability. The Group has not entered into any rights issues in the current or comparative period.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

Source	Standard	Description
	Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)	The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (see above).
	IFRIC 15 *Agreements for the Construction of Real Estate*	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction of real estate should be recognised. The requirements have not affected the accounting for the Group's construction activities.
	IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
IFRIC 17.18	IFRIC 17 *Distributions of Non-cash Assets to Owners* (adopted in advance of effective date of 1 July 2009)	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
IFRIC 18.22	IFRIC 18 *Transfers of Assets from Customers* (adopted for transfers of assets from customers received on or after 1 July 2009)	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 *Revenue*.
IFRIC 19.12	IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (adopted in advance of effective date of 1 July 2010)	The Interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments.
Various	*Improvements to IFRSs* (2008)	In addition to the changes affecting amounts reported in the financial statements described at 2.1 above, the Improvements have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.
Various	*Improvements to IFRSs* (2009)	In addition to the amendments to IFRS 5 and IAS 7 described earlier in this section, and the amendments to IAS 17 discussed in section 2.3 below, the Improvements have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. Except as noted in 2.3 below, these changes have been adopted in advance of their effective dates (generally 1 January 2010).
IFRIC 14.27B	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* (adopted in advance of effective date of 1 January 2011)	The amendments address the situations when an entity with minimum funding requirements makes a prepayment of contributions to cover those requirements. The amendments permit the benefit of such prepayment to be recognised as an asset.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

2.3 Standards and Interpretations in issue not yet adopted

IAS 8.30(a)

As part of *Improvements to IFRSs* (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS 17 *Leases* regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. These amendments are effective for annual periods beginning on or after 1 January 2010, and they are to be applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on 1 January 2010 (i.e. the date of adoption of the amendments) and the Group will recognise assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognised in retained earnings.

IAS 8.30(b)

The directors anticipate that these amendments to IAS 17 will be adopted in the Group's financial statements for the period beginning 1 January 2010. It is likely that the changes will affect the classification of some of the Group's leases of land. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. In particular, the directors will be considering the extent to which information is available for retrospective application.

IAS 8.30(a)

In June 2009, the IASB issued amendments to IFRS 2 *Share-based Payment*. These amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

IAS 8.30(b)

The directors anticipate that these amendments will be adopted in the Group's financial statements for the period beginning 1 January 2010. The directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

IAS 8.30(a)

In November 2009, the IASB issued amendments to IAS 24 *Related Party Disclosures*. The amendments modify the definition of a related party and simplify related party disclosures for government-related entities.

IAS 8.30(b)

The directors anticipate that these amendments will be adopted in the Group's financial statements for the period beginning 1 January 2010. The Group is not government-related, therefore the disclosure exemptions will not affect the Group. However, some disclosures may be affected by the changes in the detailed definition of a related party. This may result in amendments to the relevant related party disclosures in the financial statements.

Note: The disclosures set out above regarding adoption of Standards and Interpretations not yet effective reflect a cut-off date of 30 November 2009. The potential impact of any new or revised Standards and Interpretations issued by the International Accounting Standards Board after that date, but before the issue of the financial statements, should also be considered and disclosed.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 1.112(a), 117

3. Significant accounting policies

Note: The following are examples of the types of accounting policies that might be disclosed in this entity's financial statements. Entities are required to disclose in the summary of significant accounting policies the measurement basis (or bases) used in preparing the financial statements, and the other accounting policies used that are relevant to an understanding of the financial statements. An accounting policy may be significant because of the nature of the entity's operations even if amounts for the current and prior periods are not material.

In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Standards and Interpretations.

Each entity considers the nature of its operations and the policies that users of its financial statements would expect to be disclosed for that type of entity. It is also appropriate to disclose each significant accounting policy that is not specifically required by IFRSs, but that is selected and applied in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.*

For completeness, in these model financial statements accounting policies have been provided for some immaterial items, although this is not required under IFRSs.

3.1 Statement of compliance

IAS 1.16

The financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

IAS 1.17(a)

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

IAS 1.17(b)

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Paymen*t; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

3.5 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3.6 Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

IAS 31.57

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination (see 3.7 below).

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

3.7 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquireee (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

The Group's policy for goodwill arising on the acquisition of an associate is described at 3.5 above.

3.8 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

IAS 18.35(a)

3.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.9.1 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Group's Maxi-Points Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

3.9.2 Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

The Group's policy for recognition of revenue from construction contracts is described at 3.10 below.

3.9.3 Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

3.9.4 Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.9.5 Rental income

The Group's policy for recognition of revenue from operating leases is described in 3.11.1 below.

IAS 11.39(b),(c)

3.10 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.11.1 The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.11.2 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 3.13 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

3.12 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Currency Units ('CU'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 3.26 below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Currency Units using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IAS 20.39(a)

3.14 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

IAS 19.120A(a)

3.15 Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group’s defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

3.16 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 42.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005. No amounts have been recognised in the financial statements in respect of other equity-settled shared-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

3.17 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.17.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated [statement of comprehensive income/income statement] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.17.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.17.3 Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

IAS 16.73(a),(b)

3.18 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

IAS 40.75(a)

3.19 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

3.20 Intangible assets

3.20.1 Intangible assets acquired separately

IAS 38.118(b)

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.20.2 Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

IAS 38.118(b)

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

3.20.3 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

IAS 38.118(b)

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.21 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see 3.18 above).

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see 3.18 above).

IAS 2.36(a)

3.22 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.23 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.23.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

3.23.2 Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.23.3 Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3.23.4 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

IFRS 7.21

3.24 Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

3.24.1 Classification of financial assets

For the purposes of classifying financial assets an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 *Financial Instruments: Presentation*) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

3.24.2 Financial assets at amortised cost and the effective interest method

Debt instruments are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see 3.24.6 below), with interest revenue recognised on an effective yield basis in investment revenue (note 7).

Subsequent to initial recognition, the Group is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

3.24.3 Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortised cost criteria described in 3.24.2, or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Group has not designated a debt instrument financial asset as at FVTPL.

Subsequent to initial recognition, the Group is required to reclassify debt instruments from FVTPL to amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition (see 3.24.2) is not permitted.

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition as described in note 3.24.4.

IFRS 7.B5(e)

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the 'other gains and losses' line item (note 8) in the [statement of comprehensive income/income statement]. Fair value is determined in the manner described in note 40.

Interest income on debt instruments at FVTPL is included in the net gain or loss described above. Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the 'investment income' line item (note 7).

3.24.4 Financial assets at FVTOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'investment income' line item (note 7).

3.24.5 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at FVTPL, the foreign exchange component is recognised in profit or loss. For financial assets designated as at FVTOCI any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments classified at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in the 'other gains and losses' line item (note 8) in the [statement of comprehensive income/income statement].

3.24.6 Impairment of financial assets at amortised cost

Financial assets that are measured at amortised cost, including finance lease receivables, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IFRS 7.B5(f), 37(b)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, reflecting the impact of collateral and guarantees,discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3.24.7 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

IFRS 7.21

3.25 Financial liabilities and equity instruments issued by the Group

3.25.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.25.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3.25.3 Compound instruments

IFRS 7.27

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

3.25.4 Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out at 3.9.4 above.

3.25.5 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.25.6 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired or incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may also be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract to be designated as at FVTPL.

IFRS 7.B5(e)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' (note 8) line item in the [statement of comprehensive income/income statement]. Fair value is determined in the manner described in note 40.

3.25.7 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.25.8 Foreign exchange gains and losses

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial liabilities measured as at FVTPL the foreign exchange component is recognised in profit or loss.

For foreign currency denominated debt instruments classified at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the liability and are recognised in the 'other gains and losses' line item (note 8) in the [statement of comprehensive income/income statement.

**Notes to the consolidated financial statements
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3.25.9 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

IFRS 7.21

3.26 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 40.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.26.1 Embedded derivatives

Derivatives can be embedded in host contracts that are outside the scope of IFRS 9, for example in financial liabilities. They are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative, but a separate financial instrument.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

The Group does not have any embedded derivatives that are separately accounted for.

3.26.2 Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 40 sets out details of the fair values of the derivative instruments used for hedging purposes.

3.26.3 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the [statement of comprehensive income/income statement] relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

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3.26.4 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the [statement of comprehensive income/income statement] as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3.26.5 Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation as described at 3.12 above.

4. Critical accounting judgements and key sources of estimation uncertainty

Note: The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the results and financial position of the entity.

Instead of disclosing this information in a separate note, it may be more appropriate to include such disclosures in the relevant asset and liability notes, or as part of the relevant accounting policy disclosures.

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

IAS 1.122

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Revenue recognition

Note 13.5 describes the expenditure required in the year for rectification work carried out on goods supplied to one of the Group's major customers. These goods were delivered to the customer in the months of January to July 2009, and shortly thereafter the defects were identified by the customer. Following negotiations, a schedule of works was agreed, which will involve expenditure by the Group until 2011. In the light of the problems identified, the directors were required to consider whether it was appropriate to recognise the revenue from these transactions of CU19 million in the current period, in line with the Group's general policy of recognising revenue when goods are delivered, or whether it was more appropriate to

defer recognition until the rectification work was complete.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 *Revenue* and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Group's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate provision for the rectification costs.

IAS 1.125, 129

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Recoverability of internally generated intangible asset

During the year, the directors reconsidered the recoverability of the Group's internally generated intangible asset arising from its e-business development, which is included in the consolidated statement of financial position at 31 December 2009 at CU0.5 million.

The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed the directors' previous estimates of anticipated revenues from the project. However, increased competitor activity has caused the directors to reconsider their assumptions regarding future market share and anticipated margins on these products. Detailed sensitivity analysis has been carried out and the directors are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

4.2.2 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the end of the reporting period was CU20.3 million after an impairment loss of CU235,000 was recognised during 2009. Details of the impairment loss calculation are set out in note 17.

4.2.3 Useful lives of property, plant and equipment

As described at 3.18 above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase the consolidated depreciation expense in the current financial year and for the next 3 years, by the following amounts:

	CU'000
2009	879
2010	607
2011	144
2012	102

4.2.4 Valuation of financial instruments

As described in note 40.13.3, the Group uses valuation techniques that include inputs for the asset or liability that are not based on observable market data. The Group used such valuation techniques for unlisted shares (at FVTOCI) and some other financial assets and liabilities.

Note 40.13.4 provides detailed information about the nature of the assumptions for the purposes of these valuation techniques, as well as the detailed sensitivity analysis for these assumptions.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

5. Revenue

IAS 18.35(b)

The following is an analysis of the Group's revenue for the year from continuing operations (excluding investment revenue – see note 7).

Source		Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000
IAS 18.35(b)	Revenue from the sale of goods	119,232	128,852
IAS 18.35(b)	Revenue from the rendering of services	16,388	18,215
IAS 11.39(a)	Construction contract revenue	5,298	4,773
		140,918	151,840

IFRS 7.23(d)

A portion of the Group's revenue from the sale of goods denominated in foreign currencies is cash flow hedged. The amounts disclosed above for revenue from the sale of goods include the recycling of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue (2009: CU – million; 2008: CU – million).

See note 6.6 for an analysis of revenue by major products and services.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

6. Segment information

Note: The following segment information is required by IFRS 8 Operating Segments *to be presented in the consolidated financial statements of a group with a parent (and in the separate or individual financial statements of an entity):*

- *whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or*
- *that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.*

6.1 Adoption of IFRS 8 Operating Segments

IFRS 8.35

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

6.2 Products and services from which reportable segments derive their revenues

IFRS 8.22
IAS 1.138(b)

In prior years, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. electronic equipment, leisure goods, construction services, toys, bicycles and 'other'). However, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focussed on the category of customer for each type of goods. The principal categories of customer for these goods are direct sales, wholesalers, retail outlets and internet sales. The Group's reportable segments under IFRS 8 are therefore as follows:

Electronic equipment – direct sales
– wholesalers and retail outlets
– internet sales

Leisure goods – wholesalers
– retail outlets

Other

The leisure goods segments supply sports shoes and equipment, and outdoor play equipment.

IFRS 8.16

Other operations include the construction of residential properties; the development, sale and installation of computer software for specialised business applications; and the leasing out of specialised storage equipment.

The two operations (toys and bicycles) discontinued in the year were reported as separate segments under IAS 14. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 11.

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

6.3 Segment revenues and results

IFRS 8.23, 23(a)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

Source			Segment revenue		Segment profit	
			Year ended 31/12/09	Year ended 31/12/08	Year ended 31/12/09	Year ended 31/12/08
			CU'000	CU'000	CU'000	CU'000
	Electronic equipment	– direct sales	37,509	39,641	6,619	10,336
		– wholesalers and retail outlets	20,194	22,534	7,265	5,954
		– internet sales	27,563	29,699	6,632	5,348
	Leisure goods	– wholesalers	13,514	18,332	3,252	4,110
		– retail outlets	20,452	18,646	4,921	4,372
	Other		21,686	22,988	2,943	5,755
IFRS 8.28(a)	Total for continuing operations		140,918	151,840	31,632	35,875
	Share of profits of associates				1,186	1,589
	Gain recognised on disposal of interest in former associate (Note 20)				581	–
	Investment revenue (Note 7)				3,454	2,203
	Other gains and losses (note 8)				789	1,372
	Net gain/(loss) from derecognising financial assets measured at amortised cost				–	–
	Net gain/(loss) on reclassification of financial assets from amortised cost to fair value through profit or loss				–	–
	Central administration costs and directors' salaries				(2,933)	(2,666)
	Finance costs (note 9)				(4,418)	(6,023)
IFRS 8.28(b)	Profit before tax (continuing operations)				30,291	32,350

IFRS 8.23(b)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2008: Nil).

IFRS 8.27

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, profits of associates, investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

IFRS 8.23(f)

The exceptional rectification costs of CU4.17 million disclosed in note 13.5 relate to the 'electronic equipment – direct sales' reportable segment.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

6.4 Segment assets and liabilities

Source			31/12/09	31/12/08	01/01/08
			CU'000	CU'000	CU'000
IFRS 8.21, 23, 28(c)	**Segment assets**				
	Electronic equipment	– direct sales	52,574	47,263	55,100
		– wholesalers and retail outlets	48,596	36,061	51,082
		– internet sales	42,648	32,817	44,697
	Leisure goods	– wholesalers	29,851	33,942	31,926
		– retail outlets	33,032	44,432	35,119
	Other		11,724	23,408	14,011
	Total segment assets		218,425	217,923	231,935
	Assets relating to toy and bicycle operations (now discontinued)		21,076	19,272	19,429
	Unallocated		27,090	23,969	19,265
	Consolidated assets		266,591	261,164	270,629
IFRS 8.21, 23, 28(d)	**Segment liabilities**				
	Electronic equipment	– direct sales	22,491	20,138	38,246
		– wholesalers and retail outlets	10,935	20,079	19,123
		– internet sales	12,783	13,784	20,862
	Leisure goods	– wholesalers	9,152	10,262	15,646
		– retail outlets	4,978	11,146	8,692
	Other		5,433	3,832	10,655
	Total segment liabilities		65,772	79,241	113,224
	Liabilities relating to toy and bicycle operations (now discontinued)		3,684	4,982	8,338
	Unallocated		25,285	9,926	7,503
	Consolidated liabilities		94,741	94,149	129,065

IFRS 8.27

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investments in associates, 'other financial assets' (see note 22) and tax assets. Goodwill is allocated to reportable segments as described in note 17.2. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than 'other financial liabilities', current and deferred tax liabilities, and 'other' liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

6.5 Other segment information

IFRS 8.23(e), 24(b)

		Depreciation and amortisation		Additions to non-current assets	
		Year ended 31/12/09	Year ended 31/12/08	Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000	CU'000	CU'000
Electronic equipment	– direct sales	2,097	2,039	4,183	2,144
	– wholesalers and retail outlets	2,076	2,466	1,770	1,023
	– internet sales	2,067	2,329	3,205	2,382
Leisure goods	– wholesalers	2,014	2,108	5,880	1,547
	– retail outlets	1,889	3,240	4,234	2,901
Other		1,050	1,696	4,718	2,275
		11,193	13,878	23,990	12,272

IFRS 8.23(i)

In addition to the depreciation and amortisation reported above, impairment losses of CU1.204 million (2008: Nil) and CU235,000 (2008: Nil) were recognised in respect of property, plant and equipment and goodwill, respectively. These impairment losses were attributable to the following reportable segments.

		CU'000
Electronic equipment	– direct sales	529
	– wholesalers and retail outlets	285
	– internet sales	390
		1,204
Other (construction)		235

6.6 Revenue from major products and services

IFRS 8.32

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000
Electronic equipment	85,266	91,874
Sports shoes and equipment	21,003	22,850
Outdoor play equipment	12,963	14,128
Construction	5,298	4,773
Other	16,388	18,215
	140,918	151,840

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

6.7 Geographical information

The Group operates in three principal geographical areas – A Land (country of domicile), B Land and C Land.

IFRS 8.33(a),(b)

The Group's revenue from continuing operations from external customers and information about its non-current assets* by geographical location are detailed below.

	Revenue from external customers		Non-current assets*	
	Year ended 31/12/09	Year ended 31/12/08	31/12/09	31/12/08
	CU'000	CU'000	CU'000	CU'000
A Land	84,202	73,971	98,421	102,343
B Land	25,898	43,562	21,411	25,745
C Land	25,485	25,687	16,085	19,341
Other	5,333	8,620	5,826	8,809
	140,918	151,840	141,743	156,238

*Non-current assets excluding those relating to toy and bicycle operations and excluding financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts.

6.8 Information about major customers

IFRS 8.34

Included in revenues arising from direct sales of electronic equipment of CU37.5 million (2008: CU39.6 million) (see 6.3 above) are revenues of approximately CU25.6 million (2008: CU19.8 million) which arose from sales to the Group's largest customer.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

7. Investment revenue

Source		Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
	Continuing operations		
	Rental revenue:		
IAS 17.47(e)	Finance lease contingent rental revenue	–	–
	Operating lease rental revenue:		
IAS 40.75(f)	Investment properties	18	14
IAS 17.56(b)	Contingent rental revenue	–	–
	Other	–	–
		18	14
IAS 18.35(b)	Interest revenue on financial assets measured at amortised cost::		
	Bank deposits	1,650	741
IFRS 7.20(d)	Other financial assets measured at amortised cost (note 22)	511	415
IFRS 7.20(d)	Impaired financial assets measured at amortised cost	–	–
IFRS 7.20(b)		2,161	1,156
IAS 18.35(b)	Royalties	579	428
IAS 18.35(b)	Dividends received		
IFRS 7.20(a)(viii)	Investments in equity instruments at FVTOCI (note 22)	100	94
	Investments in equity instruments at FVTPL (note 22)	56	60
		156	154
	Other (aggregate of immaterial items)	540	451
		3,454	2,203

Fair value gains and losses on financial instruments classified as at fair value through profit or loss are included in 'other gains and losses' in note 8.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

8. Other gains and losses

Source		Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000
	Continuing operations		
IAS 1.98(c)	Gain/(loss) on disposal of property, plant and equipment	6	67
IAS 1.98(d)	Gain/(loss) on disposal of investments	–	–
IAS 20.39(b)	Government grants received for staff re-training	731	979
IAS 21.52(a)	Net foreign exchange gains/(losses)	101	(117)
	Gain arising on effective settlement of legal claim against Subseven Limited (note 44)	40	–
IFRS 7.20(a)(i)	Net gain/(loss) arising on financial assets mandatorily measured as at FVTPL (i)	64	367
IFRS 7.20(a)(i)	Net gain/(loss) arising on financial assets designated as at FVTPL on initial recognition	–	–
IFRS 7.20(a)(v)	Net gain/(loss) arising on financial liabilities classified as held for trading (ii)	(51)	–
IFRS 7.20(a)(v)	Net gain/(loss) arising on financial liabilities designated as at FVTPL (iii)	(488)	–
IAS 40.76(d)	Change in fair value of investment property	297	8
IFRS 7.24(b)	Hedge ineffectiveness on cash flow hedges	89	68
IFRS 7.24(c)	Hedge ineffectiveness on net investment hedges	–	–
		789	1,372

(i) The net gain includes the fair value gains and losses on redeemable notes, certain asset-backed securities, and certain investments in equity instruments that are measured at FVTPL.

(ii) The net loss relates to an interest rate swap that economically hedges the fair value of the redeemable cumulative preference shares, but for which hedge accounting is not applied as the redeemable cumulative preference shares are designated as at FVTPL (see note 34).

(iii) The net loss on redeemable cumulative preference shares designated as at FVTPL (see note 34) comprises a gain of CU125,000 resulting from the decrease in fair value of the liabilities, offset by dividends of CU613,000 paid during the year.

No other gains or losses have been recognised in respect of financial assets and liabilities, other than as disclosed in notes 7 and 9, and impairment losses recognised/reversed in respect of trade receivables (see notes 13 and 25).

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

9. Finance costs

Source		Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000
	Continuing operations		
	Interest on bank overdrafts and loans (note 32)	4,259	6,052
	Interest on obligations under finance leases	75	54
	Interest on convertible notes (note 33)	110	–
	Interest on perpetual notes (note 32)	52	–
	Other interest expense	25	–
IFRS 7.20(b)	Total interest expense for financial liabilities at amortised cost	4,521	6,106
IAS 23.26(a)	Less: amounts included in the cost of qualifying assets	(11)	(27)
		4,510	6,079
IFRS 7.24(a)	Loss/(gain) arising on derivatives in a designated fair value hedge accounting relationship	5	–
IFRS 7.24(a)	(Gain)/loss arising on adjustment for hedged item in a designated fair value hedge accounting relationship	(5)	–
		–	–
IFRS 7.23(d)	Fair value gains on interest rate swaps designated as cash flow hedges of floating rate debt reclassified from equity	(120)	(86)
	Unwinding of discounts on provisions	28	30
IFRS 5.17	Unwinding of discount on costs to sell non-current assets classified as held for sale	–	–
	Other finance costs	–	–
		4,418	6,023

IAS 23 26(b) — The weighted average capitalisation rate on funds borrowed generally is 8.0% per annum (2008: 7.8% per annum).

Finance costs relating to financial liabilities designated as at fair value through profit or loss are included in 'other gains and losses' in note 8.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

10. Income taxes

10.1 Income tax recognised in profit or loss

IAS 12.79

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000
Tax expense comprises:		
Current tax expense in respect of the current year	10,071	11,347
Adjustments recognised in the current year in relation to the current tax of prior years	–	–
Deferred tax expense relating to the origination and reversal of temporary differences	1,639	604
Deferred tax reclassified from equity to profit or loss	(150)	(86)
	1,489	518
Effect of changes in tax rates and laws	–	–
Write-downs (reversals of previous write-downs) of deferred tax assets	–	–
Tax expense/(income) associated with changes in accounting policies that cannot be accounted for retrospectively	–	–
Total tax expense relating to continuing operations	11,560	11,865

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 12.81(c)

The expense for the year can be reconciled to the accounting profit as follows:

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000
Profit from continuing operations	30,291	32,350
Income tax expense calculated at 30%	9,087	9,705
Effect of revenue that is exempt from taxation	(30)	–
Effect of expenses that are not deductible in determining taxable profit	2,562	2,221
Effect of concessions (research and development and other allowances)	(75)	(66)
Impairment losses on goodwill that are not deductible	5	–
Effect of revaluations of assets for taxation purposes	–	–
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	–	–
Effect of previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	11	5
IAS 12.81(d) Effect on deferred tax balances due to the change in income tax rate from xx% to xx% (effective [insert date])	–	–
	11,560	11,865
Adjustments recognised in the current year in relation to the current tax of prior years	–	–
Income tax expense recognised in profit or loss	11,560	11,865

IAS 12.81(c)

The tax rate used for the 2009 and 2008 reconciliations above is the corporate tax rate of 30% payable by corporate entities in A Land on taxable profits under tax law in that jurisdiction.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 12.81(a)

10.2 Income tax recognised directly in equity

	Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
Current tax		
Share issue costs	(1)	–
Share buy-back costs	(8)	–
	(9)	–
Deferred tax		
Arising on transactions with equity participants:		
Initial recognition of the equity component of compound financial instruments	242	–
Share issue and buy-back expenses deductible over 5 years	(75)	–
Excess tax deductions related to share-based payments	–	–
Other [describe]	–	–
	167	–
Total income tax recognised directly in equity	158	–

IAS 12.81(ab)

10.3 Income tax recognised in other comprehensive income

	Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
Current tax		
[describe]	–	–
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Translation of foreign operations	22	36
Revaluation of financial instruments designated in a hedge of a net investment in a foreign operation	(4)	–
Revaluations of financial assets at FVTOCI (note 22)	32	(60)
Revaluations of financial instruments treated as cash flow hedges	131	95
Property revaluations	–	493
Equity accounting adjustments	–	–
	181	564
Reclassifications from equity to profit or loss:		
Relating to cash flow hedges	(114)	(86)
On disposal of a foreign operation	(36)	–
	(150)	(86)
Total income tax recognised in other comprehensive income	31	478

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

10.4 Current tax assets and liabilities

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Current tax assets			
Benefit of tax losses to be carried back to recover taxes paid in prior periods	–	–	–
Tax refund receivable	125	60	81
	125	60	81
Current tax liabilities			
Income tax payable	5,270	5,868	4,910
Other [describe]	–	–	
	5,270	5,868	4,910

10.5 Deferred tax balances

IAS 12.81(a),(g)

2008	Opening balance	Recognised in profit or loss	Recognised in other compre-hensive income	Recognised directly in equity	Reclassified from equity to profit or loss	Acquisitions/ disposals	Other	Closing balance
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Temporary differences								
Cash flow hedges	(110)	–	(95)	–	86	–	–	(119)
Associates	(791)	(477)	–	–	–	–	–	(1,268)
Property, plant & equipment	(2,560)	(202)	(493)	–	–	–	–	(3,255)
Finance leases	(29)	7	–	–	–	–	–	(22)
Intangible assets	(669)	97	–	–	–	–	–	(572)
Financial assets at FVTPL	–	(66)	–	–	–	–	–	(66)
Financial assets at FVTOCI	(202)	–	60	–	–	–	–	(142)
Deferred revenue	20	14	–	–	–	–	–	34
Exchange difference on foreign operations	22	–	(36)	–	–	–	–	(14)
Provisions	1,692	(20)	–	–	–	–	–	1,672
Doubtful debts	122	129	–	–	–	–	–	251
Other financial liabilities	9	(4)	–	–	–	–	–	5
Other [describe]	(97)	(84)	–	–	–	–	–	(181)
	(2,593)	(606)	(564)	–	86	–	–	(3,677)
Unused tax losses and credits								
Tax losses	–	–	–	–	–	–	–	–
Foreign tax credits	–	–	–	–	–	–	–	–
Other	–	2	–	–	–	–	–	2
	–	2	–	–	–	–	–	2
	(2,593)	(604)	(564)	–	86	–	–	(3,675)

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IAS 12.81(a),(g)

2009	Opening balance	Recognised in profit or loss	Recognised in other compre-hensive income	Recognised directly in equity	Reclassified from equity to profit or loss	Acquisitions/ disposals	Other	Closing balance
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Temporary differences								
Cash flow hedges	(119)	–	(131)	–	114	–	–	(136)
Net investment hedges	–	–	4	–	–	–	–	4
Associates	(1,268)	(356)	–	–	–	–	–	(1,624)
Property, plant & equipment	(3,255)	(1,544)	–	–	–	458	–	(4,341)
Finance leases	(22)	18	–	–	–	–	–	(4)
Intangible assets	(572)	214	–	–	–	–	–	(358)
Financial assets at FVTPL	(66)	4	–	–	–	–	–	(62)
Financial assets4 at FVTOCI	(142)	–	(32)	–	–	–	–	(174)
Deferred revenue	34	12	–	–	–	–	–	46
Convertible notes	–	9	–	(242)	–	–	–	(233)
Exchange difference on foreign operations	(14)	–	(22)	–	36	–	–	–
Provisions	1,672	42	–	–	–	–	–	1,714
Doubtful debts	251	(8)	–	–	–	(4)	–	239
Other financial liabilities	5	2	–	–	–	–	–	7
Unclaimed share issue and buy-back costs	–	–	–	75	–	–	–	75
Other [describe]	(181)	(32)	–	–	–	–	–	(213)
	(3,677)	(1,639)	(181)	(167)	150	454	–	(5,060)
Unused tax losses and credits								
Tax losses	–	–	–	–	–	–	–	–
Foreign tax credits	–	–	–	–	–	–	–	–
Other	2	–	–	–	–	–	–	2
	2	–	–	–	–	–	–	2
	(3,675)	(1,639)	(181)	(167)	150	454	–	(5,058)

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

Deferred tax balances are presented in the statement of financial position as follows.

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Deferred tax liabilities	4,628	3,675	2,593
Directly associated with assets held for sale	430	–	–
	5,058	3,675	2,593

10.6 Unrecognised deferred tax assets

IAS 12.81(e)

	31/12/09	31/12/08
	CU'000	CU'000
Deferred tax assets not recognised at the reporting date:		
– tax losses (revenue)	–	–
– tax losses (capital)	–	–
– unused tax credits (expire [date])	11	11
– temporary differences	–	–
	11	11

The unrecognised tax losses will expire in 2012.

10.7 Unrecognised taxable temporary differences associated with investments and interests

IAS 12.81(f)

	31/12/09	31/12/08
	CU'000	CU'000
Taxable temporary differences in relation to investments in subsidiaries, branches and associates and interests in joint ventures for which deferred tax liabilities have not been recognised are attributable to the following:		
– domestic subsidiaries	120	125
– foreign subsidiaries	–	–
– associates and jointly controlled entities	–	–
– other [describe]	–	–
	120	125

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

11. Discontinued operations

11.1 Disposal of toy manufacturing operations

IFRS 5.30
IFRS 5.41

On 28 September 2009, the board of directors entered into a sale agreement to dispose of Subzero Limited, which carried out all of the Group's toy manufacturing operations. The proceeds of sale substantially exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale. The disposal of the toy manufacturing operations is consistent with the Group's long-term policy to focus its activities in the electronic equipment and other leisure goods markets. The disposal was completed on 30 November 2009, on which date control of the toy manufacturing operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 45.

11.2 Plan to dispose of the bicycle business

IFRS 5.30
IFRS 5.41

On 30 November 2009, the board of directors announced a plan to dispose of the Group's bicycle business. The disposal is consistent with the Group's long-term policy to focus its activities in the electronic equipment and other leisure goods markets. The Group is actively seeking a buyer for its bicycle business and expects to complete the sale by 31 July 2010. The Group has not recognised any impairment losses in respect of the bicycle business, neither when the operation was reclassified as held for sale nor at the end of the reporting period.

11.3 Analysis of profit for the year from discontinued operations

The combined results of the discontinued operations (i.e. toy manufacturing and bicycle businesses) included in the [statement of comprehensive income/income statement] are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

Source		Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000
IFRS 5.33(b)	*Profit for the year from discontinued operations*		
	Revenue	64,405	77,843
	Other gains	30	49
		64,435	77,892
	Expenses	(54,905)	(64,899)
	Profit before tax	9,530	12,993
IAS 12.81(h)	Attributable income tax expense	(2,524)	(2,998)
		7,006	9,995
	Gain/(loss) on remeasurement to fair value less costs to sell	–	–
	Gain/(loss) on disposal of operation (note 45)	1,940	–
IAS 12.81(h)	Attributable income tax expense	(636)	–
		1,304	–
IFRS 5.33(d)	Profit for the year from discontinued operations (attributable to owners of the Company)	8,310	9,995
IFRS 5.33(c)	*Cash flows from discontinued operations*		
	Net cash inflows from operating activities	6,381	7,078
	Net cash inflows from investing activities	2,767	–
	Net cash outflows from financing activities	(5,000)	–
	Net cash inflows	4,148	7,078

The bicycle business has been classified and accounted for at 31 December 2009 as a disposal group held for sale (see note 12).

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

12. Assets classified as held for sale

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Land held for sale (i)	1,260	–	–
Assets related to bicycle business (ii)	21,076	–	–
	22,336	–	–
Liabilities associated with assets held for sale (ii)	3,684	–	–

IFRS 5.41

(i) The Group intends to dispose of a parcel of land it no longer utilises in the next 10 months. The property was previously used in the Group's toy operations. A search is underway for a buyer. No impairment loss was recognised on reclassification of the land as held for sale nor at 31 December 2009.

IFRS 5.41
IFRS 5.38

(ii) As described in note 11, the Group is seeking to dispose of its bicycle business and anticipates that the disposal will be completed by 31 July 2010. The major classes of assets and liabilities of the bicycle business at the end of the reporting period are as follows:

	31/12/09
	CU'000
Goodwill	1,147
Property, plant and equipment	16,944
Inventories (IAS 2.36(c))	830
Trade receivables	1,980
Cash and bank balances	175
Assets of bicycle business classified as held for sale	21,076
Trade payables	(3,254)
Current tax liabilities	–
Deferred tax liabilities	(430)
Liabilities of bicycle business associated with assets classified as held for sale	(3,684)
Net assets of bicycle business classified as held for sale	17,392

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

13. Profit for the year from continuing operations

IFRS 5.33(d) — Profit for the year from contuing operations is attributable to:

	Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
Owners of the Company	14,731	17,722
Non-controlling interests	4,000	2,763
	18,731	20,485

Profit for the year from continuing operations has been arrived at after charging (crediting):

Source		Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
IFRS 7.20(e)	*13.1 Impairment losses on financial assets measured at amortised cost*		
	Impairment loss recognised on trade receivables (note 25)	63	430
	Impairment loss on other financial assets measured at amortised cost (note 22)	–	–
		63	430
	Reversal of impairment losses recognised on trade receivables	(103)	–
	13.2 Depreciation and amortisation expense		
	Depreciation of property, plant and equipment	9,601	12,322
IAS 38.118(d)	Amortisation of intangible assets	1,592	1,556
IAS 1.104	Total depreciation and amortisation expense	11,193	13,878
IAS 38.126	*13.3 Research and development costs expensed as incurred*	502	440
	13.4 Employee benefits expense		
	Post employment benefits (see note 39)		
IAS 19.46	Defined contribution plans	160	148
IAS 19.120A(g)	Defined benefit plans	586	556
		746	704
IFRS 2.50	Share-based payments (see note 42)		
IFRS 2.51(a)	Equity-settled share-based payments	206	338
IFRS 2.51(a)	Cash-settled share-based payments	–	–
		206	338
IAS 19.142	Termination benefits	–	–
	Other employee benefits	8,851	10,613
IAS 1.104	Total employee benefits expense	9,803	11,655

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

13.5 Exceptional rectification costs

IAS 1.97

Costs of CU4.17 million have been recognised during the year in respect of rectification work to be carried out on goods supplied to one of the Group's major customers, which have been included in [cost of sales/cost of inventories and employee benefits expense]. The amount represents the estimated cost of work to be carried out in accordance with an agreed schedule of works up to 2011. CU1.112 million of the provision has been utilised in the current period, with a provision of CU3.058 million carried forward to meet anticipated expenditure in 2010 and 2011 (see note 35).

14. Earnings per share

Note: *IAS 33* Earnings per Share *requires that earnings per share (EPS) information be presented in the consolidated financial statements of a group with a parent (and in the separate or individual financial statements of an entity):*

- *whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets); or*
- *that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.*

Source		Year ended 31/12/09	Year ended 31/12/08
		Cents per share	Cents per share
	Basic earnings per share		
	From continuing operations	84.5	88.0
IAS 33.68	From discontinued operations	47.7	49.7
	Total basic earnings per share	132.2	137.7
	Diluted earnings per share		
	From continuing operations	74.0	84.0
IAS 33.68	From discontinued operations	41.5	47.3
	Total diluted earnings per share	115.5	131.3

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IAS 33.70(a)

14.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'00717
Profit for the year attributable to owners of the Company	23,041	27,717
Other [describe]	–	–
Earnings used in the calculation of total basic earnings per share	23,041	27,717
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	(8,310)	(9,995)
Other [describe]	–	–
Earnings used in the calculation of basic earnings per share from continuing operations	14,731	17,722

IAS 33.70(b)

	Year ended 31/12/09	Year ended 31/12/08
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	17,432	20,130

14.2 Diluted earnings per share

IAS 33.70(a)

The earnings used in the calculation of diluted earnings per share are as follows.

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000
Earnings used in the calculation of total basic earnings per share	23,041	27,717
Interest on convertible notes (after tax at 30%)	77	–
Earnings used in the calculation of total diluted earnings per share	23,118	27,717
Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	(8,310)	(9,995)
Other [describe]	–	–
Earnings used in the calculation of diluted earnings per share from continuing operations	14,808	17,722

IAS 33.70(b)

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows.

	Year ended 31/12/09	Year ended 31/12/08
	'000	'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	17,432	20,130
Shares deemed to be issued for no consideration in respect of:		
– employee options	161	85
– partly paid ordinary shares	923	900
– convertible notes	1,500	–
– other [describe]	–	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures)	20,016	21,115

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IAS 33.70(c)

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

	Year ended 31/12/09	Year ended 31/12/08
	'000	'000
[Describe]	–	–

14.3 Impact of changes in accounting policies

IAS 8.28(f)

Changes in the Group's accounting policies during the year are described in detail in note 2.1. To the extent that those changes have had an impact on results reported for 2009 and 2008, they have had an impact on the amounts reported for earnings per share.

The following table summarises that effect on both basic and diluted earnings per share.

	Effect on profit for the year from continuing operations		Effect on basic earnings per share		Effect on diluted earnings per share	
	Year ended 31/12/09	Year ended 31/12/08	Year ended 31/12/09	Year ended 31/12/08	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000	Cents per share	Cents per share	Cents per share	Cents per share
Changes in accounting policies relating to:						
– business combinations	(105)	–	(0.60)	–	(0.52)	–
– changes in interests in subsidiaries	(34)	–	(0.19)	–	(0.17)	–
– disposal of interests in associates	72	–	0.41	–	0.36	–
– customer loyalty programmes	(47)	(15)	(0.26)	(0.07)	(0.23)	(0.07)
– mail order catalogues	(8)	(5)	(0.04)	(0.02)	(0.04)	(0.02)
– investment property under construction	203	–	1.16	–	1.01	
– governments loans at below market rates of interest	–	–	–	–	–	
– reclassification and measurement of financial assets (IFRS 9)	55	153	0.27	0.76	0.26	0.72
	136	133	0.75	0.67	0.67	0.63

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

15. Property, plant and equipment

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Cost or valuation	148,229	173,407	188,006
Accumulated depreciation and impairment	(38,446)	(37,686)	(26,948)
	109,783	135,721	161,058
Freehold land	13,568	16,358	15,610
Buildings	8,132	11,204	11,108
Property under construction	–	1,510	1,313
Plant and equipment	88,055	106,487	132,775
IAS 17.31(a) Equipment under finance lease	28	162	252
	109,783	135,721	161,058

IAS 16.73(a)
IAS 16.73(d),(e)

	Freehold land at fair value	Buildings at fair value	Property under construction at cost	Plant and equipment at cost	Equipment under finance lease at cost	Total
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Cost or valuation						
Balance at 1 January 2008	15,610	12,659	1,313	157,794	630	188,006
Additions	–	1,008	197	10,657	40	11,902
Disposals	–	–	–	(25,788)	–	(25,788)
Acquisitions through business combinations	–	–	–	–	–	–
Reclassified as held for sale	–	–	–	–	–	–
Revaluation increase	1,608	37	–	–	–	1,645
Effect of foreign currency exchange differences	(860)	–	–	(1,498)	–	(2,358)
Other [describe]	–	–	–	–	–	–
Balance at 31 December 2008	16,358	13,704	1,510	141,165	670	173,407
Additions	–	–	–	22,983	–	22,983
Disposals	(1,439)	(1,200)	–	(12,401)	(624)	(15,664)
Transferred as consideration for acquisition of subsidiary	(400)					(400)
Derecognised on disposal of a subsidiary	–	–	–	(8,419)	–	(8,419)
Transferred to investment property	–	–	(1,510)	–	–	(1,510)
Acquisitions through business combinations	–	–	–	512	–	512
Reclassified as held for sale	(1,260)	(1,357)	–	(22,045)	–	(24,662)
Revaluation increase/(decrease)	–	–	–	–	–	–
Effect of foreign currency exchange differences	309	–	–	1,673	–	1,982
Other [describe]	–	–	–	–	–	–
Balance at 31 December 2009	13,568	11,147	–	123,468	46	148,229

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 16.73(a)
IAS 16.73(d),(e)

	Freehold land at fair value	Buildings at fair value	Property under construction at cost	Plant and equipment at cost	Equipment under finance lease at cost	Total
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Accumulated depreciation and impairment						
Balance at 1 January 2008	–	(1,551)	–	(25,019)	(378)	(26,948)
Eliminated on disposals of assets	–	–	–	4,610	–	4,610
Eliminated on revaluation	–	(2)	–	–	–	(2)
Eliminated on reclassification as held for sale	–	–	–	–	–	–
Impairment losses recognised in profit or loss	–	–	–	–	–	–
Reversals of impairment losses recognised in profit or loss	–	–	–	–	–	–
Depreciation expense	–	(947)	–	(14,717)	(130)	(15,794)
Effect of foreign currency exchange differences	–	–	–	448	–	448
Other [describe]	–	–	–	–	–	–
Balance at 31 December 2008	–	(2,500)	–	(34,678)	(508)	(37,686)
Eliminated on disposals of assets	–	106	–	3,602	500	4,208
Eliminated on disposal of a subsidiary	–	–	–	2,757	–	2,757
Eliminated on revaluation	–	–	–	–	–	–
Eliminated on reclassification as held for sale	–	153	–	6,305	–	6,458
Impairment losses recognised in profit or loss (IAS 36.126(a))	–	–	–	(1,204)	–	(1,204)
Reversals of impairment losses recognised in profit or loss (IAS 36.126(b))	–	–	–	–	–	–
Depreciation expense	–	(774)	–	(11,803)	(10)	(12,587)
Effect of foreign currency exchange differences	–	–	–	(392)	–	(392)
Other [describe]	–	–	–	–	–	–
Balance at 31 December 2009	–	(3,015)	–	(35,413)	(18)	(38,446)

15.1 Impairment losses recognised in the year

IAS 36.130(a) to (g)

During the year, the Group carried out a review of the recoverable amount of its manufacturing plant and equipment, having regard to the ongoing programme of modernisation and the introduction of new product lines. These assets are used in the Group's electronic equipment reportable segments. The review led to the recognition of an impairment loss of CU1.09 million, which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 9% per annum. The discount rate used when the recoverable amount of these assets was previously estimated in 2007 was 8% per annum.

IAS 36.131

Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to CU0.114 million. These losses are attributable to greater than anticipated wear and tear.

IAS 36.126(a)

The impairment losses have been included in the line item [other expenses/cost of sales] in the [statement of comprehensive income/income statement].

IAS 16.73(c)

The following useful lives are used in the calculation of depreciation.

Buildings	20 – 30 years
Leasehold improvements	5 – 7 years
Plant and equipment	5 – 15 years
Equipment under finance lease	5 years

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

15.2 Freehold land and buildings carried at fair value

IAS 16.77(a) to (d)

An independent valuation of the Group's land and buildings was performed by Messrs R & P Trent to determine the fair value of the land and buildings. The valuation, which conforms to International Valuation Standards, was determined by reference to discounted cash flows using a discount rate of 10%. The effective date of the valuation is 31 December 2009.

IAS 16.77(e)

Had the Group's land and buildings (other than land and buildings classified as held for sale or included in a disposal group) been measured on a historical cost basis, their carrying amount would have been as follows.

	31/12/09	31/12/08
	CU'000	CU'000
Freehold land	11,957	14,750
Buildings	9,455	12,460

15.3 Assets pledged as security

IAS 16.74(a)

Freehold land and buildings with a carrying amount of CU23 million approx (31 December 2008: CU28.8 million approx) have been pledged to secure borrowings of the Group (see note 32). The freehold land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

IFRS 7.14(a)

In addition, the Group's obligations under finance leases (see note 38) are secured by the lessors' title to the leased assets, which have a carrying amount of CU28,000 (31 December 2008: CU162,000).

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

16. Investment property

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Fair value of investment property	1,936	132	170

IAS 40.76

	2009	2008
	CU'000	CU'000
At fair value		
Balance at beginning of year	132	170
Additions through subsequent expenditure	10	12
Acquisitions through business combinations	–	–
Other acquisitions	–	–
Disposals	–	(58)
Transferred from property, plant and equipment	1,510	–
Other transfers	–	–
Property reclassified as held for sale	–	–
Gain/(loss) on property revaluation	297	8
Effect of foreign currency exchange differences	(13)	–
Other changes	–	–
Balance at end of year	1,936	132

Investment property under construction with a cost of CU1.51 million was transferred from property, plant and equipment to investment property following the adoption of the amendments to IAS 40 *Investment Property* resulting from *Improvements to IFRSs* issued in May 2008 (see note 2.1).

IAS 40.75(d),(e)

The fair value of the Group's investment property at 31 December 2009 has been arrived at on the basis of a valuation carried out at that date by Messrs R & P Trent, independent valuers not related to the Group. Messrs R & P Trent are members of the Institute of Valuers of A Land, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's investment property is held under freehold interests.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

17. Goodwill

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Cost	20,520	24,060	23,920
Accumulated impairment losses	(235)	–	–
	20,285	24,060	23,920

		2009	2008
		CU'000	CU'000
IFRS 3.B67(d)	*Cost*		
	Balance at beginning of year	24,060	23,920
	Additional amounts recognised from business combinations occurring during the year (note 44)	478	–
	Reduction arising from realisation of deferred tax assets not previously recognised	–	–
	Derecognised on disposal of a subsidiary (note 45)	(3,080)	–
	Reclassified as held for sale (note 12)	(1,147)	–
	Effect of foreign currency exchange differences	209	140
	Other [describe]	–	–
	Balance at end of year	20,520	24,060
	Accumulated impairment losses		
	Balance at beginning of year	–	–
IAS 36.126(a)	Impairment losses recognised in the year	(235)	–
	Derecognised on disposal of a subsidiary	–	–
	Classified as held for sale	–	–
	Effect of foreign currency exchange differences	–	–
	Balance at end of year	(235)	–

17.1 Impairment losses recognised in the year

IAS 36.130

At the end of the reporting period, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with certain of the Group's construction activities was impaired by CU235,000 (2008: nil). The recoverable amount of the construction activities was assessed by reference to the cash-generating unit's value in use. A discount factor of 10% per annum (2008: 9.5% per annum) was applied in the value in use model.

The main factor contributing to the impairment of the cash-generating unit was a change during the year in building regulations, requiring registration and certification of builders for government contracts, and the directors' decision not to register the Group's Murphy Construction operating unit for such purposes. The directors have decided to focus the Group's construction activities through the other operating units in Subthree Limited and have consequently determined to write off the goodwill directly related to the activities of Murphy Construction. No write-down of the carrying amounts of other assets in the cash-generating unit was necessary. The goodwill is included in the 'other' reportable segment disclosed in note 6.

The impairment loss has been included in the 'other expenses' line item in the [statement of comprehensive income/income statement].

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

17.2 Allocation of goodwill to cash-generating units

IAS 36.134, 135

Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

- Leisure goods – retail outlets
- Electronic equipment – internet sales
- Construction operations – Murphy Construction
- Construction operations – other.

Before recognition of impairment losses, the carrying amount of goodwill (other than goodwill classified as held for sale and goodwill relating to discontinued operations) was allocated to cash-generating units as follows.

	31/12/09	31/12/08
	CU'000	CU'000
Leisure goods – retail outlets	10,162	9,620
Electronic equipment – internet sales	8,623	8,478
Construction operations – Murphy Construction	235	235
Construction operations – other	1,500	1,500
	20,520	19,833

Leisure goods – retail outlets

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 10% per annum (2008: 9.5% per annum).

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 5% per annum growth rate which is the projected long-term average growth rate for the international leisure goods market. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Electronic equipment – internet sales

The recoverable amount of the 'electronic equipment – internet sales' segment and cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 10% per annum (2008: 9.5% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 11% per annum growth rate. This growth rate exceeds by 0.5 percentage points the long-term average growth rate for the international electronic equipment market. However, among other factors, the internet sales cash-generating unit benefits from the protection of a 20-year patent on the Series Z electronic equipment, granted in 2005, which is still acknowledged as one of the top models in the market. The directors believe that an 11% per annum growth rate is reasonable in the light of that patent, and of other products being developed, and their intention to focus the Group's operations in this market. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the 'electronic equipment – internet sales' carrying amount to exceed its recoverable amount.

Construction operations – Murphy Construction

The goodwill associated with Murphy Construction arose when that business was acquired by the Group in 2004. The business has continued to operate on a satisfactory basis, but without achieving any significant increase in market share. During the year, the government of A Land introduced new regulations requiring registration and certification of builders for government contracts. In the light of the decision to focus the Group's construction activities through the other operating units in Subthree Limited, the directors have decided not to register Murphy Construction for this purpose, which means that it has no prospects of obtaining future contracts. The directors have consequently determined to write off the goodwill directly related to Murphy Construction. No other write-down of the assets of Murphy Construction is considered necessary. Contracts in progress at the end of the year will be completed without loss to the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

Construction operations – other

The recoverable amount of the Group's remaining construction operations has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 10% per annum (2008: 9.5% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 8% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the construction market in A Land. The directors believe that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the construction operations carrying amount to exceed its recoverable amount.

The key assumptions used in the value in use calculations for the leisure goods and electronic equipment cash-generating units are as follows.

Budgeted market share	Average market share in the period immediately before the budget period, plus a growth of 1-2% of market share per year. The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with the directors' plans for focusing operations in these markets. The directors believe that the planned market share growth per year for the next five years is reasonably achievable.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements. This reflects past experience, except for efficiency improvements. The directors expect efficiency improvements of 3 – 5% per year to be reasonably achievable.
Raw materials price inflation	Forecast consumer price indices during the budget period for the countries from which raw materials are purchased. The values assigned to the key assumption are consistent with external sources of information.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

18. Other intangible assets

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Cost	21,070	21,064	20,706
Accumulated amortisation and impairment	(11,331)	(9,739)	(8,183)
	9,739	11,325	12,523

Source		Capitalised development	Patents	Trademarks	Licences	Total
		CU'000	CU'000	CU'000	CU'000	CU'000
IAS 38.118(c),(e)	*Cost*					
	Balance at 1 January 2008	3,230	5,825	4,711	6,940	20,706
	Additions	–	–	–	–	–
	Additions from internal developments	358	–	–	–	358
	Acquisitions through business combinations	–	–	–	–	–
	Disposals or classified as held for sale	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Other [describe]	–	–	–	–	–
	Balance at 31 December 2008	3,588	5,825	4,711	6,940	21,064
	Additions	–	–	–	–	–
	Additions from internal developments	6	–	–	–	6
	Acquisitions through business combinations	–	–	–	–	–
	Disposals or classified as held for sale	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Other [describe]	–	–	–	–	–
	Balance at 31 December 2009	3,594	5,825	4,711	6,940	21,070
	Accumulated amortisation and impairment					
	Balance at 1 January 2008	(1,000)	(874)	(3,533)	(2,776)	(8,183)
	Amortisation expense	(682)	(291)	(236)	(347)	(1,556)
	Disposals or classified as held for sale	–	–	–	–	–
IAS 36.130(b)	Impairment losses recognised in profit or loss	–	–	–	–	–
IAS 36.130(b)	Reversals of impairment losses recognised in profit or loss	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Other [describe]	–	–	–	–	–
	Balance at 31 December 2008	(1,682)	(1,165)	(3,769)	(3,123)	(9,739)
	Amortisation expense	(718)	(291)	(236)	(347)	(1,592)
	Disposals or classified as held for sale	–	–	–	–	–
IAS 36.130(b)	Impairment losses recognised in profit or loss	–	–	–	–	–
IAS 36.130(b)	Reversals of impairment losses recognised in profit or loss	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Other [describe]	–	–	–	–	–
	Balance at 31 December 2009	(2,400)	(1,456)	(4,005)	(3,470)	(11,331)

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IAS 38.118(d)

[The amortisation expense has been included in the line item 'depreciation and amortisation expense' in the statement of comprehensive income. / Of the amortisation recognised in the year, CU1.03 million (2008: CU0.98 million) has been included in marketing expenses and the remainder in 'other expenses' in the income statement.]

IAS 38.118(a)

The following useful lives are used in the calculation of amortisation.

Capitalised development	5 years
Patents	10-20 years
Trademarks	20 years
Licences	20 years

18.1 Significant intangible assets

IAS 38.122(b)

The Group holds a patent for the manufacture of its Series Z electronic equipment. The carrying amount of the patent of CU2.25 million (31 December 2008: CU2.4 million) will be fully amortised in 15 years (31 December 2008: 16 years).

19. Subsidiaries

Details of the Company's subsidiaries at 31 December 2009 are as follows.

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			31/12/09	31/12/08
Subzero Limited	Manufacture of toys	A Land	Nil	100%
Subone Limited	Manufacture of electronic equipment	A Land	90%	100%
Subtwo Limited	Manufacture of leisure goods	A Land	45%	45%
Subthree Limited	Construction of residential properties	A Land	100%	100%
Subfour Limited	Manufacture of leisure goods	B Land	70%	70%
Subfive Limited	Manufacture of electronic equipment	C Land	100%	100%
Subsix Limited	Financial	A Land	80%	Nil
Subseven Limited	Distribution	A Land	100%	Nil

During the period, the Group disposed of 10% of its interest in Subone Limited, reducing its continuing interest to 90%. The proceeds on disposal of CU213,000 were received in cash.

An amount of CU179,000 (being the proportionate share of the carrying amount of the net assets of Subone Limited) has been transferred to non-controlling interests (see note 31). The difference of CU34,000 between that amount and the consideration received has been credited to retained earnings (see note 30).

IAS 27.41(a)

Although the Company does not own more than half of the equity shares of Subtwo Limited, and consequently it does not control more than half of the voting power of those shares, it has the power to appoint and remove the majority of the board of directors and control of the entity is by the board. Consequently, Subtwo Limited is controlled by the Company and is consolidated in these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

20. Investments in associates

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			31/12/09	31/12/08
A Plus Limited (i)	Transport	M Land	35	35
B Plus Limited (ii)	Steel manufacturing	A Land	17	17
C Plus Limited (iii)	Finance	A Land	40	40
D Plus Limited (iv)	Transport	R Land	35	35

(i) Pursuant to a shareholder agreement, the Company has the right to cast 37% of the votes at shareholder meetings of A Plus Limited.

IAS 28.37(c)

(ii) Although the Group holds less than 20% of the equity shares of B Plus Limited, and it has less than 20% of the voting power in shareholder meetings, the Group exercises significant influence by virtue of its contractual right to appoint two directors to the board of directors of that company.

IAS 28.37(a)

(iii) The fair value of the Group's interest in C Plus Limited, which is listed on the stock exchange of A Land, is CU2.2 million (31 December 2008: CU2 million).

IAS 28.37(e)

(iv) The reporting date of D Plus Limited is 31 October. This was the reporting date established when that company was incorporated, and a change of reporting date is not permitted in R Land. For the purpose of applying the equity method of accounting, the financial statements of D Plus Limited for the year ended 31 October 2009 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2009.

IAS 28.37(b)

Summarised financial information in respect of the Group's associates is set out below.

	31/12/09	31/12/08
	CU'000	CU'000
Total assets	42,932	38,178
Total liabilities	(14,848)	(12,218)
Net assets	28,084	25,960
Group's share of net assets of associates (IAS 28.38)	7,402	7,270

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000
Total revenue	12,054	11,904
Total profit for the period	3,953	5,479
Group's share of profits of associates	1,186	1,589

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

In the prior year, the Group held a 40% interest in E Plus Limited and accounted for the investment as an associate. In December 2009, the Group transferred a 30% interest in E Plus Limited to a third party for proceeds of CU1.245 million (received in January 2010). The Group has retained the remaining 10% interest as an investment at FVTPL (note 22). This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.

	CU'000
Proceeds of disposal	1,245
Plus: fair value of investment retained (10%)	360
Less: carrying amount of investment on the date of loss of significant influence	(1,024)
Gain recognised	581

The gain recognised in the year comprises a realised profit of CU477,000 (being the proceeds of CU1.245 million less CU768,000 carrying amount of the interest disposed of) and an unrealised profit of CU104,000 (being the fair value less the carrying amount of the 10% interest retained).

A current tax expense of CU143,000 arose on the gain realised in the period, and a deferred tax expense of CU32,000 has been recognised in respect of the portion of the profit recognised that is not taxable until the remaining interest is disposed of.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

21. Joint ventures

IAS 31.56

The Group has the following significant interests in joint ventures:

(a) a 25 per cent share in the ownership of a property located in Central District, City A. The Group is entitled to a proportionate share of the rental income received and bears a proportionate share of the outgoings; and

(b) a 33.5 per cent equity shareholding with equivalent voting power in JV Electronics Limited, a joint venture established in C Land.

There has been no change in the Group's ownership or voting interests in these joint ventures for several years.

IAS 31.56

The following amounts are included in the Group financial statements as a result of the proportionate consolidation of JV Electronics Limited.

	31/12/09	31/12/08
	CU'000	CU'000
Current assets	1,800	1,850
Non-current assets	8,993	9,854
Current liabilities	936	785
Non-current liabilities	5,858	5,521

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000
Income	2,124	2,005
Expenses	1,787	1,763

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IFRS 7.7

22. Other financial assets

Source		31/12/09	31/12/08	01/01/08
		CU'000	CU'000	CU'000
IFRS 7.7	*Derivatives designated and effective as hedging instruments carried at fair value*			
	Foreign currency forward contracts	244	220	308
	Interest rate swaps	284	177	128
		528	397	436
IFRS 7.8(a)	*Financial assets mandatorily measured at fair value through profit or loss (FVTPL)*			
	Redeemable notes (i)	2,200	2,122	1,838
	Shares (ii)	360	–	–
	Asset-backed securities (iii)	219	309	315
	Derivatives that are not designated in hedge accounting relationships	–	–	–
	Non-derivative financial assets	539	738	424
		3,318	3,169	2,577
	Financial assets designated as at fair value through profit or loss (FVTPL)			
	[provide relevant details]	–	–	–
		–	–	–
IFRS 7.8(f)	*Financial assets measured at amortised cost*			
	Bills of exchange (iv)	5,405	4,015	4,066
	Debentures (v)	500	–	–
	Other asset-backed securities (vi)	235	235	235
	Loans to related parties (vii)	3,637	3,088	355
	Loans to other entities	–	–	–
		9,777	7,338	4,656
IFRS 7.8(h)	*Financial assets measured at fair value through other comprehensive income (FVTOCI)*			
IFRS 7.11A(c)	Shares (viii)	5,940	5,735	5,809
		5,940	5,735	5,809
		19,563	16,639	13,478
	Current	8,757	6,949	5,528
	Non-current	10,806	9,690	7,950
		19,563	16,639	13,478

IFRS 7.7

(i) The Group holds listed redeemable notes returning 7% per annum. The notes are redeemable at par value in 2011. The notes are issued by a single counterparty with an AA credit rating. The Group holds no collateral over this balance. The Group does not have the objective to hold the redeemable notes and receive the contractual cash flows over the instrument's life.

(ii) At 31 December 2009, the Group continues to hold a 10% interest in E Plus Limited, a former associate (see note 20) and a quoted entity.

(iii) Asset-backed securities represent investments in synthetic credit default obligations. The instruments are issued by an entity that invests in derivatives linked to the credit quality of a specified portfolio of corporate bonds rated A or above.

(iv) The Group holds bills of exchange returning a variable rate of interest. The weighted average interest rate on these securities is 7.10% per annum (2008: 7.0% per annum). The bills have maturity dates ranging between 3 to 18 months from the end of the reporting period. The counterparties have a minimum A credit rating. None of these assets is past due or impaired.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

(v) The debentures return interest of 6% per annum payable monthly, and mature in March 2010. The counterparties have a minimum B credit rating. None of these assets is past due or impaired.

(vi) Other asset-backed securities represent securities backed by underlying pools of auto-related loans. Of the contractually subordinated interest issued by the issuer the asset-backed securities held by the Group rank most senior.

IAS 24.17(b)

(vii) The Group has provided several of its key management personnel and a joint venture entity with short-term loans at rates comparable to the average commercial rate of interest. Further information about these loans is set out in note 43.

IFRS 7.11(a), (b)
IAS 28.37(d)

(viii) The Group holds 20% of the ordinary share capital of Rocket Corp Limited, a company involved in the refining and distribution of fuel products. The Group has increased its ownership interest from 19% to 20% during 2009 (2008: from 17% to 19%). The directors of the Group do not consider that the Group is able to exert significant influence over Rocket Corp Limited as the other 80% of the ordinary share capital is controlled by one shareholder, who also manages the day-to-day operations of that company. These shares are not held for trading (see note 3.24.3) and the Group has chosen to designate them as at FVTOCI as it intends to hold the investment for the medium to long-term as a strategic investment. The Group believes therefore that designating as at FVTOCI will provide a more meaningful presentation of its medium to long-term interest in its investment than fair valuing the interest through profit or loss.

IAS 1.77

23. Other assets

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Prepayments	–	–	–
Other [describe]	–	–	–
	–	–	–
Current	–	–	–
Non-current	–	–	–
	–	–	–

IAS 2.36(b)

24. Inventories

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Raw materials	9,972	10,322	8,619
Work in progress	4,490	4,354	4,270
Finished goods	16,751	14,306	16,799
	31,213	28,982	29,688

IAS 2.36(d)

The cost of inventories recognised as an expense during the period in respect of continuing operations was CU89.9 million (2008: CU91.9 million).

IAS 2.36(e),(f),(g)

The cost of inventories recognised as an expense includes CU2.34 million (2008: CU1.86 million) in respect of write-downs of inventory to net realisable value, and has been reduced by CU0.5 million (2008: CU0.4 million) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales prices in certain markets.

IAS 1.61

Inventories of CU1.29 million (31 December 2008: CU0.86 million) are expected to be recovered after more than twelve months.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

25. Trade and other receivables

Source		31/12/09	31/12/08	01/01/08
		CU'000	CU'000	CU'000
	Trade receivables	18,034	16,880	13,933
	Allowance for doubtful debts	(798)	(838)	(628)
		17,236	16,042	13,305
	Deferred sales proceeds			
	– toy manufacturing operations (note 45)	960	–	–
	– part disposal of E Plus Limited (note 20)	1,245	–	–
	Operating lease receivable	–	–	–
IAS 11.42(a)	Amounts due from customers under construction contracts (note 27)	240	230	697
	Other [describe]	54	20	–
		19,735	16,292	14,002

25.1 Trade receivables

Trade receivables disclosed above are classified as financial assets measured at amortised cost. All the amounts are classified as current assets. Fair value of trade and other receivables is disclosed in note 40.13.1.

IFRS 7.36(c), 37

The average credit period on sales of goods is 60 days. No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

IFRS 7. 34(c), 36(c)

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 80% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group. Of the trade receivables balance at the end of the year, CU6.9 million (31 December 2008: CU5.9 million) is due from Company A, the Group's largest customer (see notes 6.8 and 40.11). There are no other customers who represent more than 5% of the total balance of trade receivables.

IFRS 7.37(c)

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is more than 60 days outstanding) are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

IFRS 7.37(a)

Ageing of past due but not impaired

	31/12/09	31/12/08
	CU'000	CU'000
60-90 days	1,100	700
90-120 days	462	333
Total	1,562	1,033
Average age (days)	84	85

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IFRS 7.16

Movement in the allowance for doubtful debts

	Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
Balance at beginning of the year	838	628
Impairment losses recognised on receivables	63	430
Amounts written off during the year as uncollectible	–	(196)
Amounts recovered during the year	–	(24)
Impairment losses reversed	(103)	–
Foreign exchange translation gains and losses	–	–
Unwind of discount	–	–
Balance at end of the year (IFRS 7.20(e))	798	838

IFRS 7.33(a),(b)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

IFRS 7.37(b),(c)

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to CU63,000 (31 December 2008: CU52,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivable and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

IFRS 7.37(b)

Ageing of impaired trade receivables

	31/12/09 CU'000	31/12/08 CU'000
60-90 days	353	320
90-120 days	191	101
120+ days	654	717
Total	1,198	1,138

25.2 Transfer of financial assets

IFRS 7.13, 14(a)

During the period, the Group transferred CU1.052 million of trade receivables to an unrelated entity. As part of the transfer, the Group provided the transferee with a credit guarantee over the expected losses of those receivables. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 32). At the end of the reporting period, the carrying amount of the transferred short-term receivables, which have been pledged as security for the borrowing, is CU0.946 million. The carrying amount of the associated liability is CU0.923 million. The transferee is entitled to sell the trade receivables or deposit them as security for other loans.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

26. Finance lease receivables

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Current finance lease receivables	198	188	182
Non-current finance lease receivables	830	717	739
	1,028	905	921

26.1 Leasing arrangements

IAS 17.47(f)
IFRS 7.7

The Group enters into finance leasing arrangements for certain of its storage equipment. All leases are denominated in Currency Units. The average term of finance leases entered into is 4 years.

26.2 Amounts receivable under finance leases

IAS 17.47(a)

	Minimum lease payments		Present value of minimum lease payments	
	31/12/09	31/12/08	31/12/09	31/12/08
	CU'000	CU'000	CU'000	CU'000
Not later than one year	282	279	198	188
Later than one year and not later than five years	1,074	909	830	717
	1,356	1,188	1,028	905
Less unearned finance income (IAS 17.47(b))	(328)	(283)	n/a	n/a
Present value of minimum lease payments receivable	1,028	905	1,028	905
Allowance for uncollectible lease payments (IAS 17.47(d))	–	–	–	–
	1,028	905	1,028	905

IAS 17.47(c)

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at CU37,000 (31 December 2008: CU42,000).

IFRS 7.7

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 10.5% (31 December 2008: 11%) per annum.

IFRS 7.15

Finance lease receivable balances are secured over the storage equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

IFRS 7.36, 37

The maximum exposure to credit risk of finance lease receivables for the current and prior periods is the carrying amount of the receivables because the Group has no allowance for doubtful debts. The finance lease receivables in the current and prior periods are neither past due nor impaired.

26.3 Fair value

IFRS 7.25, 27

The fair value of finance lease receivables is estimated to be CU1,070,500 (31 December 2008: CU919,000) using an 8.5% (31 December 2008: 8.25%) discount rate based on a quoted five-year swap rate and adding a credit margin that reflects the secured nature of the receivables.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

27. Construction contracts

Source		31/12/09	31/12/08	01/01/08
		CU'000	CU'000	CU'000
	Contracts in progress			
IAS 11.40(a)	Construction costs incurred plus recognised profits less recognised losses to date	1,517	1,386	1,291
	Less: progress billings	(1,313)	(1,171)	(839)
		204	215	452
	Recognised and included in the financial statements as amounts due:			
IAS 11.42(a)	– from customers under construction contracts (note 25)	240	230	697
IAS 11.42(b)	– to customers under construction contracts (note 37)	(36)	(15)	(245)
		204	215	452

IAS 11.40(b),(c)

At 31 December 2009, retentions held by customers for contract work amounted to CU75,000 (31 December 2008: CU69,000). Advances received from customers for contract work amounted to CU14,000 (31 December 2008: nil).

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

Note: Notes 28 to 31 below set out detailed descriptions and reconciliations for each class of share capital and each component of equity, as required by IAS 1.79 and IAS 1.106. IAS 1 permits some flexibility regarding the level of detail presented in the statement of changes in equity (see pages 7 and 8) and these supporting notes. The Standard also allows that some of the details regarding components of other comprehensive income (income tax and reclassification adjustments) may be disclosed in the notes rather than in the statement of comprehensive income. Entities will determine the most appropriate presentation for their circumstances – electing to present much of the detail in the notes (as we have done in these model financial statements) ensures that the primary financial statements are not cluttered by unnecessary detail, but it does result in very detailed supporting notes.

Whichever presentation is selected, entities will need to ensure that the following requirements are met:

- *detailed reconciliations are required for each class of share capital (in the statement of changes in equity or in the notes);*
- *detailed reconciliations are required for each component of equity – separately disclosing the impact on each such component of (i) profit or loss, (ii) each component of other comprehensive income, and (iii) transactions with owners in their capacity as owners (in the statement of changes in equity or in the notes);*
- *the amount of income tax relating to each component of other comprehensive income should be disclosed (in the statement of comprehensive income or in the notes); and*
- *reclassification adjustments should be presented separately from the related component of other comprehensive income (in the statement of comprehensiive income or in the notes).*

28. Issued capital

Source		31/12/09	31/12/08	01/01/08
		CU'000	CU'000	CU'000
	Share capital	17,819	23,005	23,005
	Share premium	14,620	25,667	25,667
		32,439	48,672	48,672
	Issued capital comprises:			
IAS 1.79(a)	14,844,000 fully paid ordinary shares (31 December 2008 and 1 January 2008: 20,130,000)	29,469	45,797	45,797
IAS 1.79(a)	2,500,000 partly paid ordinary shares (31 December 2008 and 1 January 2008: 2,500,000)	1,775	1,775	1,775
IAS 1.79(a)	1,200,000 fully paid 10% convertible non-participating preference shares (31 December 2008 and 1 January 2008: 1,100,000)	1,195	1,100	1,100
		32,439	48,672	48,672

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IAS 1.79(a)

28.1 Fully paid ordinary shares

	Number of shares	Share capital	Share premium
	'000	CU'000	CU'000
Balance at 1 January 2008	20,130	20,130	25,667
Movements [describe]	–	–	–
Balance at 31 December 2008	20,130	20,130	25,667
Issue of shares under employee share option plan (note 42)	314	314	–
Issue of shares for consulting services	3	3	5
Share buy-back	(5,603)	(5,603)	(10,853)
Share buy-back costs	–	–	(277)
Income tax relating to share buy-back costs	–	–	83
Balance at 31 December 2009	14,844	14,844	14,625

Fully paid ordinary shares, which have a par value of CU1, carry one vote per share and carry a right to dividends.

IFRS 2.48

The fair value of shares issued for consulting services was determined by reference to the market rate for similar consulting services.

The shares bought back in the period were cancelled immediately.

IAS 1.79(a)

28.2 Partly paid ordinary shares

	Number of shares	Share capital	Share premium
	'000	CU'000	CU'000
Balance at 1 January 2008	2,500	1,775	–
Movements [describe]	–	–	–
Balance at 31 December 2008	2,500	1,775	–
Movements [describe]	–	–	
Balance at 31 December 2009	2,500	1,775	–

Partly paid ordinary shares, which have a par value of CU1, carry one vote per share but do not carry a right to dividends.

IAS 1.79(a)

28.3 Convertible non-participating preference shares

	Number of shares	Share capital	Share premium
	'000	CU'000	CU'000
Balance at 1 January 2008	1,100	1,100	–
Movements [describe]	–	–	–
Balance at 31 December 2008	1,100	1,100	–
Issue of shares	100	100	–
Share issue costs	–	–	(6)
Income tax relating to share issue costs	–	–	1
Balance at 31 December 2009	1,200	1,200	(5)

Convertible non-participating preference shares, which have a par value of CU1, are entitled to receive a discretionary 10% preference dividend before any dividends are declared to the ordinary shareholders. The convertible non-participating preference shares convert into ordinary shares on a one-for-one basis and are due for conversion on 1 November 2012. Convertible non-participating preference shares have no right to share in any surplus assets or profits and no voting rights.

28.4 Share options granted under the employee share option plan

IAS 1.79(a)

At 31 December 2009, executives and senior employees held options over 196,000 ordinary shares of the Company, of which 136,000 will expire on 30 March 2010 and 60,000 will expire on 28 September 2010. At 31 December 2008, executives and senior employees held options over 290,000 ordinary shares of the Company, of which 140,000 were due to expire on 30 March 2009 and 150,000 were due to expire on 29 September 2009. At 1 January 2008, no options had been granted under the employee share option plan.

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 42.

28.5 Redeemable cumulative preference shares

The redeemable cumulative preference shares issued by the Company have been classified as liabilities (see note 34).

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

29. Reserves

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
General	807	807	807
Properties revaluation	1,198	1,201	51
Investments revaluation	271	197	340
Equity-settled employee benefits	544	338	–
Cash flow hedging	317	278	258
Foreign currency translation	186	225	140
Option premium on convertible notes	592	–	–
Other [describe]	–	–	–
	3,915	3,046	1,596

IAS 1.106(d)

29.1 General reserve

	2009	2008
	CU'000	CU'000
Balance at beginning of year	807	807
Movements [describe]	–	–
Balance at end of year	807	807

IAS 1.79(b) The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

IAS 1.106(d)

29.2 Properties revaluation reserve

Source		2009	2008
		CU'000	CU'000
IAS 16.77(f)	Balance at beginning of year	1,201	51
	Increase arising on revaluation of properties	–	1,643
IAS 36.126(c)	Impairment losses	–	–
IAS 36.126(d)	Reversals of impairment losses	–	–
	Deferred tax liability arising on revaluation	–	(493)
	Reversal of deferred tax liability on revaluation	–	–
	Transferred to retained earnings	(3)	–
	Other [describe]	–	–
	Balance at end of year	1,198	1,201

IAS 1.79(b) The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings.

IAS 16.77(f) Distributions from the properties revaluation reserve can be made where they are in accordance with the requirements of the Company's constitution, the Corporations Act and relevant case law. Amounts may also be effectively distributed out of the properties revaluation reserve as part of a share buy-back. Generally, there is no restriction on the payment of 'bonus shares' out of the properties revaluation reserve. However, the payment of cash distributions out of the reserve is restricted by the terms of the Company's constitution. These restrictions do not apply to any amounts transferred to retained profits. The directors do not currently intend to make any distribution from the properties revaluation reserve.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 1.106(d)

29.3 Investments revaluation reserve

Source		2009	2008
		CU'000	CU'000
	Balance at beginning of year	197	470
	Effect of change in accounting policy for classification and measurement of financial assets (see note 2.1)	–	(130)
	Restated opening balance	197	340
IFRS 7.20(a)	Gain/(loss) arising on revaluation of financial assets at FVTOCI	106	(203)
	Income tax relating to gain/(loss) arising on revaluation of financial assets at	(32)	60
IFRS 7.11A(e)	Cumulative (gain)/loss transferred to retained earnings	–	–
	Balance at end of year	271	197

IAS 1.79(b)

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of investments in equity instruments that have been designated as at FVTOCI (see note 22).

IAS 1.106(d)

29.4 Equity-settled employee benefits reserve

	2009	2008
	CU'000	CU'000
Balance at beginning of year	338	–
Arising on share-based payments	206	338
Other [describe]	–	–
Balance at end of year	544	338

IAS 1.79(b)

The equity-settled employee benefits reserve relates to share options granted to employees under the employee share option plan. Further information about share-based payments to employees is set out in note 42.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 1.106(d)

29.5 Cash flow hedging reserve

Source		2009	2008
		CU'000	CU'000
	Balance at beginning of year	278	258
IFRS 7.23(c)	Gain/(loss) recognised on cash flow hedges		
	Forward foreign exchange contracts	209	(41)
	Interest rate swaps	227	357
	Currency swaps	–	–
	Income tax related to gains/losses recognised in other comprehensive income	(131)	(95)
IFRS 7.23(d)	Reclassified to profit or loss		
	Forward foreign exchange contracts	(3)	–
	Interest rate swaps	(120)	(86)
	Currency swaps	–	–
	Income tax related to amounts reclassified to profit or loss	37	26
IFRS 7.23(e)	Transferred to initial carrying amount of hedged item		
	Forward foreign exchange contracts	(257)	(201)
	Income tax related to amounts transferred to initial carrying amount of hedged item	77	60
	Other [describe]	–	–
	Balance at end of year	317	278

IAS 1.79(b)

The cash flow hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

IFRS 7.23(d)

Gains and losses reclassified from equity into profit or loss during the year are included in the following line items in the [statement of comprehensive income/income statement]:

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000
Revenue	–	–
Other income	–	–
Finance costs	(120)	(86)
Other expenses	(3)	
Income tax expense	37	26
Other [describe]	–	–
	(86)	(60)

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 1.106(d)

29.6 Foreign currency translation reserve

	2009	2008
	CU'000	CU'000
Balance at beginning of year	225	140
Exchange differences arising on translating the net assets of foreign operations	75	121
Deferred tax relating to gains arising on translating the net assets of foreign operations	(22)	(36)
Loss on hedging instrument designated as a hedge of the net assets of foreign operations	(12)	–
Deferred tax relating to loss on hedge of the net assets of foreign operations	4	–
Gain/loss reclassified to profit or loss on disposal of foreign operation	(166)	–
Income tax related to gain/loss reclassified on disposal of foreign operation	51	–
Gain/loss on hedging instrument reclassified to profit or loss on disposal of foreign operation	46	–
Income tax related to gain/loss on hedging instrument reclassified on disposal of foreign operation	(15)	–
Other [describe]	–	–
Balance at end of year	186	225

IAS 1.79(b)

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Currency Units) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

IAS 1.106(d)

29.7 Option premium on convertible notes

	2009	2008
	CU'000	CU'000
Balance at beginning of year	–	–
Recognition of option premium on issue of convertible notes	834	–
Related income tax	(242)	–
Balance at end of year	592	–

IAS 1.79(b)

The option premium on convertible notes represents the equity component (conversion rights) of the 4.5 million 5.5% convertible notes issued during the year (see note 33).

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 1.106(b),(d)

30. Retained earnings and dividends

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Retained earnings	111,180	95,292	74,054

		2009	2008
		CU'000	CU'000
	Balance at beginning of year	95,292	73,977
	Effect for change in accounting policy for classification and measurement of financial assets (see note 2.1)	–	230
	Effect of change in accounting policy for customer loyalty programmes (see note 2.1)	–	(61)
	Effect of change in accounting policy for mail order catalogues (see note 2.1)	–	(92)
	Restated opening balance	95,292	74,054
	Net profit attributable to members of the Company	23,041	27,717
	Difference arising on disposal of interest in Subone Limited (see note 19)	34	–
	Payment of dividends	(6,635)	(6,479)
	Share buy-back	(555)	–
	Related income tax	–	–
	Transfer from properties revaluation reserve	3	–
IFRS 7.11A(e)	Transfer from investment revaluation reserve (note 29.3)	–	–
	Other [describe]	–	–
	Balance at end of year	111,180	95,292

IAS 1.107

On 23 May 2009, a dividend of 32.1 cents per share (total dividend CU6.515 million) was paid to holders of fully paid ordinary shares. In May 2008, the dividend paid was 31.64 cents per share (total dividend CU6.369 million).

Dividends of 10 cents per share were paid on convertible non-participating preference shares during the year (2008: 10 cents per share) amounting to a total dividend of CU0.12 million (2008: CU0.11 million).

IAS 1.137(a)
IAS 10.13

In respect of the current year, the directors propose that a dividend of 26.31 cents per share will be paid to shareholders on 25 May 2010. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 21 April 2010. The total estimated dividend to be paid is CU3.905 million. The payment of this dividend will not have any tax consequences for the Group.

In addition, dividends of CU613,000 (2008: nil) have been paid on redeemable cumulative preference shares classified as liabilities (see note 34).

IAS 1.106(d)

31. Non-controlling interests

	2009	2008
	CU'000	CU'000
Balance at beginning of year	20,005	17,242
Share of profit for the year	4,000	2,763
Non-controlling interests arising on the acquisition of Subsix Limited (see note 44)	132	–
Additional non-controlling interests arising on disposal of interest in Subone Limited (see note 19)	179	–
Balance at end of year	24,316	20,005

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IFRS 7.8(f)

32. Borrowings

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Unsecured – at amortised cost			
Bank overdrafts	520	314	6,397
Bills of exchange (i)	358	916	1,490
Loans from:			
– related parties (ii)	12,917	34,124	49,380
– other entities (iii)	3,701	3,518	–
– government (iv)	2,610	–	–
Convertible notes (note 33)	4,144	–	–
Perpetual notes (v)	1,905	–	–
Other [describe]	–	–	–
	26,155	38,872	57,267
Secured – at amortised cost			
Bank overdrafts	18	64	2,124
Bank loans (vi)	14,982	17,404	–
Loans from other entities	575	649	1,809
Transferred receivables (vii)	923	–	–
Finance lease liabilities (viii) (note 38)	14	89	432
Other [describe]	–	–	–
	16,512	18,206	4,365
	42,667	57,078	61,632
Current	22,446	25,600	33,618
Non-current	20,221	31,478	28,014
	42,667	57,078	61,632

32.1 Summary of borrowing arrangements

IFRS 7.7

(i) Bills of exchange with a variable interest rate were issued in 2002. The current weighted average effective interest rate on the bills is 6.8% per annum (31 December 2008: 6.8%).

(ii) Amounts repayable to related parties of the Group. Interest of 8.0% – 8.2% per annum is charged on the outstanding loan balances (31 December 2008: 8.0% – 8.2%).

(iii) Fixed rate loans with a finance company with remaining maturity periods not exceeding 3 years (31 December 2008: 4 years). The weighted average effective interest rate on the loans is 8.15% per annum (31 December 2008: 8.10%). The Group hedges a portion of the loans for interest rate risk via an interest rate swap exchanging fixed rate interest for variable rate interest. The outstanding balance is adjusted for fair value movements in the hedged risk, being movements in the inter-bank rate in A Land.

(iv) On 17 December 2009, the Group received an interest-free loan of CU3 million from the government of A Land to finance staff training over a two-year period. The loan is repayable in full at the end of that two-year period. Using prevailing market interest rates for an equivalent loan of 7.2%, the fair value of the loan is estimated at CU2.61 million. The difference of CU390,000 between the gross proceeds and the fair value of the loan is the benefit derived from the interest-free loan and is recognised as deferred revenue (see note 41). Interest expenses will be recognised on this loan in 2010 (CU188,000) and 2011 (CU202,000).

(v) 2,500 6% perpetual notes were issued on 27 August 2009 at CU2.5 million principal value. Issue costs of CU0.595 million were incurred.

(vi) Secured by a mortgage over the Group's freehold land and buildings (see note 15). The weighted average effective interest rate on the bank loans is 8.30% per annum (31 December 2008: 8.32% per annum).

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

(vii) Secured by a charge over certain of the Group's trade receivables (see note 25).

(viii) Secured by the assets leased. The borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding 5 years.

32.2 Breach of loan agreement

IFRS 7.18

During 2009, the Group was late in paying interest for the first quarter on one of its loans with a carrying amount of CU5 million. The delay arose because of a temporary lack of funds on the date interest was payable due to a technical problem on settlement. The interest payment outstanding of CU107,500 was repaid in full on the following day, including the additional interest and penalty. The lender did not request accelerated repayment of the loan and the terms of the loan were not changed. Management has reviewed the Group's settlement procedures to ensure that such circumstances do not recur.

33. Convertible notes

IFRS 7.7

4.5 million 5.5% CU denominated convertible notes were issued by the Company on 1 September 2009 at an issue price of CU1.10 per note. Each note entitles the holder to convert to one ordinary share at a cost of CU3 per share. Conversion may occur at any time between 1 July 2012 and 31 August 2012. If the notes have not been converted, they will be redeemed on 1 September 2012 at CU1. Interest of 5.5% will be paid quarterly up until that settlement date.

IAS 32.28

The net proceeds received from the issue of the convertible notes have been split between the financial liability element and an equity component, representing the residual attributable to the option to convert the financial liability into equity of the Company, as follows.

	CU'000
Proceeds of issue	4,950
Liability component at date of issue	(4,116)
Equity component	834

The equity component of CU834,000 has been credited to equity (option premium on convertible notes – see note 29.7).

IFRS 7.7

The liability component is measured at amortised cost. The interest expense for the year (CU110,000) is calculated by applying an effective interest rate of 8% to the liability component for the four-month period since the loan notes were issued. Interest paid in the period since issue is CU82,000. The difference between the carrying amount of the liability component at the date of issue (CU4.116 million) and the amount reported in the statement of financial position at 31 December 2009 (CU 4.144 million) represents the effective interest rate less interest paid to that date.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

34. Other financial liabilities

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Financial guarantee contracts	24	18	–
Derivatives that are designated and effective as hedging instruments carried at fair value			
Foreign currency forward contracts	87	–	–
Interest rate swaps	5	–	–
Currency swaps	–	–	–
Other [describe]	–	–	–
	92	–	–
Financial liabilities carried at fair value through profit or loss (FVTPL)			
Non-derivative financial liabilities designated as at FVTPL (i)	14,875	–	–
Held for trading derivatives not designated in hedge accounting relationships (ii)	51	–	–
Held for trading non-derivative financial liabilities	–	–	–
	14,926	–	–
Other (contingent consideration) (iii)	75	–	–
	15,117	–	–
Current	116	18	
Non-current	15,001	–	–
	15,117	18	–

IFRS 7.8(e)

(i) 3,000,000 7% redeemable cumulative preference shares were issued on 1 June 2009 at an issue price of CU5 per share. The shares are redeemable on 31 May 2011 at CU5 per share. The shares are unsecured borrowings of the Group and are designated as at FVTPL (see below).

(ii) A pay-floating receive-fixed interest rate swap economically hedges fair value interest rate risk of redeemable cumulative preference shares.

The Group has designated its redeemable cumulative preference shares as financial liabilities at fair value through profit or loss (FVTPL) as permitted by IAS 39 *Financial Instruments: Recognition and Measurement*. The preference shares have fixed interest payments and mature on 31 May 2011. To reduce the fair value risk of changing interest rates, the Group has entered into a pay-floating receive-fixed interest rate swap. The swap's notional principal is CU15 million and matches the principal of the cumulative redeemable preference shares. The swap matures on 31 May 2011. The designation of preference shares as at FVTPL eliminates the accounting mismatch arising on measuring the liability at amortised cost and measuring the derivative at FVTPL.

(iii) Other financial liabilities include CU75,000 representing the estimated fair value of the contingent consideration relating to the acquisition of Subsix Limited (see note 44.2).

Notes to the consolidated financial statements
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35. Provisions

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Employee benefits (i)	1,334	4,388	4,027
Other provisions (see below)	4,316	1,038	2,310
	5,650	5,426	6,337
Current	3,356	3,195	2,235
Non-current	2,294	2,231	4,102
	5,650	5,426	6,337

Other provisions

Source		Rectification work (ii)	Warranties (iii)	Onerous leases (iv)	Total
		CU'000	CU'000	CU'000	CU'000
IAS 37.84(a)	Balance at 1 January 2009	–	295	743	1,038
IAS 37.84(b)	Additional provisions recognised	4,170	338	369	4,877
IAS 37.84(c)	Reductions arising from payments/other sacrifices of future economic benefits	(1,112)	(90)	(310)	(1,512)
IAS 37.84(d)	Reductions resulting from re-measurement or settlement without cost	–	(15)	(100)	(115)
IAS 37.84(e)	Unwinding of discount and effect of changes in the discount rate	–	–	28	28
	Other [describe]	–	–	–	–
IAS 37.84(a)	Balance at 31 December 2009	3,058	528	730	4,316

IAS 8.28(b),(c) In prior years, the Group also recognised a provision in respect of its obligations to customers under its Maxi-Points Scheme. As result of the adoption of IFRIC 13 *Customer Loyalty Programmes* (see note 2.1), that provision is no longer recognised. The financial statements have been adjusted retrospectively.

IFRS 3.B64(j) (i) The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees. On the acquisition of Subsix Limited, the Group recognised an additional contingent liability of CU45,000 in respect of employees' compensation claims outstanding against that company, which was settled in February 2010.

IAS 37.85(a),(b) (ii) The provision for rectification work relates to the estimated cost of work agreed to be carried out for the rectification of goods supplied to one of the Group's major customers (see note 13.5). Anticipated expenditure for 2010 is CU1.94 million, and for 2011 is CU1.118 million. These amounts have not been discounted for the purpose of measuring the provision for rectification work, because the effect is not material.

IAS 37.85(a),(b) (iii) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

IAS 37.85(a),(b) (iv) The provision for onerous lease contracts represents the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired terms of the leases range from 3 to 5 years.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

36. Other liabilities

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Lease incentives (note 48)	270	360	–
Other [describe]	–	5	–
	270	365	–
Current	90	95	–
Non-current	180	270	–
	270	365	–

37. Trade and other payables

Source		31/12/09	31/12/08	01/01/08
		CU'000	CU'000	CU'000
	Trade payables	16,337	21,205	52,505
IFRS 2.51(b)	Cash-settled share-based payments	–	–	–
IAS 11.42(b)	Amounts due to customers under construction contracts (see note 27)	36	15	245
	Other [describe]	–	–	–
		16,373	21,220	52,750

IFRS 7.7

The average credit period on purchases of certain goods from B Land is 4 months. No interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

38. Obligations under finance leases

38.1 Leasing arrangements

IAS 17.31(e)
IFRS 7.7

Finance leases relate to manufacturing equipment with lease terms of 5 years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

38.2 Finance lease liabilities

IAS 17.31(b)

	Minimum lease payments		Present value of minimum lease payments	
	31/12/09	31/12/08	31/12/09	31/12/08
	CU'000	CU'000	CU'000	CU'000
Not later than one year	10	58	9	54
Later than one year and not later than five years	6	44	5	35
Later than five years	–	–	–	–
	16	102	14	89
Less future finance charges	(2)	(13)	–	–
Present value of minimum lease payments	14	89	14	89

	31/12/09	31/12/08	01/01/2008
Included in the financial statements as:			
– current borrowings (note 32)	9	54	213
– non-current borrowings (note 32)	5	35	219
	14	89	432

38.3 Fair value

IFRS 7.25

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

39. Retirement benefit plans

39.1 Defined contribution plans

The Group operates defined contribution retirement benefit plans for all qualifying employees of its subsidiary in C Land. The assets of the plans are held separately from those of the Group in funds under the control of trustees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees of the Group's subsidiary in B Land are members of a state-managed retirement benefit plan operated by the government of B Land. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

IAS 19.46

The total expense recognised in the [statement of comprehensive income/income statement] of CU160,000 (2008: CU148,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2009, contributions of CU8,000 (2008: CU8,000) due in respect of the 2009 (2008) reporting period had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

39.2 Defined benefit plans

IAS 19.120A(b)

The Group operates funded defined benefit plans for qualifying employees of its subsidiaries in A Land. Under the plans, the employees are entitled to retirement benefits varying between 40% and 45% of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2009 by Mr. F.G. Ho, Fellow of the Institute of Actuaries of A Land. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

IAS 19.120A(n)

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	Valuation at	
	31/12/09	31/12/08
	%	%
Discount rate(s)	5.52	5.20
Expected return on plan assets	12.08	10.97
Expected rate(s) of salary increase	5.00	5.00
Expected return on reimbursement rights	–	–
Other [describe]	–	–

IAS 19.120A(g)

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows.

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000
Current service cost	1,068	442
Interest on obligation	164	137
Expected return on plan assets	(276)	(249)
Expected return on reimbursement rights	–	–
Actuarial (gains)/losses recognised in the year	(370)	226
Past service cost	–	–
Losses/(gains) arising from curtailments or settlements	–	–
Adjustments for restrictions on the defined benefit asset	–	–
	586	556

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 19.120A(g)

[The expense for the year is included in the employee benefits expense in the statement of comprehensive income./Of the expense for the year, CU412,000 (2008: CU402,000) has been included in the income statement as cost of sales and the remainder in administration expenses.]

IAS 19.120A(f)

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows.

Source		31/12/09	31/12/08	01/01/08
		CU'000	CU'000	CU'000
IAS 19.120A(d)	Present value of funded defined benefit obligation	5,905	5,808	5,814
	Fair value of plan assets	(4,202)	(4,326)	(4,788)
		1,703	1,482	1,026
IAS 19.120A(d)	Present value of unfunded defined benefit obligation	–	–	–
	Deficit	1,703	1,482	1,026
	Net actuarial losses not recognised	(873)	(1,098)	(230)
	Past service cost not yet recognised	(322)	(32)	(57)
	Restrictions on asset recognised	–	–	–
	Fair value of reimbursement rights recognised as an asset	–	–	–
	Other [describe]	–	–	–
	Net liability arising from defined benefit obligation	508	352	739

IAS 19.120A(c)

Movements in the present value of the defined benefit obligation in the current period were as follows.

	2009	2008
	CU'000	CU'000
Opening defined benefit obligation	5,808	5,814
Current service cost	1,068	442
Interest cost	164	137
Contributions from plan participants	–	–
Actuarial (gains)/losses	(150)	135
Past service cost	–	–
Losses/(gains) on curtailments	–	–
Liabilities extinguished on settlements	–	–
Liabilities assumed in a business combination	–	–
Exchange differences on foreign plans	–	–
Benefits paid	(985)	(720)
Other [describe]	–	–
Closing defined benefit obligation	5,905	5,808

IAS 19.120A(e)

Movements in the present value of the plan assets in the current period were as follows.

	2009	2008
	CU'000	CU'000
Opening fair value of plan assets	4,326	4,788
Expected return on plan assets	276	249
Actuarial gains/(losses)	220	(91)
Exchange differences on foreign plans	–	–
Contributions from the employer	140	100
Contributions from plan participants	–	–
Benefits paid	(760)	(720)
Assets acquired in a business combination	–	–
Assets distributed on settlements	–	–
Other [describe]	–	–
Closing fair value of plan assets	4,202	4,326

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 19.120A(j),(l)

The major categories of plan assets, and the expected rate of return at the end of the reporting period for each category, are as follows.

	Expected return		Fair value of plan assets	
	31/12/09	31/12/08	31/12/09	31/12/08
	%	%	CU'000	CU'000
Equity instruments	15.01	12.03	1,026	986
Debt instruments	9.59	7.49	1,980	1,850
Property	12.21	12.76	1,196	1,490
Other [describe]	–	–	–	–
Weighted average expected return	12.08	10.97	4,202	4,326

IAS 19.120A(l)

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation.

IAS 19.120A(m)

The actual return on plan assets was CU0.72 million (2008: CU0.354 million).

IAS 19.120A(k)

The plan assets include ordinary shares of International GAAP Holdings Limited with a fair value of CU0.38 million (31 December 2008: CU0.252 million) and property occupied by a subsidiary of International GAAP Holdings Limited with a fair value of CU0.62 million (31 December 2008: CU0.62 million).

IAS 19.120A(p)

The history of experience adjustments is as follows.

	31/12/09	31/12/08	31/12/07	31/12/06	31/12/05
	CU'000	CU'000	CU'000	CU'000	CU'000
Present value of defined benefit obligation	5,905	5,808	5,814	5,321	4,113
Fair value of plan assets	(4,202)	(4,326)	(4,788)	(4,418)	(3,298)
Deficit	1,703	1,482	1,026	903	815
Experience adjustments on plan liabilities	230	135	210	198	193
Experience adjustments on plan assets	220	(91)	156	163	148

IAS 19.120A(q)

The Group expects to make a contribution of CU0.18 million (2008: CU0.14 million) to the defined benefit plans during the next financial year.

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40. Financial instruments

Note: The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, by the significance of judgements and estimates made to the results and financial position, and the information provided to key management personnel.

IAS 1.134,135

40.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of net debt (borrowings as detailed in notes 32 and 34 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 28 to 31).

The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 20% – 25% determined as the proportion of net debt to equity. The gearing ratio at 31 December 2009 of 19.7% (see below) was at the lower end of the target range, and has returned to a more typical level of 23% since the end of the reporting period.

40.1.1 Gearing ratio

The gearing ratio at end of the reporting period was as follows.

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Debt (i)	57,542	57,078	61,632
Cash and bank balances	(23,621)	(19,778)	9,082
Net debt	33,921	37,300	52,550
Equity (ii)	171,850	167,015	141,564
Net debt to equity ratio	19.7%	22.3%	37.1%

(i) Debt is defined as long- and short-term borrowings (excluding derivatives and financial guarantee contracts), as described in notes 32 and 34.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

Notes to the consolidated financial statements
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IFRS 7.21

40.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

40.3 Categories of financial instruments

Source		31/12/09	31/12/08	01/01/08
		CU'000	CU'000	CU'000
	Financial assets			
IFRS 7.8(f)	Amortised cost			
	Cash and bank balances (including cash and bank balances in a disposal group held for sale)	23,621	19,778	9,082
	Trade and other receivables (note 25)	19,735	16,292	14,002
	Other amortised cost financial assets (note 22)	9,777	7,338	4,656
		53,133	43,408	27,740
	Fair value through profit or loss (FVTPL)			
IFRS 7.8(a)(ii)	Mandatorily classified as at FVTPL (note 22)	3,318	3,169	2,577
IFRS 7.8(a)(i)	Designated as at FVTPL (note 22)	–	–	–
	Derivative instruments in designated hedge accounting relationships (note 22)	528	397	436
		3,846	3,566	3,013
IFRS 7.8(h)	Fair value through other comprehensive income (FVTOCI) (note 22)	5,940	5,735	5,809
	Financial liabilities			
	Fair value through profit or loss			
IFRS 7.8(e)	Held for trading	–	–	–
IFRS 7.8(e)	Designated as at FVTPL (see 40.3.3 below) (note 34)	14,926	–	–
	Derivative instruments in designated hedge accounting relationships (note 34)	92	–	–
	Other – contingent consideration (note 34)	75	–	–
		15,093	–	–
IFRS 7.8(g)	Amortised cost			
	Trade and other payables (note 37)	16,373	21,220	52,750
	Other amortised cost financial liabilities (note 32)	42,667	57,078	61,632
		59,040	78,298	114,382
	Financial guarantee contracts (note 34)	24	18	–

40.3.1 Financial assets designated as at FVTPL

Source				
	Carrying amount of debt instruments designated as at FVTPL	–	–	–
IFRS 7.9(c)	Cumulative changes in fair value attributable to changes in credit risk	–	–	–
IFRS 7.9(c)	Changes in fair value attributable to changes in credit risk recognised during the period	–	–	–

IFRS 7.9(a)

At the end of the reporting period, there are no significant concentrations of credit risk for debt instruments designated at FVTPL. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such assets.

**Notes to the consolidated financial statements
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IFRS 7.9(b),(d)

40.3.2 Credit derivatives over debt instruments designated as at FVTPL

	31/12/09	31/12/08
	CU'000	CU'000
Opening fair value	–	–
Realised during the period	–	–
Change in fair value	–	–
Closing fair value	–	–

40.3.3 Financial liabilities designated as at FVTPL

Source		Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000
IFRS 7.10(a)	Changes in fair value attributable to changes in credit risk recognised during the period (i)	(20)	–

Source		31/12/09	31/12/08
		CU'000	CU'000
IFRS 7.10(a)	Cumulative changes in fair value attributable to changes in credit risk (i)	(20)	–
IFRS 7.10(b)	Difference between carrying amount and contractual amount at maturity:		
	– cumulative preference shares at fair value (note 34)	14 ,875	–
	– amount payable at maturity	15,000	–
		(125)	–

IFRS 7.11

(i) The change in fair value attributable to change in credit risk is calculated as the difference between total change in fair value of cumulative preference shares (CU125,000) and the change in fair value of preference shares due to change in market risk factors alone (CU105,000). The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding credit risk margin constant. The fair value of cumulative redeemable preference shares was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and by obtaining lender quotes for borrowings of similar maturity to estimate credit risk margin.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IFRS 7.441

40.4 Reclassification of financial assets at the date of iniitial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, 31 December 2009.

	Original measurement category IAS 39	New measurement category IFRS 9	Original carrying amount CU'000	New carrying amount CU'000
Foreign currency forward contract	Derivatives designated as hedging instruments	Derivatives designated as hedging instruments	244	244
Interest rate swaps	Derivatives designated as hedging instruments	Derivatives designated as hedging instruments	284	284
Non-derivative financial assets designated as at FVTPL	Financial assets at FVTPL	Financial assets at FVTPL	–	–
Derivatives that are not designated in hedge accounting relationships	Financial assets at FVTPL	Financial assets at FVTPL	–	–
Held for trading non-derivative financial assets	Financial assets at FVTPL	Financial assets at FVTPL	539	539
Bills of exchange	Held to maturity investments	Financial assets at amortised cost	5,405	5,405
Debentures	Held to maturity investments	Financial assets at amortised cost	500	500
Redeemable notes (i)	Available-for-sale investments	Financial assets at FVTPL	2,200	2,200
Shares	Available-for-sale investments	Financial assets at FVTOCI	5,940	5,940
Shares (ii)	Available-for-sale investments	Financial assets at FVTPL	360	360
Asset-backed securities (iii)	Held for trading financial assets at FVTPL	Financial assets at FVTPL	219	219
Other asset-backed securities (iv)	Held for trading financial assets at FVTPL	Financial assets at amortised cost	200	235
Loans to related parties	Loans and receivables	Financial assets at amortised cost	3,637	3,637
Loans to other entities	Loans and receivables	Financial assets at amortised cost	–	–
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	19,735	19,735
Cash and bank balances (including cash and bank balances in a disposal group held for sale)	Loans and receivables	Financial assets at amortised cost	23,621	23,621

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IFRS 7.44J

(i) Redeemable notes are debt instruments. They were reclassified from available-for-sale investments to financial assets at FVTPL because the objective of the Group's business model is not to hold these notes in order to collect their contractual cash flows. Therefore, they do not meet the criteria to be classified as at amortised cost in accordance with IFRS 9.

(ii) Investments in equity instruments are by default classified as at FVTPL. The entity has not chosen to designate these shares in E Plus Limited at FVTOCI.

(iii) Asset-backed securities are debt instruments. They were considered not to meet the criteria of IFRS 9 to be classified as at amortised cost because the contractual terms of these securities do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The asset-backed securities are synthetic credit-default obligations and therefore represent an interest in a pool of assets that include credit default swaps over a portfolio of corporate bonds rated A or above.

(iv) Other asset-backed securities are also debt instruments. They were considered to meet the criteria of IFRS 9 to be classified as at amortised cost because (i) the contractual terms of these securities do give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding as the asset-backed securities represent an interest in a pool of assets that include only auto-loans and the securities are the most senior contractually subordinated interests issued by the issuer, and (ii) the objective of the Group is to receive the contractual cash flows in accordance with the contractual terms of the instrument and not to sell the financial instrument.

IFRS 7.44I(c)

There were no financial assets that the Group previously had designated as at FVTPL under IAS 39 that were subject to reclassification on adoption of IFRS 9.

For more information on all other financial assets see note 22.

IFRS 7.31

40.5 Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

40.6 Market risk

IFRS 7.33

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 40.8 below) and interest rates (see 40.9 below). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of electronic equipment to B Land and C Land;
- interest rate swaps to mitigate the risk of rising interest rates; and
- forward foreign exchange contracts to hedge the exchange rate risk arising on translation of the Group's investment in foreign operation Subfour Limited, which has B Currency as its functional currency.

Market risk exposures are measured using value-at-risk (VaR) supplemented by sensitivity analysis.

IFRS 7.33(c)

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

IFRS 7.41

40.7 Value at Risk (VaR) analysis

The VaR measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

Historical VaR (99%, one-day) by risk type	Average		Minimum		Maximum		Year ended	
	2009	2008	2009	2008	2009	2008	31/12/09	31/12/08
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Foreign exchange	980	1,340	546	943	1,200	1,600	980	1,350
Interest rate	115	60	85	45	150	95	105	55
Diversification	(45)	(40)	–	–	–	–	(55)	(50)
Total VaR exposure	1,050	1,360					1,030	1,355

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in 40.8 below and for interest rate risk in 40.9 below.

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for the year ended 31 December 2009 – continued

40.8 Foreign currency risk management

IFRS 7.33, 34

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Liabilities		Assets	
	31/12/09	31/12/08	31/12/09	31/12/08
	CU'000	CU'000	CU'000	CU'000
Currency of B Land	6,297	7,469	1,574	1,671
Currency of C Land	186	135	–	–
Other	–	–	–	–

40.8.1 Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of B Land and the currency of C Land.

IFRS 7.34(a), 40(b)

The following table details the Group's sensitivity to a 10% increase and decrease in the CU against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the CU strengthens 10% against the relevant currency. For a 10% weakening of the CU against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

Source		Currency B impact		Currency C impact	
		2009	2008	2009	2008
		CU'000	CU'000	CU'000	CU'000
IFRS 7.40(a)	Profit or loss	834	1,792 (i)	134	257 (iii)
IFRS 7.40(a)	Other equity	962	1,232 (ii)	70	69 (iv)

(i) This is mainly attributable to the exposure outstanding on Currency B receivables and payables in the Group at the end of the reporting period.

(ii) This is as a result of the changes in fair value of derivative instruments designated as cash flow hedges and net investment hedges.

(iii) This is mainly attributable to the exposure to outstanding Currency C payables at the end of the reporting period.

(iv) This is mainly as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

IFRS 7.33(c)

The Group's sensitivity to foreign currency has decreased during the current period mainly due to the disposal of Currency B investments and the reduction in Currency B sales in the last quarter of the financial year which has resulted in lower Currency B denominated trade receivables.

IFRS 7.42

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the year. Currency B denominated sales are seasonal, with lower sales volumes in the last quarter of the financial year, resulting in a reduction in Currency B receivables at year end.

In addition, the change in equity due to a 10% change in the CU against all exchange rates for the translation of new investment hedging instruments would be a decrease of CU13,000 (2008: CU9,000). However, there would be no net effect on equity because there would be an offset in the currency translation of the foreign operation.

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40.8.2 Forward foreign exchange contracts

IFRS 7.22, 33, 34

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 70% to 80% of the exposure generated. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 6 months within 40% to 50% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

In the current year, the Group has designated certain forward contracts as a hedge of its net investment in Subfour Limited, which has B Currency as its functional currency. The Group's policy has been reviewed and, due to the increased volatility in B Currency, it was decided to hedge up to 50% of the net assets of the Subfour Limited for forward foreign currency risk arising on translation of the foreign operation. The Group utilises a rollover hedging strategy, using contracts with terms of up to 6 months. Upon the maturity of a forward contract, the Group enters into a new contract designated as a separate hedging relationship.

The following table details the forward foreign currency (FC) contracts outstanding at the end of the reporting period.

	Average exchange rate		Foreign currency		Notional value		Fair value	
Outstanding contracts	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
			FC'000	FC'000	CU'000	CU'000	CU'000	CU'000
Cash flow hedges								
Buy Currency B								
Less than 3 months	0.770	0.768	2,493	2,010	3,238	2,617	152	110
3 to 6 months	0.768	0.750	1,974	1,958	2,570	2,611	92	34
Sell Currency B								
Less than 3 months	0.780	0.769	982	1,028	1,259	1,337	(70)	26
Buy Currency C								
Less than 3 months	86.29	85.53	12,850	20,000	149	234	(5)	50
Net investment hedge								
Sell Currency B								
3 to 6 months	0.763	–	1,000	–	1,297	–	(12)	–
							157	220

Note: The table above provides an example of summary quantitative data about exposure to foreign exchange risks at the end of the reporting period that an entity may provide internally to key management personnel.

The Group has entered into contracts to supply electronic equipment to customers in B Land. The Group has entered into forward foreign exchange contracts (for terms not exceeding 3 months) to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges.

IFRS 7.23(a)

At 31 December 2009, the aggregate amount of losses under forward foreign exchange contracts deferred in the cash flow hedging reserve relating to the exposure on these anticipated future transactions is CU70,000 (2008: gains of CU26,000). It is anticipated that the sales will take place during the first 3 months of the next financial year at which time the amount deferred in equity will be reclassified to profit or loss.

The Group has entered into contracts to purchase raw materials from suppliers in B Land and C Land. The Group has entered into forward foreign exchange contracts (for terms not exceeding 6 months) to hedge the exchange rate risk arising from these anticipated future purchases, which are designated into cash flow hedges.

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IFRS 7.23(a)

At 31 December 2009, the aggregate amount of gains under forward foreign exchange contracts deferred in the cash flow hedging reserve relating to these anticipated future purchase transactions is CU239,000 (2008: unrealised gains of CU194,000). It is anticipated that the purchases will take place during the first 6 months of the next financial year at which time the amount deferred in equity will be included in the carrying amount of the raw materials. It is anticipated that the raw materials will be converted into inventory and sold within 12 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.

IFRS 7.23(b)

At the start of the third quarter of 2009, the Group reduced its forecasts on sales of electronic equipment to B Land due to increased local competition and higher shipping costs. The Group had previously hedged CU1.079 million of future sales of which CU97,000 are no longer expected to occur, and CU982,000 remain highly probable. Accordingly, the Group has reclassified CU3,000 of gains on foreign currency forward contracts relating to forecast transactions that are no longer expected to occur from the cash flow hedging reserve to profit or loss.

IFRS 7.24(c)

At 31 December 2009, no ineffectiveness has been recognised in profit or loss arising from hedging the net investment in Subfour Limited.

IFRS 7.33, 34

40.9 Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

40.9.1 Interest rate sensitivity analysis

IFRS 7.40(b)
IFRS 7.34(a)

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

IFRS 7.40(a)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would decrease/increase by CU62,000 (2008: decrease/increase by CU105,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and its investment in variable rate bills of exchange and fair value movements on its investments in debt instruments measured at FVTPL. There is no impact on other comprehensive income.

IFRS 7.33(c)

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments and the increase in interest rate swaps to swap floating rate debt to fixed.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

40.9.2 Interest rate swap contracts

IFRS 7.22, 33, 34

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

IFRS 7.34(a)

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Cash flow hedges

Outstanding receive floating pay fixed contracts	Average contracted fixed interest rate		Notional principal value		Fair value	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
	%	%	CU'000	CU'000	CU'000	CU'000
Less than 1 year	7.45	6.75	1,000	4,000	72	37
1 to 2 years	7.15	7.05	2,000	1,620	55	47
2 to 5 years	6.75	6.50	3,000	1,359	130	93
5 years +	7.05	–	1,000	–	27	–
			7,000	6,979	284	177

Note: The tables above provides an example of summary quantitative data about exposure to interest rate risks at the end of the reporting period that an entity may provide internally to key management personnel.

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the local interbank rate of A Land. The Group will settle the difference between the fixed and floating interest rate on a net basis.

IFRS 7.22, 23(a)

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

IFRS 7.34(a)

Fair value hedges

Outstanding receive fixed pay floating contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
	%	%	CU'000	CU'000	CU'000	CU'000
Less than 1 year	8.15	–	3,701	–	(5)	–
[describe]	–	–	–	–	–	–
			3,701	–	(5)	–
Held for trading interest rate swaps 1 to 2 years	7.5	–	15 ,000	–	(51)	–
[describe]	–	–	–	–	–	–
			15,000	–	(51)	–

Note: The table above provides an example of summary quantitative data about exposure to interest rate risks at the end of the reporting period that an entity may provide internally to key management personnel.

Notes to the consolidated financial statements
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IFRS 7.39(a)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the local interbank rate of A Land. The Group will settle the difference between the fixed and floating interest rate on a net basis.

IFRS 7.24(a)

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates. During the period, the hedge was 100% effective in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the loan was adjusted by CU5,000 which was included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

40.10 Other price risks

The Group is exposed to equity price risks arising from equity investments classified as at FVTPL and designated as at FVTOCI (see note 22).

40.10.1 Equity price sensitivity analysis

IFRS 7.40(b)

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

IFRS 7.40(a)

If equity prices had been 5% higher/lower:

IFRS 7.B27

- net profit for the year ended 31 December 2009 would increase/decrease by CU18,000 (2008: nil) as a result of changes in fair value of the equity investments classified as at FVTPL; and
- other equity reserves would increase/decrease by CU297,000 (2008: increase/decrease by CU286,000) as a result of the changes in fair value of equity investments designated as at FVTOCI.

IFRS 7.40(c)

The Group's sensitivity to equity prices has not changed significantly from the prior year.

IFRS 7.33, 34,B8

40.11 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Apart from Company A, the largest customer of the Group (see below and refer to notes 6.8 and 25.1), the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to Company A did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IFRS 7.36(a)

Except as detailed in the following table, the carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

40.11.1 Financial assets and other credit exposures

	Maximum credit risk	
	31/12/09	31/12/08
	CU'000	CU'000
Guarantee provided by a subsidiary to secure financing for a sister company controlled by the Group's overseas parent	18,000	15,000
Guarantee provided to bank on a jointly controlled entity's loan	–	–
Other [describe]	–	–

The Group does not hold any collateral or other credit enhancements to cover this credit risk.

IFRS 7.34(c)

The table below shows the credit limit and balance of 5 major counterparties at the end of the reporting period using the Standard and Poor's credit rating symbols.

			31/12/09		31/12/08	
Counterparty	Location	Rating	Credit limit	Carrying amount	Credit limit	Carrying amount
			CU'000	CU'000	CU'000	CU'000
Company A	Land A	AA	9,000	7,940	9,000	7,900
Company B	Land A	A	10,000	7,450	10,000	7,360
Company C	Land A	A	7,500	7,300	7,500	7,350
Company D	Land A	B	8,000	5,800	8,000	5,650
Company E	Land A	B	8,000	2,100	8,000	1,700
Company F	Land B	BB	800	750	800	700

40.12 Liquidity risk management

IFRS 7.33, 39(c)

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 14.12.2 below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

40.12.1 Liquidity and interest risk tables

IFRS 7.34, 35, 39(a)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Note: The tables below includes the weighted average effective interest rate and a reconciliation to the carrying amount in the statement of financial position as an example of summary quantitative data about exposure to interest rates at the end of the reporting period that an entity may provide internally to key management personnel.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
31 December 2009							
Non-interest bearing	–	3,247	13,126		3,000	–	19,373
Finance lease liability	7.00	1	2	7	6	–	16
Variable interest rate instruments	8.18	893	339	3,136	6,890	–	11,258
Fixed interest rate instruments	7.56	1,735	4,825	12,389	30,035	2,898	51,882
Financial guarantee contracts	–	2,000	–	–	–	–	2,000
		7,876	18,292	15,532	39,931	2,898	84,529
31 December 2008							
Non-interest bearing	–	5,038	16,182		–	–	21,220
Finance lease liability	7.00	5	10	43	44	–	102
Variable interest rate instruments	8.08	7,701	1,409	7,045	24,921	–	41,076
Fixed interest rate instruments	8.03	1,554	3,129	7,238	15,945	–	27,866
Financial guarantee contracts	–	1,600	–	–	–	–	1,600
		15,898	20,730	14,326	40,910	–	91,864

At the end of the reporting period, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

IFRS 7.B10(b)

The amounts included above for financial guarantee contracts are the maximum amounts the Goup could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

IFRS 7.B10(c)

The maximum amount the Group could be forced to settle under the financial guarantee contracts if the full guaranteed amount is claimed by the counterparty to the guarantee is CU2 million (2008: CU1.6 million).

**Notes to the consolidated financial statements
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IFRS 7.34, 35

The following table details the Group's expected cash flows for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual cash flows for the contractual maturities (or earlier expected maturities if the asset is prepayable) of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
31 December 2009							
Non-interest bearing	–	11,216	9,426	941	–	–	21,583
Variable interest rate instruments	5.75	20,979	1,367	3,944	2,448	–	28,738
Fixed interest rate instruments	7.38	42	85	2,815	2,681	–	5,623
		32,237	10,878	7,700	5,129	–	55,944
31 December 2008							
Non-interest bearing	–	8,493	8,516	248	–	–	17,257
Variable interest rate instruments	4.83	20,418	1,125	5,204	1,911	–	28,658
Fixed interest rate instruments	7.00	–	–	–	2,600	–	2,600
		28,911	9,641	5,452	4,511	–	48,515

IFRS 7.B10A(b)

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

IFRS 7.39(c)

The Group has access to financing facilities as described in note 40.12.2 below, of which CU9.268 million were unused at the end of the reporting period (2008: CU12.617million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Notes to the consolidated financial statements
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IFRS 7.39(b)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The undiscounted contractual cash flows are based on the contractual maturities of the derivatives.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	CU'000	CU'000	CU'000	CU'000	CU'000
31 December 2009					
Net settled:					
– interest rate swaps	11	50	205	302	121
– foreign exchange forward contracts	(5)	(21)	13	–	–
Gross settled:					
– foreign exchange forward contracts	12	35	–	–	–
– currency swaps	–	–	–	–	–
	18	64	218	302	121
31 December 2008					
Net settled:					
– interest rate swaps	7	18	22	160	82
– foreign exchange forward contracts	10	15	9	–	–
Gross settled:					
– foreign exchange forward contracts	65	132	21	–	–
– currency swaps	–	–	–	–	–
	82	165	52	160	82

40.12.2 Financing facilities

IAS 7.50(a)

	31/12/09	31/12/08
	CU'000	CU'000
Unsecured bank overdraft facility, reviewed annually and payable at call:		
– amount used	520	314
– amount unused	1,540	2,686
	2,060	3,000
Unsecured bill acceptance facility, reviewed annually:		
– amount used	358	916
– amount unused	1,142	1,184
	1,500	2,100
Secured bank overdraft facility:		
– amount used	18	64
– amount unused	982	936
	1,000	1,000
Secured bank loan facilities with various maturity dates through to 2011 and which may be extended by mutual agreement:		
– amount used	14,982	17,404
– amount unused	5,604	7,811
	20,586	25,215

Notes to the consolidated financial statements
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40.13 Fair value of financial instruments

40.13.1 Fair value of financial instruments measured at amortised cost

IFRS 7.25, 29(a)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	31/12/09		31/12/08	
	Carrying amount	Fair value	Carrying amount	Fair value
	CU'000	CU'000	CU'000	CU'000
Financial assets				
Financial assets measured at amortised cost:	**30,540**	**30,724**	**24,535**	**24,351**
– financial lease receivables (note 26)	1,028	1,102	905	898
– trade and other receivables (note 25)	19,735	19,692	16,292	16,195
– bills of exchange (note 22)	5,405	5,420	4,015	4,016
– debentures (note 22)	500	502	–	–
– other asset-backed securities (note 22)	235	200	235	200
– loans to related parties (note 22)	3,637	3,808	3,088	3,032
Financial liabilities				
Financial liabilities measured at amortised cost:	**59,040**	**53,600**	**78,298**	**71,137**
– financial lease payables (note 32)	14	16	89	80
– bills of exchange (note 32)	358	360	916	920
– convertible notes (note 32)	4,144	4,150	–	–
– perpetual notes (note 32)	1,905	2,500	–	–
– bank loans at fixed interest rate (note 32)	14,982	10,650	17,404	10,840
– loans from related parties (note 32)	12,917	11,800	34,124	33,900
– loans from other entities (note 32)	4,276	3,980	4,167	4,050
– interest-free loan from the government (note 32)	2,610	2,611	–	–
– other financial liabilities (note 32)	1,461	1,311	378	350
– trade and other payables (note 37)	16,373	16,222	21,220	20,997

40.13.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

IFRS 7.27

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes.

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

40.13.3 Fair value measurements recognised in the statement of financial position

IFRS 7.27B(a)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				31/12/09
	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Financial assets at FVTPL				
Derivative financial assets	–	528	–	**528**
Non-derivative financial assets	–	–	539	**539**
Redeemable notes	2,200	–	–	**2,200**
Shares	–	360	–	**360**
Asset-backed securities	–	–	219	**219**
Financial assets at FVTOCI				
Shares (unquoted equities)	–	–	5,940	**5,940**
Total	**2,200**	**888**	**6,698**	**9,786**
Financial liabilities at FVTPL				
Contingent consideration in a business combination	–	–	(75)	**(75)**
Other derivative financial liabilities	–	(143)	–	**(143)**
Financial liabilities designated at fair value through profit or loss	–	(14,875)	–	**(14,875)**
Total	–	**(15,018)**	**(75)**	**(15,093)**

IFRS 7.27B(b)

There were no transfers between Level 1 and 2 in the period.

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IFRS 7.27B(c)

Reconciliation of Level 3 fair value measurements of financial assets

	FVTOCI	FVTPL		Total
	Unquoted equities	Non-derivative financial assets	Asset-backed securities	
	2009 CU'000	2009 CU'000	2009 CU'000	2009 CU'000
Opening balance	5,735	738	309	6,782
Total gains or losses:				
– in profit or loss	–	(199)	(90)	(289)
– in other comprehensive income	106	–	–	106
Purchases	99	–	–	99
Issues	–	–	–	–
Settlements	–	–	–	–
Transfers out of level 3	–	–	–	–
Closing balance	5,940	539	219	6,698

The table above only includes financial assets. The only financial liabilities subsequently measured at fair value on Level 3 fair value measurement represent contingent consideration related to acquisition of Subsix Limited (see note 44.2). No gain or loss for the period related to this contingent consideration has been recognised in the [statement of comprehensive income/income statement].

IFRS 7.27B(d)

Of the total gains or losses for the period included in profit or loss, CU289,000 relates to non-derivative financial assets and asset-backed securities held at the end of the reporting period. Fair value gains or losses on these assets are included in 'Other gain and losses' (see note 8).

All gain and losses included in other comprehensive income relate to asset-based securities and unquoted equities held at the end of the reporting period and are reported as changes of 'Investment revaluation reserve' (see note 29.3).

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IFRS 7.27

40.13.4 Significant assumptions used in determining fair value of financial assets and liabilities

Redeemable cumulative preference shares

The interest rate used to discount cash flows was 7.43% based on the quoted swap rate for an 18 months loan of 7.15% and holding credit risk margin constant.

IFRS 7.27

Convertible notes

The fair value of the liability component of convertible notes is determined assuming redemption on 1 September 2012 and using a 7.95% interest rate based on a quoted swap rate of 6.8% for a 44 months loan and holding the credit risk margin constant.

IFRS 7.27B(e)

Unquoted shares

The financial statements include holdings in unquoted shares which are measured at fair value through other comprehensive income (notes 22 and 40.13.3). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. In determining the fair value, an earnings growth factor of 5.2% (31 December 2008: 4.9%) and a risk adjusted discount factor of 12.2% (31 December 2008: 11.9%) are used. If these inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the shares would decrease/increase by CU7,000 (31 December 2008: decrease/increase by CU8,000).

IFRS 7.27B(e)

Asset-backed securities

The financial statements include investments in synthetic credit default obligations. The issuer invests in financial assets that include writing credit default obligations over a referenced portfolio of corporate bonds rated A or above. These securities are measured at fair value through profit or loss (note 22). The fair value of the asset-backed securities is determined using valuation techniques based on the calculation of the present value of expected future cash flows of the assets. Inputs to these valuation techniques include some assumptions relating to both these securities and the underlying derivatives to which they are collateralised that are not supportable by observable market prices or rates (e.g. prepayment speeds and default rates of the underlying debt and loss severity based on collateral type).

The following table shows the sensitivity of fair values to reasonably possible alternative assumptions as at 31 December 2009:

	Reflected in other comprehensive income	
	Favourable change	Unfavourable change
	CU'000	CU'000
Asset-backed securities (at FVTPL)	69	(88)

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

41. Deferred revenue

IAS 20.39(b)

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Arising from customer loyalty programme (i)	184	147	104
Arising from government grant (ii)	390	–	–
	574	147	104
Current	355	52	63
Non-current	219	95	41
	574	147	104

(i) The deferred revenue arises in respect of the Group's Maxi-Points Scheme (see note 2.1).

(ii) The deferred revenue arises as a result of the benefit received from an interest-free government loan received in December 2009 (see note 32). The revenue will be offset against training costs to be incurred in 2010 (CU250,000) and 2011 (CU140,000).

IFRS 2.44

42. Share-based payments

42.1 Employee share option plan

IFRS 2.45(a)

The Group has an ownership-based compensation scheme for executives and senior employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees with more than five years service with the Group may be granted options to purchase ordinary shares at an exercise price of CU1.00 per ordinary share.

Each employee share option converts into one ordinary share of International GAAP Holdings Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the performance-based formula approved by shareholders at a previous annual general meeting and is subject to approval by the remuneration committee. The formula rewards executives and senior employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria from the following financial and customer service measures:

- improvement in share price
- improvement in net profit
- improvement in return to shareholders
- reduction in warranty claims
- results of client satisfaction surveys
- reduction in rate of staff turnover

The following share-based payment arrangements were in existence during the current and prior reporting periods.

Options series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
				CU	CU
(1) Issued 31 March 2008	140,000	31/03/08	30/03/09	1.00	1.15
(2) Issued 30 September 2008	150,000	30/09/08	29/09/09	1.00	1.18
(3) Issued 31 March 2009	160,000	31/03/09	30/03/10	1.00	1.20
(4) Issued 29 September 2009	60,000	29/09/09	28/09/10	1.00	1.05

All options vested on their date of issue and expire within twelve months of their issue, or one month of the resignation of the executive or senior employee, whichever is the earlier.

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42.2 Fair value of share options granted in the year

IFRS 2.46, 47(a)

The weighted average fair value of the share options granted during the financial year is CU1.16 (2008: CU1.17). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was two and a half times the exercise price.

Inputs into the model				Option series
	Series 1	Series 2	Series 3	Series 4
Grant date share price	2.64	2.67	2.69	2.53
Exercise price	1.00	1.00	1.00	1.00
Expected volatility	15.20%	15.40%	13.10%	13.50%
Option life	1 year	1 year	1 year	1 year
Dividend yield	13.27%	13.12%	13.00%	13.81%
Risk-free interest rate	5.13%	5.14%	5.50%	5.45%
Other [describe]	–	–	–	–

42.3 Movements in shares options during the period

IFRS 2.45(b)

The following reconciles the share options outstanding at the beginning and end of the year.

		2009		2008
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CU		CU
Balance at beginning of year	290,000	1.00	–	–
Granted during the year	220,000	1.00	290,000	1.00
Forfeited during the year	–	–	–	–
Exercised during the year	(314,000)	1.00	–	–
Expired during the year	–	–	–	–
Balance at end of year	196,000	1.00	290,000	1.00

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

42.4 Share options exercised during the year

IFRS 2.45(c)

The following share options were exercised during year.

Options series	Number exercised	Exercise date	Share price at exercise date
			CU
(1) Issued 31 March 2008	30,000	05/01/09	2.50
(1) Issued 31 March 2008	45,000	31/01/09	2.25
(1) Issued 31 March 2008	65,000	15/03/09	2.75
(2) Issued 30 September 2008	65,000	03/07/09	2.95
(2) Issued 30 September 2008	85,000	28/08/09	3.15
(3) Issued 31 March 2009	24,000	20/12/09	3.50
	314,000		

42.5 Share options outstanding at the end of the year

IFRS 2.45(d)

The share options outstanding at the end of the year had an exercise price of CU1.00 (2008: CU1.00), and a weighted average remaining contractual life of 145 days (2008: 184 days).

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

43. Related party transactions

IAS 24.12
IAS 1.138(c)

The immediate parent and ultimate controlling party respectively of the Group are X Holdings Limited (incorporated in M Land) and Y Holdings Limited (incorporated in N Land).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

43.1 Trading transactions

IAS 24.17,18

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Sales of goods		Purchases of goods	
	Year ended 31/12/09	Year ended 31/12/08	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000	CU'000	CU'000
X Holdings Limited	693	582	439	427
Subsidiaries of Y Holdings Limited	1,289	981	897	883
Associates	398	291	–	–

IAS 24.17,18

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties			Amounts owed to related parties		
	31/12/09	31/12/08	01/01/08	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
X Holdings Limited	209	197	255	231	139	179
Subsidiaries of Y Holdings Limited	398	293	184	149	78	115
Associates	29	142	–	–	–	–

IAS 24.21

Sales of goods to related parties were made at the Group's usual list prices, less average discounts of 5%. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

IAS 24.17

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

43.2 Loans to related parties

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Loans to key management personnel	656	107	355
Loans to a joint venture entity	2,981	2,981	–
	3,637	3,088	355

The Group has provided several of its key management personnel and a joint venture entity with short-term loans at rates comparable to the average commercial rate of interest.

IFRS 7.7, 34(c), 36(b), (c)

The loan to the joint venture entity is secured over the property, plant and equipment of the joint venture. The fair value of the collateral exceeds the carrying amount of the loan. The Group is not able to resell or repledge the collateral in the absence of default by the joint venture.

The loans to key management personnel are unsecured.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

43.3 Compensation of key management personnel

IAS 24.16

The remuneration of directors and other members of key management personnel during the year was as follows:

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000
Short-term benefits	1,368	1,027
Post-employment benefits	160	139
Other long-term benefits	115	176
Share-based payments	94	86
	1,737	1,428

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43.4 Other related party transactions

IAS 24.17,18

In addition to the above, X Holdings Limited performed certain administrative services for the Company, for which a management fee of CU0.18 million (2008: CU0.16 million) was charged and paid, being an appropriate allocation of costs incurred by relevant administrative departments.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued**

44. Business combinations

IFRS 3 B64(a) to (d)

44.1 Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
			(%)	CU'000
2009				
Subsix Limited	Financial	15/07/09	80	505
Subseven Limited	Distribution	30/11/09	100	687
				1,192

Subsix Limited was acquired so as to continue the expansion of the Group's leasing activities, and the acquisition of Subseven Limited has significantly improved the Group's distribution logistics.

2008	
[describe]	–
	–

Note: For clarity of presentation in these model financial statements, it has been assumed that there were no business combinations in the comparative period. If there had been a business combination in 2008, all of the disclosures illustrated would also be required for that prior year business combination.

IFRS 3.B66

The disclosures illustrated are also required for business combinations after the end of the reporting period but before the financial statements are authorised for issue unless the initial accounting for the acquisition is incomplete at the time the financial statements are authorised for issue. In such circumstances, the entity is required to describe which disclosures could not be made and the reasons why they could not be made.

IFRS 3.B64(f)

44.2 Consideration transferred

	Subsix Limited	Subseven Limited
	CU'000	CU'000
Cash	430	247
Transfer of land and buildings at fair value at date of acquisition	–	400
Contingent consideration arrangement (i)	75	–
Plus: effect of settlement of legal claim against Subseven Limited (ii)	–	40
Total (IAS 7.40(a))	505	687

IFRS 3.B64(g)

(i) The contingent consideration requires the Group to pay the vendors an additional CU300,000 if Subsix Limited's profit before interest and tax (PBIT) in each of the years 2010 and 2011 exceeds CU500,000. Subsix's PBIT for the past three years has been CU350,000 on average and the directors do not consider it probable that this payment will be required. CU75,000 represents the estimated fair value of this obligation.

IFRS 3.B64(l)

(ii) Prior to the acquisition of Subseven Limited, the Group was pursuing a legal claim against that company in respect of damage to goods in transit to a customer. Although the Group was confident of recovery, this amount has not previously been recognised as an asset. In line with the requirements of IFRS 3(2008), the Group has recognised the effective settlement of this legal claim on the acquisition of Subseven Limited by recognising CU40,000 (being the estimated fair value of the claim) as a gain in the [statement of comprehensive income/income statement] within the 'other gains and losses' line item. This has resulted in a corresponding increase in the consideration transferred.

IFRS 3.B64(m)

Acquisition-related costs amounting to CU145,000 (Subsix Limited: CU65,000; Subseven Limited: CU80,000) have been excluded from the consideration transferred and have been recognised as an expense in the period, within the 'other expenses' line item in the [statement of comprehensive income/income statement].

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IFRS 3.B64(i)

44.3 Assets acquired and liabilities assumed at the date of acquisition

IAS 7.40(d)

	Subsix Limited	Subseven Limited	Total
	CU'000	CU'000	CU'000
Current assets			
Cash and & cash equivalents	200	–	200
Trade and other receivables	87	105	192
Inventories	–	57	57
Non-current assets			
In-process research and development	–	–	–
Plant and equipment	143	369	512
Current liabilities			
Trade and other payables	(18)	(35)	(53)
Non-current liabilities			
Deferred tax liabilities	(17)	–	(17)
Contingent liabilities (note 35)	(45)	–	(45)
	350	496	846

IFRS 3.B67(a)

The initial accounting for the acquisition of Subsix Limited has only been provisionally determined at the end of the reporting period. For tax purposes, the tax values of Subsix's assets are required to be reset based on market values and other factors. At the date of finalisation of these financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely tax values. The market valuations obtained for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combination.

IFRS 3.B64(h)

The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value of CU87,000 (Subsix Limited) and CU105,000 (Subseven Limited) had gross contractual amounts of CU104,000 and CU120,000 respectively. The best estimate at acquisition date of the contractual cash flows not expected to be collected are CU10,000 (Subsix Limited) and CU8,000 (Subseven Limited).

44.4 Non-controlling interests

IFRS 3.B64(o)

The non-controlling interests (20%) in Subsix Limited recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to CU132,000. This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate range of 18% to 22%;
- assumed long-term sustainable growth rates of 3% to 5%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in Subsix Limited.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

44.5 Goodwill arising on acquisition

	Subsix Limited	Subseven Limited	Total
	CU'000	CU'000	CU'000
Consideration transferred	505	687	1,192
Plus: non-controlling interests	132	–	132
Less: fair value of identifiable net assets acquired	(350)	(496)	(846)
Goodwill arising on acquisition	287	191	478

IFRS 3.B64(e)

Goodwill arose in the acquisition of Subsix Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Subsix Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The Group also acquired the customer lists and customer relationships of Subseven Limited as part of the acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

IFRS 3.B64(k)

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

44.6 Net cash outflow on acquisition of subsidiaries

Source		Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000
IAS 7.40(b)	Consideration paid in cash	677	–
IAS 7.40(c)	Less: cash and cash equivalent balances acquired	(200)	–
		477	–

44.7 Impact of acquisitions on the results of the Group

IFRS 3.B64(q)

Included in the profit for the year is CU35,000 attributable to the additional business generated by Subsix Limited, and CU13,000 attributable to Subseven Limited. Revenue for the period includes CU2.3 million in respect of Subsix Limited and CU2.8 million in respect of Subseven Limited.

IFRS 3.61

Had these business combinations been effected at 1 January 2009, the revenue of the Group from continuing operations would have been CU145 million, and the profit for the year from continuing operations would have been CU19.7 million. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had Subsix Limited and Subseven Limited been acquired at the beginning of the current reporting period, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements;
- based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination; and
- excluded takeover defence costs of the acquiree as a one-off pre-acquisition transaction.

Notes to the consolidated financial statements for the year ended 31 December 2008 – continued

45. Disposal of subsidiary

On 30 November 2009, the Group disposed of Subzero Limited which carried out all of its toy manufacturing operations.

45.1 Consideration received

Source		Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000
IAS 7.40(b)	Consideration received in cash and cash equivalents	7,854	–
	Deferred sales proceeds (note 25)	960	–
IAS 7.40(a)	Total consideration received	8,814	–

45.2 Analysis of asset and liabilities over which control was lost

Source		Year ended 31/12/09	Year ended 31/12/08
IAS 7.40(d)		CU'000	CU'000
	Current assets		
	Cash and cash equivalents	288	–
	Trade receivables	1,034	–
	Inventories	2,716	–
	Non-current assets		
	Property, plant and equipment	5,662	–
	Goodwill	3,080	–
	Current liabilities		
	Payables	(973)	–
	Non-current liabilities		
	Borrowings	(4,342)	–
	Deferred tax liabilities	(471)	–
	Net assets disposed of	6,994	–

45.3 Gain on disposal of subsidiary

Source		Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000
	Consideration received	8,814	–
	Net assets disposed of	(6,994)	
	Non-controlling interests	–	–
	Cumulative exchange differences in respect of the net assets of the subsidiary and related hedging instruments reclassified from equity on loss of control of subsidiary	120	–
IAS 27.41(f)	Gain on disposal	1,940	–

IAS 27.41(f) — The gain on disposal is included in the profit for the year from discontinued operations in the [statement of comprehensive income/income statement] (see note 11).

Notes to the consolidated financial statements
for the year ended 31 December 2008 – continued

45.4 Net cash inflow on disposal of subsidiary

Source		Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000
	Consideration received in cash and cash equivalents	7,854	–
IAS 7.40(c)	Less: cash and cash equivalent balances disposed of	(288)	–
		7,566	–

IAS 7.45

46. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Cash and bank balances	23,446	19,778	9,082
Bank overdraft	(538)	(378)	(8,521)
	22,908	19,400	561
Cash and bank balances included in a disposal group held for sale	175	–	–
	23,083	19,400	561

IAS 7.43

47. Non-cash transactions

During the 2009 financial year, the Group entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- the Group disposed of property, plant and equipment with an aggregate fair value of CU0.4 million to acquire Subseven Limited as indicated in note 44;
- proceeds in respect of the Group's disposal of part of its interest in E Plus Limited and its entire interest in Subzero Limited (CU1.245 million and CU960,000 respectively – see notes 20 and 45) had not been received in cash at the end of the reporting period;
- share issue proceeds of CU8,000 were received in the form of consulting services, as described in note 28.1; and
- the Group acquired CU40,000 of equipment under a finance lease (2008: nil).

Notes to the consolidated financial statements
for the year ended 31 December 2008 – continued

48. Operating lease arrangements

48.1 The Group as lessee

48.1.1 Leasing arrangements

IAS 17.35(d)
IFRS 7.7

Operating leases relate to leases of land with lease terms of between 5 and 60 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

48.1.2 Payments recognised as an expense

Source		Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000
IAS 17.35(c)	Minimum lease payments	2,008	2,092
IAS 17.35(c)	Contingent rentals	–	–
IAS 17.35(c)	Sub-lease payments received	–	–
		2,008	2,092

IAS 17.35(a)

48.1.3 Non-cancellable operating lease commitments

	31/12/09	31/12/08
	CU'000	CU'000
Not later than 1 year	1,734	1,908
Later than 1 year and not later than 5 years	3,568	4,336
Later than 5 years	11,618	12,526
	16,920	18,770

48.1.4 Liabilities recognised in respect of non-cancellable operating leases

	31/12/09	31/12/08
	CU'000	CU'000
Onerous lease contracts (note 35)		
Current	305	408
Non-current	425	335
	730	743
Lease incentives (note 36)		
Current	90	90
Non-current	180	270
	270	360
	1,000	1,103

48.2 The Group as lessor

48.2.1 Leasing arrangements

IAS 17.56(c)

Operating leases relate to the investment property owned by the Group with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

IAS 40.75(f)

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to CU18,000 (2008: CU14,000). Direct operating expenses arising on the investment property in the period amounted to CU4,000 (2008: CU3,000).

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 17.56(a)

48.2.2 Non-cancellable operating lease receivables

	31/12/09	31/12/08
	CU'000	CU'000
Not later than 1 year	18	18
Later than 1 year and not longer than 5 years	54	72
Later than 5 years	–	–
	72	90

49. Commitments for expenditure

Source		31/12/09	31/12/08
		CU'000	CU'000
IAS 16.74(c)	Commitments for the acquisition of property, plant and equipment	4,856	6,010

IAS 40.75(h) In addition, the Group has entered into a contract for the management and maintenance of its investment property for the next 5 years, which will give rise to an annual expense of CU3,500.

IAS 31.55 The Group's share of the capital commitments of its jointly controlled entity, JV Electronics Limited, is as follows.

	31/12/09	31/12/08
	CU'000	CU'000
Commitments for the acquisition of property, plant and equipment	983	192

50. Contingent liabilities and contingent assets

Source		31/12/09	31/12/08
		CU'000	CU'000
	50.1 Contingent liabilities		
IAS 37.86(a)	Court proceedings (i)	–	–
IAS 31.54(a)	Contingent liabilities incurred by the Group arising from interests in joint ventures (ii)	110	116
IAS 28.40(a)	Group's share of associates' contingent liabilities (iii)	150	14

IAS 37.86(b)

(i) An entity in the Group is a defendant in a legal action involving the alleged failure of the entity to supply goods in accordance with the terms of contract. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including for costs) will be incurred. The legal claim is expected to be settled in the course of the next eighteen months.

(ii) A number of contingent liabilities have arisen as a result of the Group's interests in joint ventures. The amount disclosed represents the aggregate amount of such contingent liabilities for which the Group as an investor is liable. The extent to which an outflow of funds will be required is dependent on the future operations of the joint ventures being more or less favourable than currently expected. The Group is not contingently liable for the liabilities of other venturers in its joint ventures.

(iii) The amount disclosed represents the Group's share of contingent liabilities of associates. The extent to which an outflow of funds will be required is dependent on the future operations of the associates being more or less favourable than currently expected.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

50.2 Contingent assets

Source		31/12/09	31/12/08
		CU'000	CU'000
IAS 37.89	Faulty goods claim (iv)	140	–

(iv) A company in the Group has a claim outstanding against a supplier for the supply of faulty products. Based on negotiations to date, the directors believe that it is probable that their claim will be successful and that compensation of CU0.14 million will be recovered.

51. Events after the reporting period

IAS 10.21

On 18 January 2010, the premises of Subfive Limited were seriously damaged by fire. Insurance claims are in process, but the cost of refurbishment is currently expected to exceed the amount that will be reimbursed by CU8.3 million.

52. Approval of financial statements

IAS 10.17

The financial statements were approved by the board of directors and authorised for issue on 15 March 2010.

ISA 700 (Revised) – Global Version
INDEPENDENT AUDITOR'S REPORT

(APPROPRIATE ADDRESSEE)

We have audited the accompanying financial statements of International GAAP Holdings Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2009, and the [consolidated income statement,] consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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, the financial statements give a true and fair view of the financial position of International GAAP Holdings Limited and its subsidiaries as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu
15 March 2010

Note: The audit of the financial statements may be conducted in accordance with International Standards on Auditing (ISA) and/or applicable local auditing standards, making reference to local laws, auditing standards or regulations. The format of the report above is as specified by ISA 700 (Revised), The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements.

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iGAAP 2010: A guide to IFRS reporting	3rd edition (November 2009). A comprehensivie guide to the requirements of IFRSs.
IFRSs in your pocket	Published in several languages, this pocket-sized guide includes summaries of all IASB Standards and Interpretations, updates on agenda projects, and other IASB-related information.
IFRSs and US GAAP: A pocket comparison	A summary of the principal differences in pocket-sized format, including a status report as to what is being done about each difference.
Presentation and disclosure checklist	Checklist incorporating all of the presentation and disclosure requirements of IFRSs.
iGAAP 2009 Financial instruments: IAS 32, IAS 39 and IFRS 7 explained	5th edition (June 2009). Guidance on how to apply these complex Standards, including illustrative examples and interpretations.

Standard-specific guides:

- IFRS 1
- IFRS 2
- IFRS 3 & IAS 27
- IFRS 5
- IAS 34

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