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NZ IFRS (RDR)

Model Financial Statements

31 December 2013

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Deloitte New Zealand - NZ IFRS (RDR) Model Financial Statements

Welcome to the model financial statements of NZ IFRS RDR Holdings Limited Group for the year ended 31 December 2013. NZ IFRS RDR Holdings Limited is a fictional tier 2 for-profit New Zealand company applying NZ IFRS (RDR). These model financial statements do not provide guidance for public benefit entities (public sector or not for profit). Before using these model financial statements we encourage you to carefully consider the information below.

Keeping up to date with the various presentation and disclosure requirements of the New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') continues to be an ongoing challenge. With this in mind, these model financial statements have been designed by Deloitte to assist clients, partners and staff with the preparation of annual financial statements. They have been prepared as an illustrative example of general purpose financial statements of a tier 2 Group in accordance with the Financial Reporting Act 1993, the Companies Act 1993 and Standards and Interpretations approved by the External Reporting Board ('XRB') (as at 30 September 2014) for application for periods ending on or after 31 December 2013.

These model financial statements can be used by tier 2 for-profit entities to identify the required NZ IFRS (RDR) disclosures in Group financial statements for a December 2013 balance date, which are less extensive than full NZ IFRS. The Reduced Disclosure Regime provides exemptions from certain disclosures of full NZ IFRS. In some cases NZ IFRS RDR provides only a partial disclosure concession, or requires specific additional disclosures. These model financial statements also contain additional disclosures that are considered to be best practice, particularly where such disclosures are included in illustrative examples provided within a specific Standard.

Additional guidance has been included in these model financial statements in the commentary boxes. Where the guidance is specific to tier 2 entities only, it has been underlined. The additional guidance should be carefully assessed to ensure any partial disclosure concessions are accurately applied and additional disclosures are made where necessary.

XRB A1 provides guidance on entities moving between reporting tiers:

- For entities moving from full NZ IFRS (tier 1) to NZ IFRS (RDR) (tier 2) there are no recognition and measurement accounting policy changes. The key impact is reduced disclosure. Entities can also use our full NZ IFRS and NZ IFRS (RDR) model financial statements for transparency of what disclosures can be removed when moving from tier 1 to tier 2, as the full model financial statements distinguish the RDR content by way of shading.
- For entities moving from the Framework for Differential Reporting (tier 3) to NZ IFRS (RDR) (tier 2) there may be recognition and measurement accounting policy changes, along with changes in disclosure. For periods beginning:
  - before 1 April 2014, these entities will account for the change in accounting policies in accordance with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* and certain requirements in NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (to the extent that those requirements do not conflict with NZ IFRS 1).
  - on or after 1 April 2014, these entities will account for the change in accordance with NZ IFRS 1.

  Under NZ IFRS 1 entities have a number of measurement exemptions on transition to NZ IFRS (RDR), such as use of deemed cost. Entities should carefully review the requirements and concessions of NZ IFRS 1. NZ IFRS 1 also imposes additional disclosures of the impact of changes. These are not demonstrated in these model financial statements.
- For entities moving from old NZ GAAP (tier 4) to NZ IFRS (RDR) (tier 2) there may also be recognition and measurement accounting policy changes, along with changes in disclosure. These entities will account for the change in accordance with NZ IFRS 1, and should also carefully review the new requirements, concessions, and additional disclosures.

Using these model financial statements

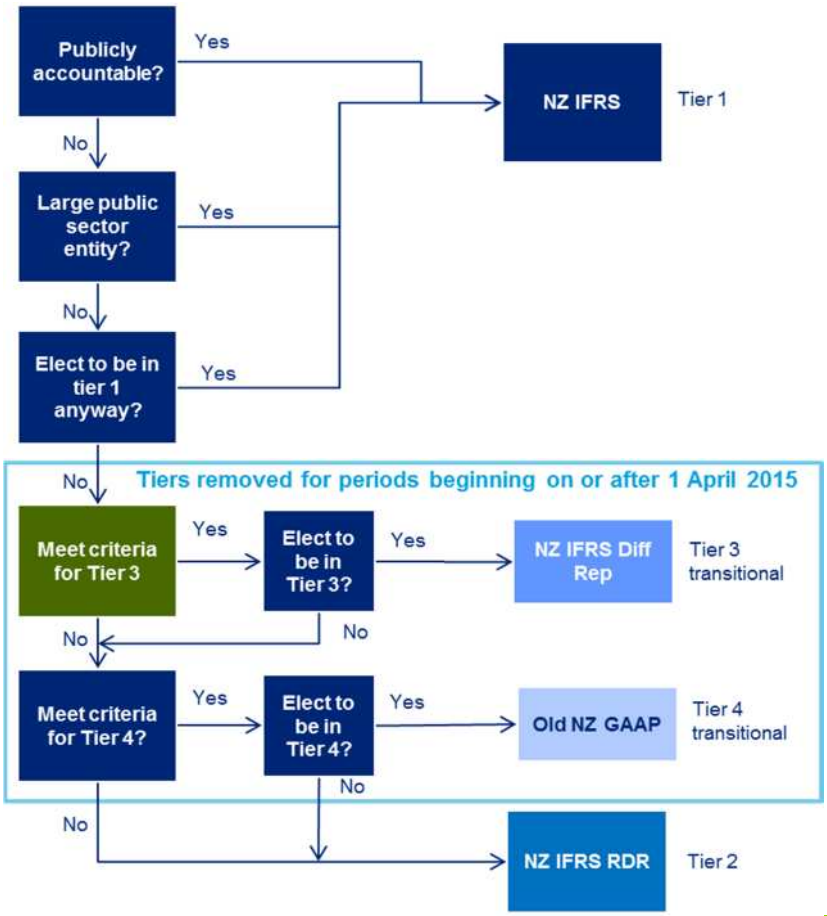
These model financial statements are not designed to meet the specific needs of specialised industries. Enquiries regarding specialised industries (e.g. life insurance companies, financial institutions, agriculture, etc.) should be directed to an industry specialist in your nearest Deloitte office. We see this publication as an illustration and strongly encourage preparers of financial statements to ensure that disclosures made are relevant, practical and useful.

Current accounting practices and applicable changes in financial reporting standards have been incorporated into these model financial statements at the time of publication. Due to the continually evolving nature of accounting practices it is important that the preparer of the annual report maintains an awareness of financial reporting developments and how these impact on the preparer's annual report.

Other useful tools and publications to assist in meeting the International Financial Reporting Standards ('IFRS') challenge can be found on Deloitte's New Zealand website www.deloitte.co.nz and Deloitte's global IFRS website www.iasplus.com which contains checklists and other useful IFRS publications.

What reporting tier applies?

Before using these model financial statements, preparers should ensure the reporting entity does fall into reporting tier 2. The following flow chart and guidance may be used to determine a reporting entity's tier, and therefore which accounting standards to apply:



Guidance Notes
Public accountability An entity has public accountability if: • its debt or equity instruments are traded (or about to be traded) in a public market, or • it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (e.g. banks, credit unions, insurance providers, securities brokers/dealers, mutual funds and investment banks), or • it is deemed to be publicly accountable in New Zealand. Includes issuers, registered banks, deposit takers, registered superannuation schemes. With effect from 1 April 2014, the definition of "deemed to be publicly accountable" has changed. An entity would be deemed to be publicly accountable in the New Zealand context if: o it is a FMC reporting entity or class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act (FMCA) 2013, or o it is an entity or class of entities that is considered to have a higher level of public accountability by a notice issued by the Financial Markets Authority (FMA) under section 461L(1(a) of the FMCA 2013.
Large public sector entity • For-profit entities that are public entities as defined in the Public Audit Act 2001. • Considered large if total expenses are over $30m, as recognised in accordance with NZ IFRS in profit or loss. This excludes items of other comprehensive income but includes income tax. Where items are allowed to be offset the net expense is included. Where the reporting entity is a group, total expenses is applied to the group including the parent and all of its subsidiaries/controlled entities.
Elects to be in Tier 1 Any entity can elect to be in Tier 1.
[Transitional Tier] Criteria for Tier 3 • Not publicly accountable, AND • At the end of the reporting period, all owners are members of the governing body, OR • The entity is not large (any two in excess of $20m income, $10m assets, 50 employees). • Note: if an entity's parent or ultimate controlling entity has the coercive power to tax, rate or levy, the entity may qualify only if they are not publicly accountable and not large.
[Transitional Tier] Criteria for Tier 4 • Was applying Old GAAP at 30 June 2011, or established on or after 1 July 2011, • Not publicly accountable, • Not required by section 19 of the Financial Reporting Act 1993 to file financial statements, and • Not large (any two in excess of $20m revenue, $10m assets, 50 employees).

New Zealand International Financial Reporting Standards - Tier 1 entities

Tier 1 entities should refer to our full NZ IFRS and NZ IFRS (RDR) model financial statements, which set out NZ IFRS requirements but also distinguish the RDR content by way of shading.

What's new?

In these 2013 model financial statements, we have illustrated a number of recent changes in financial reporting, effective for the first time for a December 2013 balance date, including:

- XRB A1 *Accounting Standards Framework (For-Profit Entities Update);*
- a package of five new and revised Standards on consolidation, joint arrangements, associates and disclosures, comprising:
  - NZ IFRS 10 *Consolidated Financial Statements;*
  - NZ IFRS 11 *Joint Arrangements*;
  - NZ IFRS 12 *Disclosure of Interests in Other Entities;*
  - NZ IAS 27 *Separate Financial Statements* (as revised in 2011);
  - NZ IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011); and
  - Amendments to NZ IFRS 10, NZ IFRS 11 and NZ IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance;*
- NZ IFRS 13 *Fair Value Measurement*;
- NZ IAS 19 *Employee Benefits* (as revised in 2011);
- Amendments to NZ IFRS 7 *Disclosures–Offsetting Financial Assets and Financial Liabilities*;
- Amendments to NZ IAS 1 *Presentation of Items of Other Comprehensive Income* (effective for accounting periods that begin on or after 1 July 2012); and
- *Annual Improvements to NZ IFRSs 2009 - 2011 Cycle.*

Extensive disclosures are required by some of the above new and revised NZ IFRSs (e.g. NZ IFRS 12). The model financial statements illustrate some of the disclosure requirements to the extent that they are applicable. For full details of the disclosure and presentation requirements of the above new and revised NZ IFRSs, readers should refer to Deloitte's 2013 *IFRS Compliance, Presentation and Disclosure Checklist*. The checklist can be downloaded from Deloitte's web site www.iasplus.com. Later versions of the checklists are also available online.

New Zealand tailoring required

These model financial statements are based on the Deloitte global IFRS model financial statements for a fictional entity, domiciled in a fictional country (A Land, which has a tax rate of 30% which differs from New Zealand) and with a fictional currency (CU).

We have added the NZ specific requirements of FRS 44 *New Zealand Additional Disclosures.*

These model financial statements demonstrate disclosure for the group only. The New Zealand Financial Reporting Act 1993 currently also requires financial statements for the Parent entity, although for periods beginning on or after 1 April 2014 there is no longer a requirement for companies and issuers (when they become FMC reporting entities under the Financial Markets Conducts Act 2013) to prepare parent financial statements when group financial statements are already provided.

Entities will need to tailor their disclosures to the NZ environment.

Alternative treatments permitted

For the purposes of presenting the statement of profit and loss and statement of profit and loss and other comprehensive income, some of the various alternatives allowed under NZ IFRS for those statements have been illustrated. Preparers should select the alternatives most appropriate to their circumstances.

A number of NZ IFRS permit entities to choose between alternative treatments. The accounting policies selected for these model financial statements are set out in the notes to the financial statements.

Amounts Presented

The amounts presented in these model financial statements are not intended to represent a reflection of the commercial and economic environment at 31 December 2013. Accordingly foreign exchange rates, interest rates (etc.) should not be considered to be a reasonable reflection of actual rates at 31 December 2013.

Nil balances

Note that in these model financial statements we have frequently included line items for which a nil amount is shown to illustrate items that, although not applicable to NZ IFRS RDR 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.

Source references

Suggested disclosures are cross referenced to the underlying requirements of the relevant legislation and NZ IFRS in the left hand column of each page of these model financial statements (either in the row of the disclosure item itself, or at the top of the section/table).

If a disclosure is required by more than one source, but not all sources are the subject of an RDR disclosure concession, then the disclosure content has been included in these model financial statements. Where doubt exists as to the appropriate treatment examination of the source of the disclosure requirement is recommended.

Abbreviation/Term	What it stands for
Co Act	Companies Act 1993.
FRA	Financial Reporting Act 1993.
FRS	Financial Reporting Standard.
GAAP	Generally Accepted Accounting Practice.
IAS	International Accounting Standard.
IASB	International Accounting Standards Board.
IFRIC	International Financial Reporting Interpretations Committee of the IASB. Also used to refer to the interpretations issued by this committee.
IFRS	International Financial Reporting Standards. IFRS incorporates IAS (inherited by the IASB from its predecessor body the IASC), IFRS (issued by the IASB) and the interpretations of both types of standards (SICs, IFRICs).
NZICA	New Zealand Institute of Chartered Accountants.
NZ IAS	New Zealand equivalents to International Accounting Standards.
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards. Full NZ IFRS applies to tier 1 for-profit entities (see XRB A1 below).
NZ IFRS (RDR)	NZ IFRS Reduced Disclosure Regime. NZ IFRS (RDR) applies to tier 2 for-profit entities (see XRB A1 below).
SIC	Interpretation(s) issued by the Standing Interpretations Committee of the IASC, the predecessor committee to the IFRIC.
Tier 1 Entity	An entity which reports under full NZ IFRS (see XRB A1 below).
Tier 2 Entity	An entity which qualifies for reduced disclosure reporting concessions, and reports under NZ IFRS (RDR) (see XRB A1 below).
XRB	External Reporting Board.
XRB A1	The XRB issued a General (Accounting) Standard XRB A1: Accounting Standards Framework, which has been regularly updated as phases of the New Framework were finalised. The for-profit entities section includes a suite of standards, comprising NZ IFRS and NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR). XRB A1 sets out the tiers for reporting, the standards that apply to each tier and the requirements for transitioning between tiers.

NZ IFRS applicable on or after 1 January 2013

The following is a list of pronouncements which have been approved by the XRB as at 30 September 2014, have been through the XRB's publication process and are effective for reporting periods beginning on or after 1 January 2013. The standards are listed in numeric sequence, beginning with the IFRS-equivalent standards followed by the IAS-equivalent standards and the New Zealand specific standards.

Reference	Title
XRB A1	*Accounting Standards Framework (For-Profit Entities Update)*
NZ IFRS 1	*First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*
NZ IFRS 2	*Share-based Payment*
NZ IFRS 3	*Business Combinations*
NZ IFRS 4	*Insurance Contracts*
NZ IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*
NZ IFRS 6	*Exploration for and Evaluation of Mineral Resources*
NZ IFRS 7	*Financial Instruments: Disclosures*
NZ IFRS 8	*Operating Segments*
NZ IFRS 9	*Financial Instruments (effective for periods beginning on or after 1 January 2018)*
NZ IFRS 10	*Consolidated Financial Statements*
NZ IFRS 11	*Joint Arrangements*
NZ IFRS 12	*Disclosure of Interests in Other Entities*
NZ IFRS 13	*Fair Value Measurement*
NZ IFRS 14	*Regulatory Deferral Accounts (effective for periods beginning on or after 1 January 2016)*
NZ IFRS 15	*Revenue from Contracts with Customers (effective for periods beginning on or after 1 January 2017)*
NZ IAS 1	*Presentation of Financial Statements (revised 2011)*
NZ IAS 2	*Inventories*
NZ IAS 7	*Statement of Cash Flows*
NZ IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*
NZ IAS 10	*Events After the Reporting Period*
NZ IAS 11	*Construction Contracts*
NZ IAS 12	*Income Taxes*
NZ IAS 16	*Property, Plant and Equipment*
NZ IAS 17	*Leases*
NZ IAS 18	*Revenue*
NZ IAS 19	*Employee Benefits (revised 2011)*
NZ IAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*
NZ IAS 21	*The Effects of Changes in Foreign Exchange Rates*
NZ IAS 23	*Borrowing Costs*
NZ IAS 24	*Related Party Disclosures*
NZ IAS 26	*Accounting and Reporting by Retirement Benefit Plans*
NZ IAS 27	*Consolidated and Separate Financial Statements (revised 2011)*
NZ IAS 28	*Investments in Associates and Joint Ventures (revised 2011)*
NZ IAS 29	*Financial Reporting in Hyperinflationary Economies*
NZ IAS 32	*Financial Instruments: Presentation*
NZ IAS 33	*Earnings per Share*
NZ IAS 34	*Interim Financial Reporting*
NZ IAS 36	*Impairment of Assets*
NZ IAS 37	*Provisions, Contingent Liabilities and Contingent Assets*
NZ IAS 38	*Intangible Assets*
NZ IAS 39	*Financial Instruments: Recognition and Measurement*
NZ IAS 40	*Investment Property*
NZ IAS 41	*Agriculture*
FRS 42	*Prospective Financial Statements*
FRS 43	*Summary Financial Statements*
FRS 44	*New Zealand Additional Disclosures*

Interpretations

The Interpretations are listed in numeric sequence, beginning with the IFRIC equivalent interpretations followed by the SIC equivalent interpretations.

Reference	Title
NZ IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*
NZ IFRIC 2	*Members' Shares in Co-operative Entities and Similar Instruments*
NZ IFRIC 4	*Determining whether an Arrangement contains a Lease*
NZ IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
NZ IFRIC 6	*Liabilities arising from Participation in a Specific Market - Waste Electrical and Electronic Equipment*
NZ IFRIC 7	*Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies*
NZ IFRIC 9	*Reassessment of Embedded Derivatives*
NZ IFRIC 10	*Interim Financial Reporting and Impairment*
NZ IFRIC 12	*Service Concession Arrangements*
NZ IFRIC 13	*Customer Loyalty Programmes*
NZ IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
NZ IFRIC 15	*Agreements for the Construction of Real Estate*
NZ IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*
NZ IFRIC 17	*Distributions of Non-cash Assets to Owners*
NZ IFRIC 18	*Transfers of Assets from Customers*
NZ IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
NZ IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
NZ IFRIC 21	*Levies (effective for periods beginning on or after 1 January 2014)*
NZ SIC 7	*Introduction of the Euro*
NZ SIC 10	*Government Assistance – No Specific Relation to Operating Activities*
NZ SIC 15	*Operating Leases – Incentives*
NZ SIC 25	*Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*
NZ SIC 27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*
NZ SIC 29	*Service Concession Arrangements: Disclosures*
NZ SIC 31	*Revenue – Barter Transactions Involving Advertising Services*
NZ SIC 32	*Intangible Assets – Web Site Costs*

Exclusions

These model financial statements do not, and cannot be expected to cover all situations that may be encountered in practice. Therefore, knowledge of the disclosure provisions of the relevant legislation and NZ IFRS are pre-requisites for the preparation of financial statements. Specifically, these model financial statements do not provide guidance on the 'public benefit entity' disclosure requirements of NZ IFRS and the disclosure requirements of the following Standards:

- NZ IFRS 4 *Insurance Contracts*
- NZ IFRS 6 *Exploration for and Evaluation of Mineral Resources*
- NZ IAS 1 *Presentation of Financial Statements* (revised 2011), in relation to a Statement of Service Performance only
- NZ IAS 29 *Financial Reporting in Hyperinflationary Economies*
- NZ IAS 34 *Interim Financial Reporting*
- NZ IAS 41 *Agriculture*
- FRS 42 *Prospective Financial Statements*
- FRS 43 *Summary Financial Statements*

In addition a number of Interpretations (NZ IFRIC and NZ SIC) have not been demonstrated.

Unless otherwise stated, these model financial statements do not provide guidance on new or amended NZ IFRS where these are applicable to periods ending after 31 December 2013. Details of new and amended pronouncements which have not been adopted are included in note 2.2 of the model financial statements.

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Source

NZ IFRS RDR Holdings Limited

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 [Alt 1]

		Notes	Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
NZ IAS 1.10(ea),113 NZ IAS 1.51(d),(e)				
	Continuing operations			
NZ IAS 1.82(a)	Revenue	5	140,934	152,075
NZ IAS 1.99	Cost of sales		(87,688)	(91,645)
NZ IAS 1.85	Gross profit		53,246	60,430
NZ IAS 1.85	Investment income	7	3,633	2,396
NZ IAS 1.85	Other gains	8	1,186	1,005
NZ IAS 1.99	Distribution expenses		(5,118)	(4,640)
NZ IAS 1.99	Marketing expenses		(3,278)	(2,234)
NZ IAS 1.99	Administration expenses		(13,376)	(17,514)
NZ IAS 1.85	Other losses	8	(539)	-
NZ IAS 1.85	Other expenses		(2,801)	(2,612)
NZ IAS 1.82(b)	Finance costs	9	(4,420)	(6,025)
NZ IAS 1.82(c)	Share of profit of associates	20	866	1,209
NZ IAS 1.82(c)	Share of profit of a joint venture	20A	337	242
NZ IAS 1.85	Gain recognised on disposal of interest in former associate	20	581	-
NZ IAS 1.85	Others [describe]		-	-
NZ IAS 1.85	Profit before tax		30,317	32,257
NZ IAS 1.82(d)	Income tax expense	10	(11,485)	(11,668)
NZ IAS 1.85	Profit for the year from continuing operations	13	18,832	20,589
	Discontinued operations			
NZ IAS 1.82(ea), NZ IFRS 5.33(a)	Profit for the year from discontinued operations	11	8,310	9,995
NZ IAS 1.81A(a)	**Profit for the year**		27,142	30,584
NZ IAS 1.91(a)	**Other comprehensive income, net of income tax**	29,30		
NZ IAS 1.82A(a)	*Items that will not be reclassified subsequently to profit or loss:*			
NZ IAS 1.82A	Gain on revaluation of property		1,150	-
NZ IAS 1.82A	Share of gain (loss) on property revaluation of associates		-	-
NZ IAS 1.82A	Remeasurement of defined benefit obligation		564	134
NZ IAS 1.82A	Others (please specify)		-	-
			1,714	134
NZ IAS 1.82A(b)	*Items that may be reclassified subsequently to profit or loss:*			
NZ IAS 1.82A	Exchange differences on translating foreign operations		(39)	85
NZ IAS 1.82A	Net fair value gain on available-for-sale financial assets		66	57
NZ IAS 1.82A	Net fair value gain on hedging instruments entered into for cash flow hedges		39	20
NZ IAS 1.82A	Others (please specify)		-	-
			66	162
NZ IAS 1.81A(b)	Other comprehensive income for the year, net of income tax		1,780	296
NZ IAS 1.81A(c)	**Total comprehensive income for the year**		28,922	30,880
	Profit for the year attributable to:			
NZ IAS 1.81B(a)(ii)	Owners of the Company		22,750	27,357
NZ IFRS 12.12(e), NZ IAS 1.81B(a)(i)	Non-controlling interests		4,392	3,227
			27,142	30,584
	Total comprehensive income for the year attributable to:			
NZ IAS 1.81B(b)(ii)	Owners of the Company		24,530	27,653
NZ IAS 1.81B(b)(i)	Non-controlling interests		4,392	3,227
			28,922	30,880

Source

NZ IFRS RDR Holdings Limited

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 - continued [Alt 1] continued

COMMENTARY

The Group has applied the amendments to NZ IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments to NZ IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to NZ IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. Use of the new terminology is not mandatory.

One statement vs. two statements

The amendments to NZ IAS 1 retain the option to present profit or loss and other comprehensive income (OCI) in either a single statement or in two separate but consecutive statements. Alt 1 above illustrates the presentation of profit or loss and OCI in one statement with expenses analysed by function. Alt 2 (see the following pages) illustrates the presentation of profit or loss and OCI in two separate but consecutive statements with expenses analysed by nature.

Whichever presentation approach is adopted, the distinction is retained between items recognised in profit or loss and items recognised in OCI. Under both approaches, profit or loss, total OCI, as well as comprehensive income for the period (being the total of profit or loss and OCI) should be presented. Under the two-statement approach, the separate statement of profit or loss ends at 'profit for the year', and this 'profit for the year' is then the starting point for the statement of profit or loss and other comprehensive income, which is required to be presented immediately following the statement of profit or loss. In addition, the analysis of 'profit for the year' between the amount attributable to the owners of the Company and the amount attributable to non-controlling interests is presented as part of the separate statement of profit or loss.

OCI: items that may or may not be reclassified

Irrespective of whether the one-statement or the two-statement approach is followed, the items of OCI should be classified by nature and grouped into those that, in accordance with other NZ IFRSs:

(a) will not be reclassified subsequently to profit or loss; and

(b) may be reclassified subsequently to profit or loss when specific conditions are met.

Presentation options for income tax relating to items of OCI

NZ IAS 1.90,91

Furthermore, for items of OCI, additional presentation options are available as follows: the individual items of OCI may be presented net of tax in the statement of profit or loss and other comprehensive income (as illustrated on the previous page), or they may be presented gross with a single line deduction for tax relating to those items by allocating the tax between the items that may be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to profit or loss section (see Alt 2).

Earnings per share

As tier 2 entities are not in scope of NZ IAS 33, earnings per share disclosures are not required.

NZ IAS 1.85

Other

Additional line items, headings and subtotals shall be presented in the statement of profit or loss and other comprehensive income or statement of profit or loss when such presentation is relevant to an understanding of the entity's financial performance.

NZ IAS 1.32

Income and expenses shall only be set-off where required or permitted by an NZ IFRS.

Source

NZ IFRS RDR Holdings Limited

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

Consolidated statement of profit or loss for the year ended 31 December 2013

[Alt 2]

NZ IAS 1.10(ea),113 NZ IAS 1.51(d),(e)		Notes	Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
	Continuing operations			
NZ IAS 1.82(a)	Revenue	5	140,934	152,075
NZ IAS 1.85	Investment income	7	3,633	2,396
NZ IAS 1.85	Other gains	8	1,186	1,005
NZ IAS 1.99	Changes in inventories of finished goods and work in progress		7,674	2,968
NZ IAS 1.99	Raw materials and consumables used		(84,990)	(86,068)
NZ IAS 1.99	Depreciation and amortisation expenses	13	(12,224)	(13,569)
NZ IAS 1.99	Employee benefits expense	13	(10,553)	(11,951)
NZ IAS 1.82(b)	Finance costs	9	(4,420)	(6,025)
NZ IAS 1.99	Consulting expense		(3,120)	(1,926)
NZ IAS 1.85	Other losses	8	(539)	-
NZ IAS 1.85	Other expenses		(9,048)	(8,099)
NZ IAS 1.82(c)	Share of profit of associates	20	866	1,209
NZ IAS 1.82(c)	Share of profit of a joint venture	20A	337	242
NZ IAS 1.85	Gain recognised on disposal of interest in former associate	20	581	-
NZ IAS 1.85	Others [describe]		-	-
NZ IAS 1.85	Profit before tax		30,317	32,257
NZ IAS 1.82(d)	Income tax expense	10	(11,485)	(11,668)
NZ IAS 1.85	Profit for the year from continuing operations	13	18,832	20,589
	Discontinued operations			
NZ IAS 1.82(ea), NZ IFRS 5.33(a)	Profit for the year from discontinued operations	11	8,310	9,995
NZ IAS 1.81A(a)	**Profit for the year**		27,142	30,584
	Attributable to:			
NZ IAS 1.81B(a)(ii)	Owners of the Company		22,750	27,357
NZ IAS 1.81B(a)(i)	Non-controlling interests		4,392	3,227
			27,142	30,584

NZ IAS1.10A

COMMENTARY

The format outlined above aggregates expenses according to their nature.

See the previous page for a discussion of the format and content of the statement of profit or loss and other comprehensive income. Note that where the two-statement approach is adopted (above and on the next page), as required by NZ IAS 1.10A, the statement of profit or loss must be displayed immediately before the statement of comprehensive income.

Source

NZ IFRS RDR Holdings Limited

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 – continued [Alt 2] continued

		Notes	Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
NZ IAS 1.10(ea),113 NZ IAS 1.51(d),(e)				
NZ IAS 1.10A	**Profit for the year**		27,142	30,584
NZ IAS 1.91(b)	**Other comprehensive income**	29,30		
NZ IAS 1.82A(a)	*Items that will not be reclassified subsequently to profit or loss:*			
NZ IAS 1.82A	Gain on revaluation of property		1,643	-
NZ IAS 1.82A	Share of gain (loss) on property revaluation of associates		-	-
NZ IAS 1.82A	Remeasurement of defined benefit obligation		806	191
NZ IAS 1.82A	Others (please specify)		-	-
	Income tax relating to items that will not be reclassified subsequently		(735)	(57)
			1,714	134
NZ IAS 1.82A(b)	*Items that may be reclassified subsequently to profit or loss:*			
NZ IAS 1.82A	*Exchange differences on translating foreign operations*			
	Exchange differences arising during the year		75	121
	Loss on hedging instruments designated in hedges of the net assets of foreign operations		(12)	-
	Reclassification adjustments relating to foreign operations disposed of in the year		(166)	-
	Reclassification adjustments relating to hedges of the net assets of foreign operations disposed of in the year		46	-
			(57)	121
NZ IAS 1.82A	*Available-for-sale financial assets*			
	Net fair value gain on available-for-sale financial assets during the year		94	81
	Reclassification adjustments relating to available-for-sale financial assets disposed of in the year		-	-
			94	81
NZ IAS 1.82A	*Cash flow hedges*			
	Fair value gains arising during the year		436	316
	Reclassification adjustments for amounts recognised in profit or loss		(123)	(86)
	Adjustments for amounts transferred to the initial carrying amounts of hedged items		(257)	(201)
			56	29
	Others (please specify)		-	-
	Income tax relating to items that may be reclassified subsequently		(27)	(69)
NZ IAS 1.81A(b)	Other comprehensive income for the year, net of income tax		1,780	296
NZ IAS 1.81A(c)	**Total comprehensive income for the year**		28,922	30,880
	Attributable to:			
NZ IAS 1.81B(b)(ii)	Owners of the Company		24,530	27,653
NZ IAS 1.81B(b)(i)	Non-controlling interests		4,392	3,227
			28,922	30,880

Source	NZ IFRS RDR Holdings Limited			
NZ IAS 1.10(a),(51(b),(c)	**Consolidated statement of financial position at 31 December 2013**			
NZ IAS 1.10(ea),113 NZ IAS 1.51(d),(e)		Notes	31/12/13 CU'000	31/12/12 CU'000 (restated)
	ASSETS			
NZ IAS 1.60	**Non-current assets**			
NZ IAS 1.54(a)	Property, plant and equipment	15	105,215	130,541
NZ IAS 1.54(b)	Investment property	16	1,968	1,941
NZ IAS 1.55	Goodwill	17	20,485	24,260
NZ IAS 1.54(c)	Other intangible assets	18	9,739	11,325
NZ IAS 1.54(e)	Investments in associates	20	5,402	5,590
NZ IAS 1.54(e)	Investment in a joint venture	20A	3,999	3,662
NZ IAS 1.54(o)	Deferred tax assets	10	2,083	1,964
NZ IAS 1.55	Finance lease receivables	26	830	717
NZ IAS 1.54(d)	Other financial assets	22	10,771	9,655
NZ IAS 1.55	Other assets	23	-	-
NZ IAS 1.55	**Total non-current assets**		160,492	189,655
NZ IAS 1.60	**Current assets**			
NZ IAS 1.54(g)	Inventories	24	30,673	28,132
NZ IAS 1.54(h)	Trade and other receivables	25	18,869	13,744
NZ IAS 1.55	Finance lease receivables	26	198	188
NZ IAS 1.55	Amounts due from customers under construction contracts	27	240	230
NZ IAS 1.54(d)	Other financial assets	22	8,757	6,949
NZ IAS 1.54(n)	Current tax assets	10	125	60
NZ IAS 1.55	Other assets	23	-	-
NZ IAS 1.54(i)	Cash and bank balances	46	24,096	20,278
			82,958	69,581
NZ IAS 1.54(j), NZ IFRS 5.38	Assets classified as held for sale	12	22,336	-
NZ IAS 1.55	**Total current assets**		105,294	69,581
NZ IAS 1.55	**Total assets**		265,786	259,236

NZ IFRS RDR Holdings Limited

Consolidated statement of financial position at 31 December 2013 – continued

Source		Notes	31/12/13 CU'000	31/12/12 CU'000 (restated)
NZ IAS 1.10(a),(51(b),(c)				
NZ IAS 1.10(ea),113 NZ IAS 1.51(d),(e)				
	EQUITY AND LIABILITIES			
	Capital and reserves			
NZ IAS 1.55	Issued capital	28	32,439	48,672
NZ IAS 1.55	Other reserves	29	4,237	2,226
NZ IAS 1.55	Retained earnings	30	111,539	95,378
NZ IAS 1.55			148,215	146,276
NZ IAS 1.55	Amounts recognised directly in equity relating to assets classified as held for sale	12	-	-
NZ IAS 1.54(r)	Equity attributable to owners of the Company		148,215	146,276
NZ IAS 1.54(q)	Non-controlling interests	31	26,761	22,058
NZ IAS 1.55	**Total equity**		174,976	168,334
NZ IAS 1.60	**Non-current liabilities**			
NZ IAS 1.55	Borrowings	32	13,560	25,886
NZ IAS 1.54(m)	Other financial liabilities	34	15,001	-
NZ IAS 1.55	Retirement benefit obligation	39	1,954	1,482
NZ IAS 1.54(o)	Deferred tax liabilities	10	6,782	5,224
NZ IAS 1.54(l)	Provisions	35	2,294	2,231
NZ IAS 1.55	Deferred revenue	41	59	165
NZ IAS 1.55	Other liabilities	36	180	270
NZ IAS 1.55	**Total non-current liabilities**		39,830	35,258
NZ IAS 1.60	**Current liabilities**			
NZ IAS 1.54(k)	Trade and other payables	37	15,659	20,422
NZ IAS 1.55	Amounts due to customers under construction contracts	27	36	15
NZ IAS 1.55	Borrowings	32	22,446	25,600
NZ IAS 1.54(m)	Other financial liabilities	34	116	18
NZ IAS 1.54(n)	Current tax liabilities	10	5,328	5,927
NZ IAS 1.54(l)	Provisions	35	3,356	3,195
NZ IAS 1.55	Deferred revenue	41	265	372
NZ IAS 1.55	Other liabilities	36	90	95
			47,296	55,644
NZ IAS 1.54(p), NZ IFRS 5.38	Liabilities directly associated with assets classified as held for sale	12	3,684	-
NZ IAS 1.55	**Total current liabilities**		50,980	55,644
NZ IAS 1.55	**Total liabilities**		90,810	90,902
NZ IAS 1.55	**Total equity and liabilities**		265,786	259,236

NZ IFRS RDR Holdings Limited

Source

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

Consolidated statement of changes in equity for the year ended 31 December 2013

Source		Share capital	General reserve	Properties revaluation reserve	Available-for-sale 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
NZ IAS1.51(d),(e)		CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
NZ IAS1.106(d)	**Balance at 1 January 2012 (as previously reported)**	48,672	807	51	470	-	258	140	-	73,824	124,222	17,242	141,464
NZ IAS1.106(b)	Adjustments (see note 2.1)	-	-	-	-	-	-	-	-	542	542	1,589	2,131
	Balance at 1 January 2012 (restated)	48,672	807	51	470	-	258	140	-	74,366	124,764	18,831	143,595
NZ IAS1.106(d)(i)	Profit for the year	-	-	-	-	-	-	-	-	27,357	27,357	3,227	30,584
NZ IAS1.106(d)(ii)	Other comprehensive income for the year, net of income tax	-	-	-	57	-	20	85	-	134	296	-	296
NZ IAS1.106(a)	**Total comprehensive income for the year**	-	-	-	57	-	20	85	-	27,491	27,653	3,227	30,880
NZ IAS1.106(d)	Recognition of share-based payments	-	-	-	-	338	-	-	-	-	338	-	338
NZ IAS1.106(d)(iii)	Payment of dividends	-	-	-	-	-	-	-	-	(6,479)	(6,479)	-	(6,479)
NZ IAS1.106(d)	**Balance at 31 December 2012 (restated)**	48,672	807	51	527	338	278	225	-	95,378	146,276	22,058	168,334
NZ IAS1.106(d)(i)	Profit for the year	-	-	-	-	-	-	-	-	22,750	22,750	4,392	27,142
NZ IAS1.106(d)(ii)	Other comprehensive income for the year, net of income tax	-	-	1,150	66	-	39	(39)	-	564	1,780	-	1,780
NZ IAS1.106(a)	**Total comprehensive income for the year**	-	-	1,150	66	-	39	(39)	-	23,314	24,530	4,392	28,922
NZ IAS1.106(d)(iii)	Payment of dividends	-	-	-	-	-	-	-	-	(6,635)	(6,635)	-	(6,635)
NZ IAS1.106(d)(iii)	Additional non-controlling interests arising on the acquisition of Subsix Limited (note 44)	-	-	-	-	-	-	-	-	-	-	127	127
NZ IAS1.106(d)(iii)	Additional non-controlling interests relating to outstanding share-based payment transactions of Subsix Limited (note 44)	-	-	-	-	-	-	-	-	-	-	5	5
NZ IAS1.106(d)(iii)	Disposal of partial interest in Subone Limited (note 19)	-	-	-	-	-	-	-	-	34	34	179	213
NZ IAS1.106(d)(iii)	Recognition of share-based payments	-	-	-	-	206	-	-	-	-	206	-	206
NZ IAS1.106(d)(iii)	Issue of ordinary shares under employee share option plan	314	-	-	-	-	-	-	-	-	314	-	314
NZ IAS1.106(d)(iii)	Issue of ordinary shares for consulting services performed (note 28.1)	8	-	-	-	-	-	-	-	-	8	-	8
NZ IAS1.106(d)(iii)	Issue of convertible non-participating preference shares	100	-	-	-	-	-	-	-	-	100	-	100
NZ IAS1.106(d)(iii)	Issue of convertible notes	-	-	-	-	-	-	-	834	-	834	-	834
NZ IAS1.106(d)(iii)	Share issue costs	(6)	-	-	-	-	-	-	-	-	(6)	-	(6)
NZ IAS1.106(d)(iii)	Buy-back of ordinary shares	(16,456)	-	-	-	-	-	-	-	(555)	(17,011)	-	(17,011)
NZ IAS1.106(d)(iii)	Share buy-back costs	(277)	-	-	-	-	-	-	-	-	(277)	-	(277)
NZ IAS1.106(d)(iii)	Transfer to retained earnings	-	-	(3)	-	-	-	-	-	3	-	-	-
NZ IAS1.106(d)(iii)	Income tax relating to transactions with owners	84	-	-	-	-	-	-	(242)	-	(158)	-	(158)
NZ IAS1.106(d)	**Balance at 31 December 2013**	32,439	807	1,198	593	544	317	186	592	111,539	148,215	26,761	174,976

NZ IFRS RDR Holdings Limited

Consolidated statement of cash flows for the year ended 31 December 2013

Source		Notes	[Alt 1] Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 1.10(d), 51(b),(c) NZ IAS 7.18(a)				
NZ IAS 1.10(ea),113 NZ IAS 1.51(d),(e)				
NZ IAS 7.10	**Cash flows from operating activities**			
NZ IAS 7.18(a)	Receipts from customers		210,789	214,691
	Payments to suppliers and employees		(166,504)	(184,208)
	Cash generated from operations		44,285	30,483
NZ IAS 7.31	Interest paid		(4,493)	(6,106)
NZ IAS 7.35	Income taxes paid		(10,910)	(10,426)
	Net cash generated by operating activities		28,882	13,951
NZ IAS 7.10	**Cash flows from investing activities**			
	Payments to acquire financial assets		(1,890)	-
	Proceeds on sale of financial assets		-	51
NZ IAS 7.31	Interest received		2,315	1,054
	Royalties and other investment income received		1,162	1,188
NZ IAS 7.31, NZ IAS 24.19(d)	Dividends received from associates		30	25
NZ 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		(21,473)	(11,902)
	Proceeds from disposal of property, plant and equipment		11,462	21,245
	Payments for investment property		(10)	(202)
	Proceeds from disposal of investment property		-	58
	Payments for intangible assets		(6)	(358)
NZ IAS 7.39	Net cash outflow on acquisition of subsidiaries	44	(477)	-
NZ IAS 7.39	Net cash inflow on disposal of subsidiary		7,566	-
	Net cash inflow on disposal of associate		-	120
	Net cash (used in)/generated by investing activities		(1,714)	8,700
NZ IAS 7.10	**Cash flows from financing activities**			
	Proceeds from issue of equity instruments of the Company		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	-
	Payment for debt issue costs		(595)	-
	Proceeds from borrowings		16,953	24,798
	Repayment of borrowings		(38,148)	(23,417)
	Proceeds from government loans		-	3,000
NZ IAS 7.42A	Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		213	-
NZ IAS 7.31	Dividends paid:			
	- on redeemable preference shares		(613)	-
	- to non-controlling interests		-	-
	- to owners of the Company		(6,635)	(6,479)
	Net cash used in financing activities		(23,255)	(2,098)
	Net increase in cash and cash equivalents		3,913	20,553
	Cash and cash equivalents at the beginning of the year		19,900	(469)
NZ 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	23,733	19,900

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

NZ IFRS RDR Holdings Limited

Consolidated statement of cash flows for the year ended 31 December 2013

[Alt 2]

Source		Notes	Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
NZ IAS 1.10(d), 51(b),(c) NZ IAS 7.18(b)				
NZ IAS 1.10(ea),113 NZ IAS 1.51(d),(e)				
NZ IAS 7.10	**Cash flows from operating activities**			
	Profit for the year		27,142	30,584
	Adjustments for:			
	Income tax expense recognised in profit or loss		14,645	14,666
	Share of profit of associates		(866)	(1,209)
	Share of profit of a joint venture		(337)	(242)
	Finance costs recognised in profit or loss		4,420	6,025
	Investment income recognised in profit or loss		(3,633)	(2,396)
	Gain on disposal of property, plant and equipment		(6)	(67)
	Gain arising on changes in fair value of investment property		(30)	(297)
	Gain on disposal of a subsidiary		(1,940)	-
	Gain on disposal of interest in former associate		(581)	-
	Net (gain)/loss arising on financial liabilities designated as at fair value through profit or loss		(125)	-
	Net (gain)/loss arising on financial assets classified as held for trading		(156)	(72)
	Net loss/(gain) arising on financial liabilities classified as held for trading		51	-
	Hedge ineffectiveness on cash flow hedges		(89)	(68)
	Net (gain)/loss on disposal 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		15,210	17,041
	Impairment of non-current assets		1,439	-
	Net foreign exchange (gain)/loss		(819)	(474)
	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 legal claim against Subseven Limited		(40)	-
			54,465	64,277
	Movements in working capital:			
	Increase in trade and other receivables		(3,113)	(2,520)
	(Increase)/decrease in amounts due from customers under construction contracts		(10)	467
	(Increase)/decrease in inventories		(2,231)	204
	(Increase)/decrease in other assets		-	-
	Decrease in trade and other payables		(4,763)	(31,182)
	Increase/(decrease) in amounts due to customers under construction contracts		21	(230)
	Increase/(decrease) in provisions		224	(941)
	(Decrease)/increase in deferred revenue		(213)	43
	(Decrease)/increase in other liabilities		(95)	365
	Cash generated from operations		44,285	30,483
NZ IAS 7.31	Interest paid		(4,493)	(6,106)
NZ IAS 7.35	Income taxes paid		(10,910)	(10,426)
	Net cash generated by operating activities		28,882	13,951

COMMENTARY

NZ IAS 7 does not mandate all of the specific adjustment line items above and entities should use judgement in determining the line items to present. For example tier 2 entities may wish to aggregate line items relating to FVTPL financial instruments, to align with their aggregated FVTPL reporting under NZ IFRS 7.

Source

NZ IFRS RDR Holdings Limited

NZ IAS 1.10(e),(ea), 51(b),(c), NZ IAS 7.18(b)

Consolidated statement of cash flows for the year ended 31 December 2013 - continued

[Alt 2] continued

		Notes	Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 1.10(ea),113 NZ IAS 1.51(d),(e)				
NZ IAS 7.10	**Cash flows from investing activities**			
	Payments to acquire financial assets		(1,890)	-
	Proceeds on sale of financial assets		-	51
NZ IAS 7.31	Interest received		2,315	1,054
	Royalties and other investment income received		1,162	1,188
NZ IAS 7.31, NZ IAS 24.19(d)	Dividends received from associates		30	25
NZ 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		(21,473)	(11,902)
	Proceeds from disposal of property, plant and equipment		11,462	21,245
	Payments for investment property		(10)	(202)
	Proceeds from disposal of investment property		-	58
	Payments for intangible assets		(6)	(358)
NZ IAS 7.39	Net cash outflow on acquisition of subsidiaries	44	(477)	-
NZ IAS 7.39	Net cash inflow on disposal of subsidiary		7,566	-
	Net cash inflow on disposal of associate		-	120
	Net cash (used in)/generated by investing activities		(1,714)	8,700
NZ IAS 7.10	**Cash flows from financing activities**			
	Proceeds from issue of equity instruments of the Company		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	-
	Payment for debt issue costs		(595)	-
	Proceeds from borrowings		16,953	24,798
	Repayment of borrowings		(38,148)	(23,417)
	Proceeds from government loans		-	3,000
NZ IAS 7.42A	Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		213	-
NZ IAS 7.31	Dividends paid on redeemable cumulative preference shares		(613)	-
NZ IAS 7.31	Dividends paid to non-controlling interests		-	-
NZ IAS 7.31	Dividends paid to owners of the Company		(6,635)	(6,479)
	Net cash used in financing activities		(23,255)	(2,098)
	Net increase in cash and cash equivalents		3,913	20,553
	Cash and cash equivalents at the beginning of the year		19,900	(469)
NZ 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	23,733	19,900

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

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013

1. General information

NZ IAS 24.13

NZ IFRS RDR Holdings Limited's parent and ultimate holding company is NZ Group Holdings Limited. Its ultimate controlling party is Mr Steve Hardy.

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

2.1 New and revised NZ IFRSs affecting amounts reported and/or disclosures in the financial statements

COMMENTARY
In these model financial statements, NZ IFRS RDR Holdings Limited is an entity moving from full NZ IFRS (tier 1) to NZ IFRS (RDR) (tier 2). As a result there are no recognition and measurement accounting policy changes. The key impact is reduced disclosure, which is demonstrated by the shaded content in these model financial statements. Appropriate disclosure of the change from tier 1 to tier 2 could include a statement as follows: *"XRB A1 sets out which suite of accounting standards entities must follow. The Company is eligible for, and has elected to, report in accordance with tier 2 NZ IFRS (RDR). The Company has taken advantage of a number of disclosure concessions, however there was no recognition or measurement impact on adoption of NZ IFRS (RDR)."* *For entities moving from the Framework for Differential Reporting (tier 3) or old NZ GAAP (tier 4) to NZ IFRS (RDR) (tier 2) there may be recognition and measurement accounting policy changes, along with changes in disclosure. It is important to note that in some cases NZ IFRS (RDR) requires more disclosure in some areas than tier 3 or tier 4 did previously (e.g. a cash flow statement is required under NZ IFRS (RDR)). These entities will need to carefully review the requirements of NZ IFRS (RDR), XRB A1 and the requirements and concessions of NZ IFRS 1 to determine both the impact on adoption of NZ IFRS (RDR) and the required disclosures in the year of adoption, which are not demonstrated in these model financial statements. Tier 3 entities moving to tier 2 for periods beginning before 1 April 2014 will need to account for changes in accounting policies in accordance with both NZ IFRS 1 and NZ IAS 8 (to the extent that those requirements do not conflict with NZ IFRS 1) and this may limit use of the NZ IFRS 1 optional exemptions.*
NZ IAS 8 requires an entity to disclose for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each line item affected. NZ IAS 8 also requires disclosure of the amount of the adjustment relating to periods before those presented. However, if it is impracticable for a tier 2 entity to determine these amounts, it shall disclose an explanation instead. These disclosures have been included below as entities will first need to assess if they can determine the amounts for disclosure.

NZ IAS 8. RDR 28.1

In the current year, the Group has applied a number of new and revised NZ IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

NZ IAS 8.28(a)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

NZ IAS 8.28(a)

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising NZ IFRS 10 *Consolidated Financial Statements*, NZ IFRS 11 *Joint Arrangements*, NZ IFRS 12 *Disclosure of Interests in Other Entities*, NZ IAS 27 (as revised in 2011) *Separate Financial Statements* and NZ IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to NZ IFRS 10, NZ IFRS 11 and NZ IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

NZ IAS 8.28(c)

In the current year, the Group has applied for the first time NZ IFRS 10, NZ IFRS 11, NZ IFRS 12 and NZ IAS 28 (as revised in 2011) together with the amendments to NZ IFRS 10, NZ IFRS 11 and NZ IFRS 12 regarding the transitional guidance. NZ IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

Impact of the application of NZ IFRS 10

NZ IAS 8.28(c)

NZ IFRS 10 replaces the parts of NZ IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and NZ SIC-12 *Consolidation – Special Purpose Entities*. NZ IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in NZ IFRS 10 to explain when an investor has control over an investee. Some guidance included in NZ IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Specifically, the Group has a 45% ownership interest in C Plus Limited, which is listed on the stock exchange of A Land. The Group's 45% ownership interest in C Plus Limited gives the Group the same percentage of the voting rights in C Plus Limited. The Group's 45% ownership interest in C Plus Limited was acquired in June 2010 and there has been no change in the Group's ownership in C Plus Limited since then. The remaining 55% of the ordinary shares of C Plus Limited are owned by thousands of shareholders, none individually holding more than 2%.

NZ IFRS 10.C4(a)

The directors of the Company made an assessment as at the date of initial application of NZ IFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over C Plus Limited in accordance with the new definition of control and the related guidance set out in NZ IFRS 10. The directors concluded that it has had control over C Plus Limited since the acquisition in June 2010 on the basis of the Group's absolute size of holding in C Plus Limited and the relative size of and dispersion of the shareholdings owned by the other shareholders. Therefore, in accordance with the requirements of NZ IFRS 10, C Plus Limited has been a subsidiary of the Company since June 2010. Previously, C Plus Limited was treated as an associate of the Group and accounted for using the equity method of accounting.

Impact of the application of NZ IFRS 11

NZ IAS 8.28(c)

NZ IFRS 11 replaces NZ IAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, NZ SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in NZ IAS 28 (as revised in 2011). NZ IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under NZ IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under NZ IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, NZ IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under NZ IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

NZ IAS 8.28(c)

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

NZ IFRS 11.C2,C3

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of NZ IFRS 11. The directors concluded that the Group's investment in Electronics JV Limited, which was classified as a jointly controlled entity under NZ IAS 31 and was accounted for using the proportionate consolidation method, should be classified as a joint venture under NZ IFRS 11 and accounted for using the equity method.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

Impact of the application of NZ IFRS 12

NZ IAS 8.28,(c)

NZ IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of NZ IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 4, 19, 20, 20A and 21 for details).

NZ IAS 8.28(a)

NZ IFRS 13 Fair Value Measurement

NZ IAS 8.28(c)

The Group has applied NZ IFRS 13 for the first time in the current year. NZ IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of NZ IFRS 13 is broad; the fair value measurement requirements of NZ IFRS 13 apply to both financial instrument items and non-financial instrument items for which other NZ IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of NZ IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of NZ IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

NZ IAS 8.28(c)

NZ IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under NZ IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, NZ IFRS 13 includes extensive disclosure requirements.

NZ IAS 8.28(c)

Other than the additional disclosures, the application of NZ IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

NZ IAS 8.28(a)

Amendments to NZ IAS 1 Presentation of Items of Other Comprehensive Income

NZ IAS 8.28(c)

The Group has applied the amendments to NZ IAS 1 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to NZ IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' [and the 'income statement' is renamed as the 'statement of profit or loss'].

The amendments to NZ IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to NZ IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to NZ IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

Amendments to NZ IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to NZ IFRSs 2009 - 2011 Cycle issued in May 2012)

NZ IAS 8.28(c)

The Annual Improvements to NZ IFRSs 2009 - 2011 have made a number of amendments to NZ IFRSs. The amendments that are relevant to the Group are the amendments to NZ IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

NZ IAS 8.28(c)

In the current year, the Group has applied a number of new and revised NZ IFRSs (see the discussion above), which has resulted in material effects on the information in the consolidated statement of financial position as at 1 January 2012. In accordance with the amendments to NZ IAS 1, the Group has presented a third statement of financial position as at 1 January 2012 without the related notes except for the disclosure requirements of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as detailed below.

NZ IAS 8.28(a)

NZ IAS 19 Employee Benefits (as revised in 2011)

NZ IAS 8.28(c)

In the current year, the Group has applied NZ IAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

NZ IAS 8.28(c)

NZ IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of NZ IAS 19 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of NZ IAS 19 are replaced with a 'net interest' amount under NZ IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years (see the tables below for details). In addition, NZ IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

COMMENTARY

The tables below illustrate the financial impact of new and revised Standards. Entities where only a small number of line items are affected may wish to disclose this information in the related notes instead.

The disclosures below illustrate the impact on profit or loss with expenses analysed by function. Entities should adopt the approach consistent with how expenses have been analysed in the statement of profit or loss and other comprehensive income.

NZ IFRS 10.C2A
NZ IFRS 11.C1B

In accordance with the amendments to NZ IFRSs 10, 11 and 12 regarding the transition guidance on the first-time application of these Standards, an entity need only present the quantitative information required by paragraph 28(f) of NZ IAS 8 for the annual period immediately preceding the date of initial application of NZ IFRS 10 (i.e. 2012). The note below, therefore, has not included the quantitative information required by NZ IAS 8.28(f) for the current year on the application of NZ IFRSs 10, 11 and 12.

NZ IFRS 10.C2A, NZ IAS 8.28(f)(i)

	Impact on profit (loss) for the year of the application of NZ IFRS 10	Year ended 31/12/12 CU'000
NZ IAS 8.28(f)(i)	Increase in revenue	2,240
NZ IAS 8.28(f)(i)	Increase in cost of sales	(1,105)
NZ IAS 8.28(f)(i)	Increase in investment income	45
NZ IAS 8.28(f)(i)	Increase in distribution expenses	(90)
NZ IAS 8.28(f)(i)	Increase in marketing expenses	(30)
NZ IAS 8.28(f)(i)	Increase in administration expenses	(88)
NZ IAS 8.28(f)(i)	Increase in finance costs	(18)
NZ IAS 8.28(f)(i)	Decrease in share of profit of associates	(380)
NZ IAS 8.28(f)(i)	Increase in income tax expenses	(110)
NZ IAS 8.28(f)(i)	Increase in profit for the year	464
	Increase in profit for the year attributable to:	
NZ IAS 8.28(f)(i)	Owners of the Company	
NZ IAS 8.28(f)(i)	Non-controlling interests	464
		464

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

		Year ended 31/12/12 CU'000
NZ IFRS 11.C1B, NZ IAS 8.28(f)(i)	**Impact on profit (loss) for the year of the application of NZ IFRS 11**	
NZ IAS 8.28(f)(i)	Decrease in revenue	(2,005)
NZ IAS 8.28(f)(i)	Decrease in cost of sales	1,300
NZ IAS 8.28(f)(i)	Decrease in distribution expenses	50
NZ IAS 8.28(f)(i)	Decrease in marketing expenses	50
NZ IAS 8.28(f)(i)	Decrease in administration expenses	323
NZ IAS 8.28(f)(i)	Decrease in finance costs	16
NZ IAS 8.28(f)(i)	Increase in share of profit of a joint venture	242
NZ IAS 8.28(f)(i)	Decrease in income tax expenses	24
		-
NZ IAS 8.28(f)(i)	Increase (decrease) in profit for the year	
	Increase (decrease) in profit for the year attributable to:	-
NZ IAS 8.28(f)(i)	Owners of the Company	-
NZ IAS 8.28(f)(i)	Non-controlling interests	
		-

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 8.28(f)(i)	**Impact on total comprehensive income for the year of the application of NZ IAS 19 (as revised in 2011)**		
	Impact on profit (loss) for the year		
NZ IAS 8.28(f)(i)	Increase in administration expenses	(440)	(424)
NZ IAS 8.28(f)(i)	Decrease in income tax expenses	132	127
NZ IAS 8.28(f)(i)	Decrease in profit for the year	(308)	(297)
	Impact on other comprehensive income for the year		
NZ IAS 8.28(f)(i)	Increase in remeasurement of defined benefit obligation	806	191
NZ IAS 8.28(f)(i)	Increase in income tax relating to items of other comprehensive income	(242)	(57)
NZ IAS 8.28(f)(i)	Increase in other comprehensive income for the year	564	134
	Increase (decrease) in total comprehensive income for the year	256	(163)
	Decrease in profit for the year attributable to:		
NZ IAS 8.28(f)(i)	Owners of the Company	(308)	(297)
NZ IAS 8.28(f)(i)	Non-controlling interests	-	-
NZ IAS 8.28(f)(i)		(308)	(297)
	Increase (decrease) in total comprehensive income for the year attributable to:		
	Owners of the Company	256	(163)
	Non-controlling interests	-	-
		256	(163)

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

Source	Impact on total comprehensive income for the year of the application of the above new and revised Standards	Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
	Impact on profit (loss) for the year		
NZ IAS 8.28(f)(i)	Increase in revenue	-	235
NZ IAS 8.28(f)(i)	Decrease in cost of sales	-	195
NZ IAS 8.28(f)(i)	Increase in investment income	-	45
NZ IAS 8.28(f)(i)	Increase in distribution expenses	-	(40)
NZ IAS 8.28(f)(i)	Decrease in marketing expenses	-	20
NZ IAS 8.28(f)(i)	Increase in administration expenses	(440)	(189)
NZ IAS 8.28(f)(i)	Increase in finance costs	-	(2)
NZ IAS 8.28(f)(i)	Increase in share of profit of a joint venture	-	242
NZ IAS 8.28(f)(i)	Decrease in share of profit of associates	-	(380)
NZ IAS 8.28(f)(i)	Decrease in income tax expenses	132	41
NZ IAS 8.28(f)(i)	Decrease (increase) in profit for the year	(308)	167
	Impact on other comprehensive income for the year		
NZ IAS 8.28(f)(i)	Increase in remeasurement of defined benefit obligation	806	191
NZ IAS 8.28(f)(i)	Increase in income tax relating to items of other comprehensive income	(242)	(57)
NZ IAS 8.28(f)(i)	Increase in other comprehensive income for the year	564	134
	Increase in total comprehensive income for the year	256	301
	Decrease (increase) in profit for the year attributable to:		
NZ IAS 8.28(f)(i)	Owners of the Company	(308)	(297)
NZ IAS 8.28(f)(i)	Non-controlling interests	-	464
NZ IAS 8.28(f)(i)		(308)	167
	Increase in total comprehensive income for the year attributable to:		
	Owners of the Company	256	(163)
	Non-controlling interests	-	464
		256	301

COMMENTARY

The table above shows the aggregate impact on total comprehensive income of the application of the new and revised Standards adopted for the first time in the current year. Although such disclosure is not specifically required by NZ IAS 8, it is considered useful to provide users of the financial statements with the aggregate effect.

Furthermore, in accordance with the transitional provisions set out in NZ IFRS 10 and NZ IFRS 11, the Group has not shown the impact of the application of NZ IFRS 10 and NZ IFRS 11 on profit (loss) for the year ended 31 December 2013. Therefore, the impact on total comprehensive income for the year ended 31 December 2013 reflects only the effect of the application of NZ IAS 19 (as revised in 2011).

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

		As at 01/01/12 as previously reported	NZ IFRS 10 adjustments	NZ IFRS 11 adjustments	NZ IAS 19 adjustments	As at 01/01/12 as restated
		CU'000	CU'000	CU'000	CU'000	CU'000
NZ IAS 8.28(f)(i), NZ IFRS 11.C5	**Impact on assets, liabilities and equity as at 1 January 2012 of the application of the above new and revised Standards**					
NZ IAS 8.28(f)(i), NZ IFRS 11.C5	Property, plant and equipment	161,058	2,908	(6,754)	-	157,212
NZ IAS 8.28(f)(i)	Goodwill	23,920	200	-	-	24,120
NZ IAS 8.28(f)(i)	Investments in associates	5,706	(1,300)	-	-	4,406
NZ IAS 8.28(f)(i), NZ IFRS 11.C5	Investment in a joint venture	-	-	3,420	-	3,420
NZ IAS 8.28(f)(i), NZ IFRS 11.C5	Inventories	29,688	240	(1,000)	-	28,928
NZ IAS 8.28(f)(i), NZ IFRS 11.C5	Trade and other receivables	13,550	350	(1,192)	-	12,708
NZ IAS 8.28(f)(i)	Cash and bank balances	7,752	300	-	-	8,052
NZ IAS 8.28(f)(i), NZ IFRS 11.C5	Borrowings – non-current	(25,785)	(500)	4,213	-	(22,072)
NZ IAS 8.28(f)(i)	Retirement benefit obligation	(2,968)	-	-	774	(2,194)
NZ IAS 8.28(f)(i), NZ IFRS 11.C5	Deferred tax liabilities	(4,436)	(209)	200	(232)	(4,677)
NZ IAS 8.28(f)(i), NZ IFRS 11.C5	Trade and other payables	(52,750)	(300)	1,093	-	(51,957)
NZ IAS 8.28(f)(i), NZ IFRS 11.C5	Current tax liabilities	(4,910)	(100)	20	-	(4,990)
	Total effect on net assets	150,825	1,589	-	542	152,956
NZ IAS 8.28(f)(i)	Non-controlling interests	(17,242)	(1,589)	-	-	(18,831)
NZ IAS 8.28(f)(i)	Retained earnings	(73,824)	-	-	(542)	(74,366)
	Total effect on equity	(91,066)	(1,589)	-	(542)	(93,197)

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

		As at 31/12/12 as previously reported	NZ IFRS 10 adjustments	NZ IFRS 11 adjustments	NZ IAS 19 adjustments	As at 31/12/12 as restated
		CU'000	CU'000	CU'000	CU'000	CU'000
NZ IAS 8.28(f)(i)	**Impact on assets, liabilities and equity as at 31 December 2012 of the application of the above new and revised Standards**					
NZ IAS 8.28(f)(i)	Property, plant and equipment	134,078	3,317	(6,854)	-	130,541
NZ IAS 8.28(f)(i)	Goodwill	24,060	200	-	-	24,260
NZ IAS 8.28(f)(i)	Investments in associates	7,270	(1,680)	-	-	5,590
NZ IAS 8.28(f)(i)	Investment in a joint venture	-	-	3,662	-	3,662
NZ IAS 8.28(f)(i)	Inventories	28,982	250	(1,100)	-	28,132
NZ IAS 8.28(f)(i)	Trade and other receivables	14,658	320	(1,234)	-	13,744
NZ IAS 8.28(f)(i)	Cash and bank balances	19,778	500	-	-	20,278
NZ IAS 8.28(f)(i)	Borrowings – non-current	(29,807)	(380)	4,301	-	(25,886)
NZ IAS 8.28(f)(i)	Retirement benefit obligation	(2,023)	-	-	541	(1,482)
NZ IAS 8.28(f)(i)	Deferred tax liabilities	(5,074)	(208)	220	(162)	(5,224)
NZ IAS 8.28(f)(i)	Trade and other payables	(21,220)	(186)	984	-	(20,422)
NZ IAS 8.28(f)(i)	Current tax liabilities	(5,868)	(80)	21	-	(5,927)
	Total effect on net assets	164,834	2,053	-	379	167,266
NZ IAS 8.28(f)(i)	Non-controlling interests	(20,005)	(2,053)	-	-	(22,058)
NZ IAS 8.28(f)(i)	Retained earnings	(94,999)	-	-	(379)	(95,378)
	Total effect on equity	(115,004)	(2,053)	-	(379)	(117,436)

		NZ IAS 19 adjustments
NZ IAS 8.28(f)(i)	**Impact on assets, liabilities and equity as at 31 December 2013 of the application of the amendments to NZ IAS 19 (as revised in 2011)**	CU'000
NZ IAS 8.28(f)(i)	Decrease in retirement benefit obligation	907
NZ IAS 8.28(f)(i)	Increase in deferred tax liabilities	(272)
	Increase in net assets	635
	Increase in retained earnings	(635)
	Increase in equity	(635)

		NZ IFRS 10 adjustments	NZ IFRS 11 adjustments	Total
NZ IAS 8.28(f)(i)	**Impact on cash flows for the year ended 31 December 2012 on the application of the above new and revised Standards**	CU'000	CU'000	CU'000
NZ IAS 8.28(f)(i)	Net cash inflow (outflow) from operating activities	359	(251)	108
NZ IAS 8.28(f)(i)	Net cash inflow (outflow) from investing activities	(39)	339	300
NZ IAS 8.28(f)(i)	Net cash inflow (outflow) from financing activities	(120)	(88)	(208)
	Net cash inflow	200	-	200

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

2.1A Correction of prior period errors

COMMENTARY	
NZ IAS 8.42,43 NZ IAS 8.49(a)-(c)	*Entities are required to correct material prior period errors retrospectively, unless impracticable. The disclosures relating to correction of errors is similar to the disclosures relating to the adoption of new standards. Entities will also need to disclose the nature of the error, the amount of the correction at the beginning of the earliest prior period presented, and for each prior period presented the amount of the correction for each line item affected.*
NZ IAS 8.49(d)	*If retrospective restatement is impracticable for a particular prior period, entities shall disclose the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.*

NZ IAS 1.112(a), 117,119-121

3. Significant accounting policies

COMMENTARY
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 NZ IFRSs, but that is selected and applied in accordance with NZ 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 NZ IFRSs.*

3.1 Statement of compliance and reporting framework

FRS 44.7(a),(b)
FRS 44.5

The consolidated financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). For the purposes of complying with NZ GAAP, the Company is a for-profit entity. These financial statements comply with New Zealand International Financial Reporting Standards.

COMMENTARY	
NZ IAS 1.RDR 16.1	*A tier 2 entity would not be able to state compliance with IFRS.*
FRS 44.7(c), XRB A1.34	*An entity which is eligible for and has elected to report in accordance with tier 2 accounting standards (NZ IFRS RDR) shall disclose:* *(a) that it is a tier 2 for-profit entity and has elected to report in accordance with tier 2 for-profit accounting standards; and* *(b) the criteria that establish the entity as eligible to report in accordance with tier 2 for-profit accounting standards.* *For example:* *"The group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). The Group qualifies for NZ IFRS (RDR) as it does not have public accountability and it is not a large for-profit public sector entity. The group has elected to apply NZ IFRS (RDR) and has applied disclosure concessions."*

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

NZ IAS 1.17(b), 112(a),117(a)

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of NZ IFRS 2, leasing transactions that are within the scope of NZ IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in NZ IAS 2 or value in use in NZ IAS 36.

NZ IAS 1.17(b), 112(a),117(a)

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 structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries 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, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable NZ IFRSs). 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 NZ IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with NZ IAS 12 *Income Taxes* and NZ IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with NZ IFRS 2 at the acquisition date (see note 3.16.2); and
- assets (or disposal groups) that are classified as held for sale in accordance with NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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 acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed 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 interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another NZ IFRS.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with NZ IAS 39, or NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value 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.

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 above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.
A cash-generating unit to which goodwill has been allocated is 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 based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at note 3.6 below.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

3.6 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with NZ IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of NZ IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with NZ IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with NZ IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3.7 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the NZ IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

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 asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. 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.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with NZ IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

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.

NZ 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 the goods are delivered and titles have passed, at which time 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 Group; 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; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

The Group's policy for recognition of revenue from construction contracts is described in note 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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

3.9.4 Dividend and interest income

Dividend income 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 income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 note 3.11.1 below.

NZ IAS 11.39(b),(c)

3.10 Construction contracts

When 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.

When 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.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

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 consolidated 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 note 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.

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 position of each group entity are expressed in CU, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, 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 on monetary items 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 3.28 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 repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate 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 (and attributed to non-controlling interests as appropriate).

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

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, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, 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. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

NZ 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.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, 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 consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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.

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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

3.15 Retirement benefit costs and termination benefits

Payments 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 annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate (based on the Government bond rates) at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item [‘employee benefits expense’/others (please specify)]. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3.16 Share-based payment arrangements

3.16.1 Share-based payment transactions of the Company

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, with a corresponding increase in equity. 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.

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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

3.16.2 Share-based payment transactions of the acquiree in a business combination

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with NZ IFRS 2 ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

However, when the acquiree awards expire as a consequence of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with NZ IFRS 2. All of the market-based measure of the replacement awards is recognised as remuneration cost for post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognised as remuneration cost for post-combination service.

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 before tax’ as reported in the consolidated [statement of profit or loss and other comprehensive income/ statement of profit or loss] 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 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 consolidated 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

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 liabilities and assets 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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to NZ IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

3.17.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.17.4 Goods and services tax

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) except:

- where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST. (The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables).

NZ 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 consolidated 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 each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, 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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

Properties in the course of construction for production, supply or administrative purposes 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. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

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 the end of each reporting period, 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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any 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.

NZ IAS 40.75(a)

3.19 Investment property

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.20 Intangible assets

3.20.1 Intangible assets acquired separately

NZ IAS 38.118(b)

Intangible assets with finite useful lives that are 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 reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

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.

NZ 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.

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).

NZ 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.

3.20.4 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.21 Impairment of tangible and intangible assets other than 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).
When 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. When 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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

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 note 3.18 above).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 note 3.18 above).

NZ IAS 2.36(a)

3.22 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined 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. When 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 the effect of the time value of money is material).

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 from the contract.

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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

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 acquisition date. 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 NZ IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with NZ IAS 18 *Revenue*.

NZ IFRS 7.21

3.24 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NZ IFRS 7.21

3.25 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.25.1 Effective interest method

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 estimated future cash receipts (including all fees and 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.

NZ IFRS 7.B5(e)

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.25.2 Financial assets at FVTPL

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

- A financial asset is classified as 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 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 asset other than a financial asset held for trading may be designated as at FVTPL on initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset 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 NZ IAS 39 permits the entire combined contract to be designated as at FVTPL.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

NZ IFRS 7.B5(e)

Financial assets 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 dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 40.

3.25.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

3.25.4 Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 40. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3.25.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including [trade and other receivables, bank balances and cash, and others [describe]) are measured at amortised cost using the effective interest method, less any impairment.
Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

3.25.6 Impairment of financial assets

Financial assets, other than those at FVTPL, 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 investment have been affected.

NZ IFRS 7.B5(f)

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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.

For financial assets carried at amortised cost, 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, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

3.25.7 Derecognition of financial assets

The Group derecognises a financial asset 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 party. 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

NZ IFRS 7.21

3.26 Financial liabilities and equity instruments

3.26.1 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.26.2 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 a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.26.3 Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. 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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

The conversion option classified as equity 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. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to [other equity [describe]]. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to [retained profits/other equity [describe]]. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

3.26.4 Financial liabilities

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

3.26.4.1 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 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 has 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 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 NZ IAS 39 permits the entire combined contract to be designated as at FVTPL.

NZ 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' line item. Fair value is determined in the manner described in note 40.

3.26.4.2 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

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 (including all fees and 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 financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

3.26.4.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity 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 NZ IAS 37; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

3.26.4.4 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NZ IFRS 7.21

3.27 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, 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 contracts are 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.

3.27.1 Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

NZ IFRS 7.21

3.28 Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded 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 attributable to the hedged risk.

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

3.28.1 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 profit or loss in the line item relating to the hedged item.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

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.

3.28.2 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 and accumulated under the heading of cash flow hedging 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.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and 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 when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and 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.

3.28.3 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 under the heading of 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 on the disposal of the foreign operation.

4. Critical accounting judgements and key sources of estimation uncertainty

COMMENTARY

The following are examples of the types of disclosures that might be required in this area.

Judgements in determining:

(a) whether financial assets are held-to-maturity investments;

(b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;

(c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue;

(d) whether the substance of the relationship between the entity and a special purpose entity indicates that the entity controls the special purpose entity;

(e) whether the entity controls an investee;

(f) whether an available-for-sale investment is subject to significant or prolonged impairment;

(g) what is the functional currency of the entity;

(h) how the entity has satisfied the conditions for designating financial assets or liabilities as at fair value through profit or loss;

(i) whether owner-occupied property is property, plant and equipment, or investment property and the criteria used to determine such classifications;

(j) the allocation of cost between land and buildings on acquisition; and

(k) the threshold applied when determining if a significant or prolonged decline has occurred for AFS instruments.

Assumptions and estimates regarding:

(l) useful lives, residual values, dismantling costs, and depreciation methods in determining asset carrying values and

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

recoverable values;

(m) the effect of technological obsolescence on inventories;

(n) the estimated selling price and estimated costs to sell, in determining the realisable value of inventories;

(o) the outcome of litigation, in determining provisions;

(p) the recoverability of deferred tax assets; and

(q) future increases in wages and salaries and anticipated employee turnover, in determining long term employee benefit liabilities.

The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the performance 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.

NZ IFRS 12.7

NZ IFRS 12.7 requires entities to disclose information about significant judgements and assumptions they have made in determining (i) whether they have control of another entity, (ii) whether they have joint control of an arrangement or significant influence over another entity, and (iii) the type of joint arrangement when the arrangement has been structured through a separate vehicle.

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company 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.

NZ IAS 1.122

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note 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 consolidated financial statements.

4.1.1 Revenue recognition

Note 13.6 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 2013, 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 2014. 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 year, 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.

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in NZ IAS 18 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.

4.1.2 Held-to-maturity financial assets

The directors have reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is CU5.905 million (31 December 2012: CU4.015 million). Details of these assets are set out in note 22.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

4.1.3 Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

NZ IFRS 12.7(a)

4.1.4 Control over C Plus Limited

NZ IFRS 12.9(b)

Note 19 describes that C Plus Limited is a subsidiary of the Group even though the Group has only a 45% ownership interest and has only 45% of the voting rights in C Plus Limited. C Plus Limited is listed on the stock exchange of A Land. The Group has held its 45% ownership since June 2010 and the remaining 55% of the ownership interests are held by thousands of shareholders that are unrelated to the Group.

The directors of the Company assessed whether or not the Group has control over C Plus Limited based on whether the Group has the practical ability to direct the relevant activities of C Plus Limited unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in C Plus Limited and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of C Plus Limited and therefore the Group has control over C Plus Limited.

NZ IFRS 12.7(a)

4.1.5 Control over Subtwo Limited

NZ IFRS 12.9(b)

Note 19 describes that Subtwo Limited is a subsidiary of the Group although the Group only owns a 45% ownership interest in Subtwo Limited. Based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of directors of Subtwo Limited that has the power to direct the relevant activities of Subtwo Limited. Therefore, the directors of the Company concluded that the Group has the practical ability to direct the relevant activities of Subtwo Limited unilaterally and hence the Group has control over Subtwo Limited.

4.1.6 Intentionally left blank

NZ IFRS 12.7(b),(c)

4.1.7 Classification of Electronics JV Limited as a joint venture

Electronics JV Limited is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Electronics JV Limited is classified as a joint venture of the Group. See note 20A for details.

NZ 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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

4.2.1 Recoverability of internally generated intangible asset

During the year, the directors considered 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 2013 with a carrying amount of CU0.5 million (31 December 2012: CU0.5 million).

The project continues to progress in a 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 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. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2013 was CU20.5 million (31 December 2012: CU24.3 million) after an impairment loss of CU235,000 was recognised during 2013 (2012: nil). 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 reporting period. During the current 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
2013	879
2014	607
2015	144
2016	102

4.2.4 Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 15, 16 and 40.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

5. Revenue

NZ IAS 18.35(b)

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

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
NZ IAS 18.35(b)(i)	Revenue from the sale of goods	119,248	129,087
NZ IAS 18.35(b)(ii)	Revenue from the rendering of services	16,388	18,215
NZ IAS 11.39(a)	Construction contract revenue	5,298	4,773
		140,934	152,075

6. Segment information

COMMENTARY
As tier 2 entities are not in scope of NZ IFRS 8, they will not be required to disclose segment information.

NZ IFRS 8.2(b)

7. Investment income

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
	Continuing operations		
	Rental income:		
NZ IAS 17.47(e)	Finance lease contingent rental income	-	-
	Operating lease rental income:		
NZ IAS 17.56(b)	Contingent rental income	-	-
	Others [describe]	18	14
		18	14
NZ IFRS 7.20(b), NZ IAS 18.35(b)(iii)	Interest income	2,315	1,054
NZ IAS 18.35(b)(iv)	Royalties	79	28
NZ IFRS 7.20(a)(ii), NZ IAS 18.35(b)(v)	Dividends from equity investments	156	154
	Others (aggregate of immaterial items)	1,065	1,146
		3,633	2,396

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

The following is an analysis of investment income by category of asset

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
NZ IFRS 7.20(a)(ii)	Available-for-sale financial assets	154	98
NZ IFRS 7.20(a)(iv)	Loans and receivables (including cash and bank balances)	1,716	546
NZ IFRS 7.20(a)(iii)	Held-to-maturity investments	445	410
NZ IFRS 7.20(b)	Total interest income earned on financial assets that are not designated as at fair value through profit or loss	2,315	1,054
NZ IFRS 7.20(a)(ii)	Dividend income earned on available-for-sale financial assets	156	154
	Investment income earned on non-financial assets	1,162	1,188
		3,633	2,396

Income relating to financial assets classified as at fair value through profit or loss is included in other gains and losses' in note 8.

8. Other gains and losses

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
	Continuing operations		
	Gains:		
NZ IFRS 7.RDR 20.1	Net gain arising on FVTPL financial assets (ii)	202	99
NZ IFRS 7.RDR 20.1	Net gain arising on FVTPL financial liabilities (i),(iii)	-	-
NZ IAS 1.98(c)	Gain on disposal of property, plant and equipment	6	67
NZ IAS 1.98(d)	Gain on disposal of other investments	-	-
NZ IFRS 7.20(a)(ii)	Cumulative gain reclassified from equity on disposal of available-for-sale investments	-	-
NZ IAS 21.52(a)	Net foreign exchange gains	819	474
	Gain arising on effective settlement of legal claim against Subseven Limited (note 44)	40	-
NZ IAS 40.76(d)	Gain arising on changes in fair value of investment property	30	297
NZ IFRS 7.24(b)	Hedge ineffectiveness on cash flow hedges	89	68
NZ IFRS 7.24(c)	Hedge ineffectiveness on net investment hedges	-	-
		1,186	1,005
	Losses:		
NZ IFRS 7.RDR 20.1	Net loss arising on FVTPL financial assets (ii)	-	-
NZ IFRS 7.RDR 20.1	Net loss arising on FVTPL financial liabilities (i),(iii)	(539)	-
NZ IAS 1.98(c)	Loss on disposal of property, plant and equipment	-	-
NZ IAS 1.98(d)	Loss on disposal of other investments	-	-
NZ IFRS 7.20(a)(ii)	Cumulative loss reclassified from equity on disposal of available-for-sale investments	-	-
NZ IFRS 7.20(a)(ii)	Cumulative loss reclassified from equity on impairment of available-for-sale investments	-	-
NZ IAS 21.52(a)	Net foreign exchange losses	-	-
NZ IAS 40.76(d)	Loss arising on changes in fair value of investment property	-	-
NZ IFRS 7.24(b)	Hedge ineffectiveness on cash flow hedges	-	-
NZ IFRS 7.24(c)	Hedge ineffectiveness on net investment hedges	-	-
		(539)	-

(i) The net loss on these financial liabilities designated as at FVTPL includes 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.

(ii) The amount represents a net gain on non-derivative held for trading financial assets (see note 22) and comprises an increase in fair value of CU202,000 (2012: 99,000), including interest of CU46,000 received during the year (2012: CU27,000).

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

(iii) The amount represents a net loss arising on an interest rate swap that economically hedges the fair value of the redeemable cumulative preference shares, but for which hedge accounting is not applied (see note 34). The net loss on the interest rate swap comprises an increase in fair value of CU51,000 of the swap, including interest of CU3,000 paid during the year.

No other gains or losses have been recognised in respect of loans and receivables or held-to-maturity investments, other than as disclosed in notes 7 and 9 and impairment losses recognised/reversed in respect of trade receivables (see notes 13 and 25).

9. Finance costs

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
	Continuing operations		
NZ IFRS 7.20(a)(v)	Interest on bank overdrafts and loans (other than those from related parties)	3,058	3,533
NZ IFRS 7.20(a)(v)	Interest on loans from related parties	1,018	2,521
	Interest on obligations under finance leases	75	54
NZ IFRS 7.20(a)(v)	Interest on convertible notes	110	-
NZ IFRS 7.20(a)(v)	Interest on perpetual notes	52	-
NZ IFRS 7.20(a)(v)	Interest on interest-free government loans	188	-
NZ IFRS 7.20(a)(v)	Other interest expense	25	-
NZ IFRS 7.20(b)	Total interest expense for financial liabilities not classified as at FVTPL	4,526	6,108
NZ IAS 23.26(a)	Less: amounts included in the cost of qualifying assets	(11)	(27)
		4,515	6,081
NZ IFRS 7.24(a)(i)	Loss/(gain) arising on derivatives as designated hedging instruments in fair value hedges	5	-
NZ IFRS 7.24(a)(ii)	(Gain)/loss arising on adjustment for hedged item attributable to the hedged risk in a designated fair value hedge accounting relationship	(5)	-
		-	-
NZ IFRS 7.23(d)	(Gain)/loss arising on interest rate swaps as designated hedging instruments in cash flow hedges of floating rate debt reclassified from equity to profit or loss	(123)	(86)
	Unwinding of discount on costs to sell non-current assets classified as held for sale	-	-
	Other finance costs	28	30
		4,420	6,025

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

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

10. Income taxes relating to continuing operations

NZ IAS 12.79

10.1 Income tax recognised in profit or loss

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 12.79	**Current tax**		
NZ IAS 12.80(a)	In respect of the current year	10,241	11,454
NZ IAS 12.80(b)	In respect of prior years	-	-
NZ IAS 12.80(e)	Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period	-	-
NZ IAS 12.80(h)	Tax expense/(income) associated with changes in accounting policies that cannot be accounted for retrospectively	-	-
NZ IAS 12.79	Others [describe]	-	-
		10,241	11,454
NZ IAS 12.79	**Deferred tax**		
NZ IAS 12.80(c)	In respect of the current year	1,394	300
NZ IAS 12.80(f)	Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period	-	-
NZ IAS 12.80(h)	Tax expense/(income) associated with changes in accounting policies that cannot be accounted for retrospectively	-	-
NZ IAS 12.79	Deferred tax reclassified from equity to profit or loss	(150)	(86)
NZ IAS 12.80(d)	Adjustments to deferred tax attributable to changes in tax rates and laws	-	-
NZ IAS 12.80(g)	Write-downs (reversals of previous write-downs) of deferred tax assets	-	-
NZ IAS 12.79	Others [describe]	-	-
		1,244	214
	Total income tax expense recognised in the current year relating to continuing operations	11,485	11,668

NZ IAS 12.81(c) The income tax expense for the year can be reconciled to the accounting profit as follows:

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
	Profit before tax from continuing operations	30,317	32,257
	Income tax expense calculated at xx% (2012: xx%)	9,095	9,677
	Effect of income that is exempt from taxation	(39)	(90)
	Effect of expenses that are not deductible in determining taxable profit	2,488	2,142
	Effect of concessions (research and development and other allowances)	(75)	(66)
	Impairment losses on goodwill that are not deductible	5	-
	Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	-
	Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	-	-
	Effect of different tax rates of subsidiaries operating in other jurisdictions	11	5
NZ IAS 12.81(d)	Effect on deferred tax balances due to the change in income tax rate from xx% to xx% (effective [insert date])	-	-
	Others [describe]	-	-
		11,485	11,668
NZ IAS 12.80(b)	Adjustments recognised in the current year in relation to the current tax of prior years	-	-
	Income tax expense recognised in profit or loss (relating to continuing operations)	11,485	11,668

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

NZ IAS 12.81(c)(i)

The tax rate used for the 2013 and 2012 reconciliations above is the corporate tax rate of xx% payable by corporate entities in A Land on taxable profits under tax law in that jurisdiction.

COMMENTARY
Entities need to tailor their disclosures to the New Zealand environment, including the New Zealand 28% corporate tax rate.

NZ IAS 12.81(a)

10.2 Income tax recognised directly in equity

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
	Current tax	(9)	-
	Deferred tax	167	-
NZ IAS 12.81(a)	Total income tax recognised directly in equity	158	-

10.3 Income tax recognised in other comprehensive income

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
NZ IAS 12.RDR 81.1	Current tax	-	-
NZ IAS 12.RDR 81.1	Deferred tax	762	126
	Total income tax recognised in other comprehensive income	762	126

10.4 Intentionally left blank

10.5 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	31/12/13 CU'000	31/12/12 CU'000 (restated)
Deferred tax assets	2,083	1,964
Deferred tax liabilities	(6,782)	(5,224)
	(4,699)	(3,260)

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

COMMENTARY

The following illustrative deferred tax balances disclosure is considered "best practice". The only requirements for a breakdown by type of temporary difference (i.e. the first column) are the opening and closing balances (the second and last columns), and the amount charged to income (being the aggregate of the third and sixth columns). The other columns could be amalgamated or excluded so long as the other disclosures required by NZ IAS 12 are made elsewhere in the financial statements in aggregate.

NZ IAS 12.81(a),(g), RDR 81.1

2013	Opening balance	Recognised in profit or loss	Recognised in other compre-hensive income	Recognised directly in equity	Reclassi-fied from equity to profit or loss	Acquisitions /disposals	Liabilities associated with assets classified as held for sale (note 12)	Closing balance
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Deferred tax (liabilities)/assets in relation to								
Inventory	-	-	-	-	-	-	-	-
Cash flow hedges	(119)	-	(131)	-	114	-	-	(136)
Net investment hedges	-	-	4	-	-	-	-	4
Associates	(1,101)	(260)	-	-	-	-	-	(1,361)
Joint venture	(247)	(101)	-	-	-	-	-	(348)
Property, plant & equipment	(2,580)	(1,404)	(493)	-	-	458	430	(3,589)
Finance leases	(22)	18	-	-	-	-	-	(4)
Intangible assets	(572)	196	-	-	-	-	-	(376)
FVTPL financial assets	-	-	-	-	-	-	-	-
AFS financial assets	(226)	-	(28)	-	-	-	-	(254)
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
Defined benefit obligation	(162)	132	(242)	-	-	-	-	(272)
Other financial liabilities	5	2	-	-	-	-	-	7
Unclaimed share issue and buy-back costs	-	-	-	75	-	-	-	75
Others [describe]	(181)	(32)	-	-	-	-	-	(213)
	(3,262)	(1,394)	(912)	(167)	150	454	430	(4,701)
Tax losses	-	-	-	-	-	-	-	-
Foreign tax credits	-	-	-	-	-	-	-	-
Others	2	-	-	-	-	-	-	2
	2	-	-	-	-	-	-	2
	(3,260)	(1,394)	(912)	(167)	150	454	430	(4,699)

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

NZ IAS 12.81(a),(g), RDR 81.1

2012 (restated)	Opening balance CU'000	Recognised in profit or loss CU'000	Recognised in other comprehen-sive income CU'000	Recognised directly in equity CU'000	Reclassi-fied from equity to profit or loss CU'000	Acquisitions /disposals CU'000	Liabilities associated with assets classified as held for sale (note 12) CU'000	Closing balance CU'000
Deferred tax (liabilities)/assets in relation to								
Inventory	-	-	-	-	-	-	-	-
Cash flow hedges	(110)	-	(95)	-	86	-	-	(119)
Associates	(738)	(363)	-	-	-	-	-	(1,101)
Joint venture	(174)	(73)	-	-	-	-	-	(247)
Property, plant & equipment	(2,448)	(132)	-	-	-	-	-	(2,580)
Finance leases	(29)	7	-	-	-	-	-	(22)
Intangible assets	(669)	97	-	-	-	-	-	(572)
FVTPL financial assets	-	-	-	-	-	-	-	-
AFS financial assets	(202)	-	(24)	-	-	-	-	(226)
Deferred revenue	20	14	-	-	-	-	-	34
Exchange difference on foreign operations	22	-	(36)	-	-	-	-	(14)
Provisions	1,692	(20)	-	-	-	-	-	1,672
Doubtful debts	122	129	-	-	-	-	-	251
Defined benefit obligation	(232)	127	(57)	-	-	-	-	(162)
Other financial liabilities	9	(4)	-	-	-	-	-	5
Others [describe]	(97)	(84)	-	-	-	-	-	(181)
	(2,834)	(302)	(212)	-	86	-	-	(3,262)
Tax losses	-	-	-	-	-	-	-	-
Foreign tax credits	-	-	-	-	-	-	-	-
Others	-	2	-	-	-	-	-	2
	-	2	-	-	-	-	-	2
	(2,834)	(300)	(212)	-	86	-	-	(3,260)

NZ IAS 12.80(d)

COMMENTARY

In the event of a change to the income tax rate(s), an additional column for the effect of the change in income tax rate may be required in the tables above.

10.6 Unrecognised deductible temporary differences, unused tax losses and unused tax credits

		31/12/13 CU'000	31/12/12 CU'000
	Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
NZ IAS 12.81(e)	- tax losses	-	-
NZ IAS 12.81(e)	- unused tax credits (expire [date])	11	11
NZ IAS 12.81(e)	- deductible temporary differences [describe]	-	-
		11	11

NZ IAS 12.81(e) The unrecognised tax credits will expire in 2015.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

11. Discontinued operations

11.1 Disposal of toy manufacturing operations

NZ IFRS 5.30
NZ IFRS 5.41(a)-(c)

On 28 September 2013, the Company 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 2013, on which date control of the toy manufacturing operations passed to the acquirer.

11.2 Plan to dispose of the bicycle business

NZ IFRS 5.30
NZ IFRS 5.41(a)-(c)

On 30 November 2013, the 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 on 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 2014. The Group has not recognised any impairment losses in respect of the bicycle business, neither when the assets and liabilities of the operation were reclassified as held for sale nor at the end of the reporting period (see note 12).

11.3 Analysis of profit for the year from discontinued operations

The combined results of the discontinued operations (i.e. toy and bicycle businesses) included in the profit for the year 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 year.

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
	Profit before tax	9,530	12,993
NZ IAS 12.81(h)	Attributable income tax expense	(2,524)	(2,998)
		7,006	9,995
	Loss on discontinuance	1,940	-
NZ IAS 12.81(h)	Attributable income tax expense	(636)	-
		1,304	-
	Profit for the year from discontinued operations (attributable to owners of the Company)	8,310	9,995

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
	Cash flows from discontinued operations		
NZ IFRS 5.33(c)	Net cash inflows from operating activities	6,381	7,078
NZ IFRS 5.33(c)	Net cash inflows from investing activities	2,767	-
NZ IFRS 5.33(c)	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 2013 as a disposal group held for sale (see note 12).

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

12. Assets classified as held for sale

	31/12/13 CU'000	31/12/12 CU'000
Freehold 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	-

NZ IFRS 5.41(a)-(c)

(i) The Group intends to dispose of a parcel of freehold land it no longer utilises in the next 12 months. The property located on the freehold land was previously used in the Group's toy operations and has been fully depreciated. A search is underway for a buyer. No impairment loss was recognised on reclassification of the land as held for sale nor as at 31 December 2013 as the directors of the Company expect that the fair value (estimated based on the recent market prices of similar properties in similar locations) less costs to sell is higher than the carrying amount.

NZ IFRS 5.41(a)-(c), NZ IFRS 5.38

(ii) As described in note 11, the Group plans to dispose of its bicycle business and anticipates that the disposal will be completed by 31 July 2014. The Group is currently in negotiation with some potential buyers and the directors of the Company expect that the fair value less costs to sell of the business will be higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on reclassification of the assets and liabilities as held for sale nor as at 31 December 2013. The major classes of assets and liabilities of the bicycle business at the end of the reporting period are as follows:

		31/12/13 CU'000
NZ IFRS 5.38	Goodwill	1,147
NZ IFRS 5.38	Property, plant and equipment	16,944
NZ IFRS 5.38	Inventories	2,090
NZ IFRS 5.38	Trade receivables	720
NZ IFRS 5.38	Cash and bank balances	175
	Assets of bicycle business classified as held for sale	21,076
NZ IFRS 5.38	Trade payables	(3,254)
NZ IFRS 5.38	Current tax liabilities	-
NZ IFRS 5.38	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

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

13. Profit for the year from continuing operations

COMMENTARY
When items of income and expense are material, their nature and amount shall be disclosed separately.

NZ IAS 1.97

Profit for the year from continuing operations is attributable to:

NZ IFRS 7.20(e)

13.1 Impairment losses

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
	Impairment losses on financial assets		
NZ IFRS 7.20(e)	Impairment loss on trade receivables (see note 25)	63	430
NZ IFRS 7.20(e)	Impairment loss on available-for-sale equity investments	-	-
NZ IFRS 7.20(e)	Impairment loss on available-for-sale debt investments	-	-
NZ IFRS 7.20(e)	Impairment loss on held-to-maturity financial assets	-	-
NZ IFRS 7.20(e)	Impairment loss on loans carried at amortised cost	-	-
		63	430
NZ IFRS 7.20(e)	Reversal of impairment losses on trade receivables	(103)	-
	Impairment losses on non-financial assets		
	Impairment loss on property, plant and equipment (see note 15)	1,204	-
	Impairment loss on goodwill (see note 17)	235	-
	Impairment loss on other intangible assets(see note 18)	-	-
		1,439	-
	Reversal of impairment losses on property, plant and equipment (see note 15)	-	-
	Reversal of impairment losses on goodwill (see note 17)	-	-
	Reversal of impairment losses on other intangible assets (see note 18)	-	-
		-	-

COMMENTARY
Entities should consider disclosing impairment losses separately on the face of the statement of profit or loss / statement of profit or loss and other comprehensive income, when such presentation is relevant to an understanding of the entity's financial performance.

NZ IAS 1.85

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
	13.2 Depreciation and amortisation expense		
	Depreciation of property, plant and equipment	10,632	12,013
NZ IAS 38.118(d)	Amortisation of intangible assets (included in [cost of sales/depreciation and amortisation expense/administrative expense/other expenses])	1,592	1,556
	Total depreciation and amortisation expense	12,224	13,569

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
	13.3 Intentionally left blank		
NZ IAS 38.126	***13.4 Research and development costs expensed as incurred***	502	440
	13.5 Employee benefits expense		
	Post-employment benefits (see note 39)		
NZ IAS 19.53	Defined contribution plans	160	148
NZ IAS 19.135(b)	Defined benefit plans	1,336	852
		1,496	1,000
NZ IFRS 2.RDR 50.1(a)	Share-based payments (see note 42.1)	206	338
	Termination benefits	-	-
	Other employee benefits	8,851	10,613
	Total employee benefits expense	10,553	11,951

13.6 Exceptional rectification costs

NZ 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] (2012: nil). The amount represents the estimated cost of work to be carried out in accordance with an agreed schedule of works up to 2015. CU1.112 million of the provision has been utilised in the current year, with a provision of CU3.058 million carried forward to meet anticipated expenditure in 2014 and 2015 (see note 35).

13.7 Intentionally left blank

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
	13.8 Donations		
Co. Act s.211(1)(h)	Donations made during the year	-	-

COMMENTARY
New Zealand companies are required to disclose in their annual report any donations made during the period, unless all shareholders agree not to do so.

Co. Act s.211(h), 211(3)

14. Earnings per share

COMMENTARY
As tier 2 entities are not in scope of NZ IAS 33, they will not be required to disclose earnings per share information.
If other entities choose to disclose EPS information voluntarily in their financial statements that comply with NZ IFRSs, the disclosures in relation to the EPS information should comply fully with the requirements set out in NZ IAS 33.

NZ IAS 33.2

NZ IAS 33.3

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

15. Property, plant and equipment

		31/12/13 CU'000	31/12/12 CU'000
	Carrying amounts of:		
	Freehold land	13,868	15,050
	Buildings	8,132	11,169
	Plant and equipment	83,187	104,160
NZ IAS 17.31(a)	Equipment under finance lease	28	162
		105,215	130,541

NZ IAS 16.73(a), RDR 73.1

	Cost or valuation	Freehold land at revalued amount CU'000	Buildings at revalued amount CU'000	Plant and equipment at cost CU'000	Work in progress at cost CU'000	Equipment under finance lease at cost CU'000	Total CU'000
NZ IAS 16.73(d)	*Balance at 1 January 2012*	15,610	12,659	152,107	-	630	181,006
NZ IAS 16.73(d)	*Balance at 31 December 2012*	15,050	13,667	135,375	-	670	164,762
NZ IAS 16.73(e)(i)	Additions	-	-	21,473	-	-	21,473
NZ IAS 16.73(e)(ii)	Disposals	(1,439)	(1,200)	(12,401)	-	(624)	(15,664)
NZ IAS 16.73(e)(ii)	Transferred as consideration for acquisition of subsidiary	(400)	-	-	-	-	(400)
NZ IAS 16.73(e)(ii)	Derecognised on disposal of a subsidiary	-	-	(8,419)	-	-	(8,419)
NZ IAS 16.73(e)(iii)	Acquisitions through business combinations	-	-	512	-	-	512
NZ IAS 16.73(e)(ii)	Reclassified as held for sale	(1,260)	(1,357)	(22,045)	-	-	(24,662)
NZ IAS 16.73(e)(iv)	Revaluation increase/(decrease)	1,608	37	-	-	-	1,645
NZ IAS 16.73(e)(ix)	Others [describe]	309	-	1,673	-	-	1,982
NZ IAS 16.73(d)	*Balance at 31 December 2013*	13,868	11,147	116,168	-	46	141,229

NZ IAS 16.73(a), RDR 73.1

	Accumulated depreciation and impairment	Freehold land at revalued amount CU'000	Buildings at revalued amount CU'000	Plant and equipment at cost CU'000	Work in progress at cost CU'000	Equipment under finance lease at cost CU'000	Total CU'000
NZ IAS 16.73(d)	*Balance at 1 January 2012*	-	(1,551)	(21,865)	-	(378)	(23,794)
NZ IAS 16.73(d)	*Balance at 31 December 2012*	-	(2,498)	(31,215)	-	(508)	(34,221)
NZ IAS 16.73(e)(ii)	Eliminated on disposals of assets	-	106	3,602	-	500	4,208
NZ IAS 16.73(e)(ii)	Eliminated on disposal of a subsidiary	-	-	2,757	-	-	2,757
NZ IAS 16.73(e)(iv)	Eliminated on revaluation	-	(2)	-	-	-	(2)
NZ IAS 16.73(e)(ii)	Eliminated on reclassification as held for sale	-	153	6,305	-	-	6,458
NZ IAS 16.73(e)(v), NZ IAS 36.126(a)	Impairment losses recognised in profit or loss	-	-	(1,204)	-	-	(1,204)
NZ IAS 16.73(e)(vi), NZ IAS 36.126(b)	Reversals of impairment losses recognised in profit or loss	-	-	-	-	-	-
NZ IAS 16.73(e)(vii)	Depreciation expense	-	(774)	(12,834)	-	(10)	(13,618)
NZ IAS 16.73(e)(ix)	Others [describe]	-	-	(392)	-	-	(392)
NZ IAS 16.73(d)	*Balance at 31 December 2013*	-	(3,015)	(32,981)	-	(18)	(36,014)

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

NZ IAS 16.73(c)

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

NZ IAS 16.73(c) Buildings	20 – 30 years
NZ IAS 16.73(c) Plant and equipment	5 – 15 years
NZ IAS 16.73(c) Equipment under finance lease	5 years

15.1 Fair value measurement of the Group's freehold land and buildings

NZ IAS 16.77(a),(b)

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 31 December 2013 and 31 December 2012 were performed 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 fair value measurement of properties in the relevant locations.

NZ IFRS 13.91(a), 93(d)

The fair value of the freehold land was determined [based on the market comparable approach that reflects recent transaction prices for similar properties/other methods [describe]]. The fair value of the buildings was determined using [the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence/other methods (describe)]. There has been no change to the valuation technique during the year.

Fair value as at 31/12/13	**Total CU'000**
A manufacturing plant in A land that contains:	
- freehold land	13,868
- buildings	11,147

NZ IFRS 13.C3

COMMENTARY

NZ IFRS 13 contains specific transitional provisions such that entities that apply NZ IFRS 13 for the first time do not need to make the disclosures required by the Standard in comparative information provided for periods before initial application of the Standard. Nevertheless, an entity should provide disclosures for the prior period that were required by the then applicable Standards.

15.2 Impairment losses recognised in the year

NZ IAS 36.126(a),(b)

The impairment losses/(reversals) [specify amount for each asset class] have been included in profit or loss in the [other expenses/cost of sales] line item.

15.3 Assets pledged as security

NZ IAS 16.74(a)

Freehold land and buildings with a carrying amount of approximately CU22 million (31 December 2012: approximately CU26.2 million) 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.
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 2012: CU162,000).

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

16. Investment property

	31/12/13 CU'000	31/12/12 CU'000
Fair value		
Completed investment properties	1,968	1,941

		Year ended 31/12/13 CU'000
NZ IAS 40.76	*Balance at beginning of year*	1,941
NZ IAS 40.76(a)	Additions	10
NZ IAS 40.76(b)	Acquisitions through business combinations	-
NZ IAS 40.76(c)	Disposals	-
NZ IAS 40.76(f)	Transferred from property, plant and equipment	-
NZ IAS 40.76(f)	Other transfers [describe]	-
NZ IAS 40.76(c)	Property reclassified as held for sale	-
NZ IAS 40.76(d)	Gain/(loss) on property revaluation	30
NZ IAS 40.76(g)	Other changes [describe]	(13)
NZ IAS 40.76	*Balance at end of year*	1,968

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

16.1 Fair value measurement of the Group's investment properties

NZ IAS 40.75(e)
NZ IFRS 13.91(a)

The fair value of the Group's investment property as at 31 December 2013 and 31 December 2012 has been arrived at on the basis of a valuation carried out on the respective dates 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 fair value was determined [based on the market comparable approach that reflects recent transaction prices for similar properties/other methods [describe]]. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

NZ IFRS 13.93(a)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

Fair value as at 31/12/13	Total CU'000
Commercial property units located in A Land	1,968

COMMENTARY
Transitional provisions
NZ IFRS 13 contains specific transitional provisions such that entities that apply NZ IFRS 13 for the first time do not need to make the disclosures required by the Standard in comparative information provided for periods before initial application of the Standard. Nevertheless, an entity should provide disclosures for the prior period that were required by the then applicable Standards

NZ IFRS 13.C3

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

17. Goodwill

	31/12/13 CU'000	31/12/12 CU'000
Cost	20,720	24,260
Accumulated impairment losses	(235)	-
	20,485	24,260

		Year ended 31/12/13 CU'000
	Cost	
NZ IFRS 3.B67(d)(i)	*Balance at beginning of year*	24,260
NZ IFRS 3.B67(d)(ii)	Additional amounts recognised from business combinations occurring during the year (note 44)	478
NZ IFRS 3.B67(d)(iv)	Derecognised on disposal of a subsidiary	(3,080)
NZ IFRS 3.B67(d)(iv)	Reclassified as held for sale (note 12)	(1,147)
NZ IFRS 3.B67(d)(vi)	Effect of foreign currency exchange differences	209
	Others [describe]	-
NZ IFRS 3.B67(d)(viii)	*Balance at end of year*	20,720
	Accumulated impairment losses	
NZ IFRS 3.B67(d)(i)	*Balance at beginning of year*	-
NZ IFRS 3.B67(d)(v), NZ IAS 36.126(a)	Impairment losses recognised in the year	(235)
NZ IFRS 3.B67(d)(iv)	Derecognised on disposal of a subsidiary	-
NZ IFRS 3.B67(d)(iv)	Classified as held for sale	-
NZ IFRS 3.B67(d)(vi)	Effect of foreign currency exchange differences	-
NZ IFRS 3.B67(d)(viii)	*Balance at end of year*	(235)

NZ IAS 36.126(a) The impairment loss has been included in profit or loss in the 'other expenses' line item.

18. Other intangible assets

	31/12/13 CU'000	31/12/12 CU'000
Carrying amounts of:		
Software	1,194	1,906
Patents	4,369	4,660
Trademarks	706	942
Licenses	3,470	3,817
	9,739	11,325

		Software CU'000	Patents CU'000	Trademarks CU'000	Licenses CU'000	Total CU'000
	Cost					
NZ IAS 38.118(c)	*Balance at 1 January 2012*	3,230	5,825	4,711	6,940	20,706
NZ IAS 38.118(c)	*Balance at 31 December 2012*	3,588	5,825	4,711	6,940	21,064
NZ IAS 38.118(e)(i)	Additions	-	-	-	-	-
NZ IAS 38.118(e)(i)	Additions from internal developments	6	-	-	-	6
NZ IAS 38.118(e)(i)	Acquisitions through business combinations	-	-	-	-	-
NZ IAS 38.118(e)(ii)	Disposals or classified as held for sale	-	-	-	-	-
NZ IAS 38.118(e)(viii)	Others [describe]	-	-	-	-	-
NZ IAS 38.118(c)	*Balance at 31 December 2013*	3,594	5,825	4,711	6,940	21,070

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

		Software	Patents	Trademarks	Licenses	Total
		CU'000	CU'000	CU'000	CU'000	CU'000
	Accumulated amortisation and impairment					
NZ IAS 38.118(c)	*Balance at 1 January 2012*	(1,000)	(874)	(3,533)	(2,776)	(8,183)
NZ IAS 38.118(c)	*Balance at 31 December 2012*	(1,682)	(1,165)	(3,769)	(3,123)	(9,739)
NZ IAS 38.118(e)(vi)	Amortisation expense	(718)	(291)	(236)	(347)	(1,592)
NZ IAS 38.118(e)(ii)	Disposals or classified as held for sale	-	-	-	-	-
NZ IAS 36.126(a), NZ IAS 38.118(e)(iv)	Impairment losses recognised in profit or loss	-	-	-	-	-
NZ IAS 36.126(b), NZ IAS 38.118(e)(v)	Reversals of impairment losses recognised in profit or loss	-	-	-	-	-
NZ IAS 38.118(e)(viii)	Others [describe]	-	-	-	-	-
NZ IAS 38.118(c)	*Balance at 31 December 2013*	(2,400)	(1,456)	(4,005)	(3,470)	(11,331)

NZ IAS 36.126(a),(b) The impairment losses/(reversals) [specify amount for each class of asset] have been included in profit or loss in the [other expenses/ cost of sales] line item.

NZ IAS 38.118(a) The following useful lives are used in the calculation of amortisation.

NZ IAS 38.118(a)	Software	5 years
NZ IAS 38.118(a)	Patents	10 – 20 years
NZ IAS 38.118(a)	Trademarks	20 years
NZ IAS 38.118(a)	Licenses	20 years

18.1 Significant intangible assets

NZ 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 2012: CU2.4 million) will be fully amortised in 15 years (31 December 2012: 16 years).

19. Subsidiaries

NZ IFRS 12.10(a)(i) Details of the Group's material subsidiaries at the end of the reporting period are as follows.

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/12/13	31/12/12
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 and bicycles	C Land	100%	100%
Subsix Limited	Manufacture of leisure goods	A Land	80%	Nil
Subseven Limited	Manufacture of leisure goods	A Land	100%	Nil
C Plus Limited (ii)	Manufacture of electronic equipment	A Land	45%	45%

COMMENTARY

NZ IFRSs do not explicitly require an entity to disclose a list of its subsidiaries in the consolidated financial statements. Nevertheless, local laws or regulations may require an entity to make such a disclosure. The above disclosure is for information only (in respect of consolidated financial statements) and may have to be modified to comply with the additional local requirements. NZ IFRS 12.10(a) does require disclosure of information that enables users to understand the composition of the group.

New Zealand entities which are required to prepare parent financial statements should also consider, in respect of the parent entity, the requirements of NZ IAS 27 Separate Financial Statements and NZ IAS 24 Related Party Disclosures.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

19.1 Composition of the Group

NZ IFRS 12.4,10(a)(i), B4(a), B5-B6

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		31/12/13	31/12/12
Manufacture of electronic equipment	A Land	-	1
	C Land	1	1
Manufacture of leisure goods	A Land	1	-
Construction	A Land	1	1
Toys manufacturing	A Land	-	1
		3	4

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries	
		31/12/13	31/12/12
Manufacture of electronic equipment	A Land	2	1
Manufacture of leisure goods	A Land	2	1
	B Land	1	1
		5	3

NZ IFRS 12.9(b)

The Group owns 45% equity shares of Subtwo Limited. However, based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of directors of Subtwo Limited. The relevant activities of Subtwo Limited are determined by the board of directors of Subtwo Limited based on simple majority votes. Therefore, the directors of the Group concluded that the Group has control over Subtwo Limited and Subtwo Limited is consolidated in these financial statements.

NZ IFRS 12.9(b)

C Plus Limited is listed on the stock exchange of A Land. Although the Group has only 45% ownership in C Plus Limited, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of C Plus Limited on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The 55% ownership interests in C Plus Limited are owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 2%.

19.2, 19.3 Intentionally left blank

19.4 Significant restrictions

NZ IFRS 12.13

[When there are significant restrictions on the Company's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group, the Group should disclose the nature and extent of significant restrictions. Please see NZ IFRS 12.13 for details.]

19.5 Financial support

NZ IFRS 12.15,17

[When the Group gives financial support to a consolidated structured entity, the nature and risks (including the type and amount of support provided) should be disclosed in the financial statements. Please see NZ IFRS 12.15, 17 for details.]

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

20. Associates

20.1 Details of material associates

NZ IFRS 12.21(a)

Details of each of the Group's material associates at the end of the reporting period are as follows:

COMMENTARY
For illustrative purposes, the following associates are assumed to be material to the Group.

Name of associate	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
		31/12/13	31/12/12
A Plus Limited (i) & (ii)	M Land	35% / 37%	35% / 37%
B Plus Limited (iii)	A Land	17%	17%

NZ IFRS 12.21(b)(i), NZ IFRS 12.21(a)(iv)

All of the above associates are accounted for using the equity method in these consolidated financial statements. Pursuant to a shareholder agreement, the Company has the right to cast 37% of the votes at shareholder meetings of A Plus Limited.

NZ IFRS 12.21(b)(iii)

For the purposes of applying the equity method of accounting, the financial statements of A Plus Limited for the year ended 31 October 2013 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2013. As at 31 December 2013, the fair value of the Group's interest in A Plus Limited, which is listed on the stock exchange of M Land, was CU8 million (31 December 2012: CU7.8 million) based on the quoted market price available on the stock exchange of M Land.

20.2 Change in the Group's ownership interest in an associate

NZ IAS 28.22

In the prior year, the Group held a 40% interest in E Plus Limited and accounted for the investment as an associate. In December 2013, the Group disposed of a 30% interest in E Plus Limited to a third party for proceeds of CU1.245 million (received in January 2014). The Group has accounted for the remaining 10% interest as an available-for-sale investment whose fair value at the date of disposal was CU360,000, which was determined using a discounted cash flow model (please describe key factors and assumptions used in determining the fair value). 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 current 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 current year, 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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

20A. Joint venture

COMMENTARY
Similar to the disclosures applicable to investments in associates, NZ IFRS 12 requires the following information to be disclosed for each of the Group's material joint ventures. In this model, the Group only has one joint venture, Electronics JV Limited, and for illustrative purposes, Electronics JV Limited is assumed to be material to the Group.

20A.1 Details of material joint venture

NZ IFRS 12.21(a)

Details of the Group's material joint venture at the end of the reporting period is as follows:

Name of Joint Venture	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
		31/12/13	31/12/12
Electronics JV Limited	C Land	33%	33%

NZ IFRS 12.21(b)(i)

The above joint venture is accounted for using the equity method in these consolidated financial statements.

21. Joint operation

NZ IFRS 12.21(a)

The Group has a material joint operation, Project ABC. The Group has a 25% 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 joint operation's expenses.

NZ IFRS 7.7

22. Other financial assets

		31/12/13 CU'000	31/12/12 CU'000 (restated)
NZ IFRS 7.22(b)	**Derivatives designated and effective as hedging instruments carried at fair value**		
	Foreign currency forward contracts	244	220
	Interest rate swaps	284	177
		528	397
NZ IFRS 7.RDR 8.1	**Financial assets carried at fair value through profit or loss (FVTPL)**	1,539	1,639
NZ IFRS 7.8(b)	**Held-to-maturity investments carried at amortised cost**		
	Bills of exchange (i)	5,405	4,015
	Debentures (ii)	500	-
		5,905	4,015
NZ IFRS 7.8(d)	**Available-for-sale investments carried at fair value**		
	Redeemable notes (iii)	2,200	2,180
	Shares (iv)	5,719	5,285
		7,919	7,465
NZ IFRS 7.8(c)	**Loans carried at amortised cost**		
	Loans to related parties (v)	3,637	3,088
	Loans to other entities	-	-
		3,637	3,088
		19,528	16,604

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

	31/12/13 CU'000	31/12/12 CU'000 (restated)
Current	8,757	6,949
Non-current	10,771	9,655
	19,528	16,604

NZ IFRS 7.7

(i) The Group holds bills of exchange that carry interest at variable rate. The weighted average interest rate on these securities is 7.10% per annum (2012: 7.0% per annum). The bills have maturity dates ranging between 3 to 18 months from the end of the reporting period.

NZ IFRS 7.7

(ii) The debentures carry interest at 6% per annum payable monthly, and mature in March 2014.

NZ IFRS 7.7

(iii) The Group holds listed redeemable notes that carry interest at 7% per annum. The notes are redeemable at par value in 2015.

NZ IFRS 7.7

(iv) The Group holds 20% of the ordinary share capital of Rocket Plus Limited, a company involved in the refining and distribution of fuel products.

NZ IFRS 7.7

At 31 December 2013, the Group also continues to hold a 10% interest in E Plus Limited, a former associate (see note 20).

NZ IFRS 7.7, NZ IAS 24.18(b), 19(f)

(v) The Group has provided several of its key management personnel 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.

NZ IAS 1.77

23. Other assets

	31/12/13 CU'000	31/12/12 CU'000
Prepayments	-	-
Others [describe]	-	-
	-	-
Current	-	-
Non-current	-	-
	-	-

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

NZ IAS 2.36(b)

24. Inventories

		31/12/13 CU'000	31/12/12 CU'000 (restated))
NZ IAS 2.36(b)	Raw materials	9,972	10,322
NZ IAS 2.36(b)	Work in progress	4,490	4,354
NZ IAS 2.36(b)	Finished goods	16,211	13,456
		30,673	28,132

NZ IAS 2.36(d) The cost of inventories recognised as an expense during the year in respect of continuing operations was CU87.7million (31 December 2012: CU91.6million).

NZ IAS 2.36(e),(f) The cost of inventories recognised as an expense includes CU2.34 million (2012: CU1.86 million) in respect of write-downs of inventory to net realisable value, and has been reduced by CU0.5 million (2012: CU0.4 million) in respect of the reversal of such write-downs.

NZ IAS 1.77

25. Trade and other receivables

	31/12/13 CU'000	31/12/12 CU'000 (restated))
Trade receivables	17,408	14,562
Allowance for doubtful debts	(798)	(838)
	16,610	13,724
Deferred sales proceeds		
- toy manufacturing operations	960	-
- partial disposal of E Plus Limited (see note 20)	1,245	-
Operating lease receivable	-	-
Others [describe]	54	20
	18,869	13,744

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IFRS 7.16	**Movement in the allowance for doubtful debts**		
	Balance at beginning of the year	838	628
	Impairment losses recognised on receivables	63	430
	Amounts written off during the year as uncollectible	-	(220)
	Amounts recovered during the year	-	-
	Impairment losses reversed	(103)	-
	Foreign exchange translation gains and losses	-	-
	Unwind of discount	-	-
	Balance at end of the year	798	838

25.1 Intentionally left blank

25.2 Transfer of financial assets

NZ IFRS 7.14(a), 42D(a),(b),(c) During the year, the Group discounted trade receivables with an aggregate carrying amount of CU1.052 million to a bank for cash proceeds of CU1 million. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it 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).

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

26. Finance lease receivables

	31/12/13 CU'000	31/12/12 CU'000 (restated))
Current finance lease receivables	198	188
Non-current finance lease receivables	830	717
	1,028	905

26.1 Leasing arrangements

NZ IAS 17.47(f), NZ IFRS 7.7

The Group entered into finance lease 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

NZ IAS 17.47(a)

		Minimum lease payments		Present value of minimum lease payments	
		31/12/13 CU'000	31/12/12 CU'000	31/12/13 CU'000	31/12/12 CU'000
NZ IAS 17.47(a)(i)	Not later than one year	282	279	198	188
NZ IAS 17.47(a)(ii)	Later than one year and not later than five years	1,074	909	830	717
		1,356	1,188	1,028	905
NZ IAS 17.47(c)	Unguaranteed residual value	-	-	-	-
NZ IAS 17.47(b)	Less: unearned finance income	(328)	(283)	n/a	n/a
NZ IAS 17.47(a)	Present value of minimum lease payments receivable	1,028	905	1,028	905
NZ IAS 17.47(d)	Allowance for uncollectible lease payments	-	-	-	-
		1,028	905	1,028	905

NZ 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 2012: 11%) per annum.

NZ IAS 1.77

27. Amounts due from (to) customers under construction contracts

		31/12/13 CU'000	31/12/12 CU'000 (restated)
	Recognised and included in the consolidated financial statements as amounts due:		
NZ IAS 11.42(a)	- from customers under construction contracts	240	230
NZ IAS 11.42(b)	- to customers under construction contracts	(36)	(15)
		204	215

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

COMMENTARY

NZ IAS 1.79, 106,106A

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 NZ IAS 1.79, NZ IAS 1.106 and NZ IAS 1.106A. NZ IAS 1 permits some flexibility regarding the level of detail presented in the statement of changes in equity and these supporting notes. NZ IAS 1 allows an analysis of other comprehensive income by item for each component of equity to be presented either in the statement of changes in equity or in the notes. For the purposes of the preparation of this model, the Group has elected to present the analysis of other comprehensive income in the notes.

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.

NZ IAS 1.90,92

Tier 2 entities are not required to disclose income tax relating to each item of other comprehensive income or reclassifications adjustments, and to prevent duplication may choose to present the reduced disclosures on the face of the statement of profit or loss and other comprehensive income instead.

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

(a) detailed reconciliations are required for each class of share capital (in the statement of changes in equity or in the notes); and

(b) detailed reconciliations are required for each component of equity – separately disclosing the impact on each such component of (i) profit or loss, (ii) each item 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).

28. Issued capital

		31/12/13 CU'000	31/12/12 CU'000
	Issued capital comprises:		
NZ IAS 1.79(a)	14,844,000 fully paid ordinary shares (31 December 2012: 20,130,000)	29,469	45,797
NZ IAS 1.79(a)	2,500,000 partly paid ordinary shares (31 December 2012: 2,500,000)	1,775	1,775
NZ IAS 1.79(a)	1,200,000 fully paid 10% convertible non-participating preference shares (31 December 2012: 1,100,000)	1,195	1,100
		32,439	48,672

NZ IAS 1.79(a)(ii),(iv)

28.1 Fully paid ordinary shares

	Number of shares '000	Share capital CU'000
Balance at 1 January 2012	20,130	45,797
Movements [describe]	-	-
Balance at 31 December 2012	20,130	45,797
Issue of shares under the Company's employee share option plan (see note 42.1)	314	314
Issue of shares for consulting services	3	8
Share buy-back	(5,603)	(16,456)
Share buy-back costs	-	(277)
Income tax relating to share buy-back costs	-	83
Balance at 31 December 2013	14,844	29,469

NZ IAS 1.79(a)(v) Fully paid ordinary shares carry one vote per share, carry a right to dividends and a pro rata share of net assets on wind up after repayment of the convertible non-participating preference shares.

NZ IFRS 2.RDR 46.1 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 current year were cancelled immediately.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

NZ IAS 1.79(a)(ii),(iv)

28.2 Partly paid ordinary shares

	Number of shares	Share capital
	'000	CU'000
Balance at 1 January 2012	2,500	1,775
Movements [describe]	-	-
Balance at 31 December 2012	2,500	1,775
Movements [describe]	-	-
Balance at 31 December 2013	2,500	1,775

NZ IAS 1.79(a)(v)

Partly paid ordinary shares carry one vote per share but do not carry a right to dividends. They have a right to a pro rata share of net assets on wind up after repayment of the convertible non-participating preference shares.

NZ IAS 1.79(a)(ii),(iv)

28.3 Convertible non-participating preference shares

	Number of shares	Share capital
	'000	CU'000
Balance at 1 January 2012	1,100	1,100
Movements [describe]	-	-
Balance at 31 December 2012	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 2013	1,200	1,195

NZ IAS 1.79(a)

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 can be converted into ordinary shares on a one-for-one basis at the option of the holder from 1 November 2016 to 31 October 2019. Any unconverted preference shares remaining after the end of the conversion period will remain as outstanding non-participating preference shares. 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 Company's employee share option plan

NZ IAS 1.79(a)(vii)

At 31 December 2013, executives and senior employees held options over 196,000 ordinary shares of the Company, of which 136,000 will expire on 30 March 2014 and 60,000 will expire on 28 September 2014. At 31 December 2012, 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 2013 and 150,000 were due to expire on 29 September 2013.

NZ IAS 1.79(a)(vii)

Share options granted under the Company's 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 42.1.

28.5 Redeemable cumulative preference shares

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

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

29. Reserves (net of income tax)

	31/12/13 CU'000	31/12/12 CU'000 (restated)
General	807	807
Properties revaluation	1,198	51
Available-for-sale revaluation	593	527
Equity-settled employee benefits	544	338
Cash flow hedging	317	278
Foreign currency translation	186	225
Option premium on convertible notes	592	-
Others [describe]	-	-
	4,237	2,226

COMMENTARY

If an entity has effectively disclosed the components of the reconciliations below elsewhere (e.g. on the face of the statement of changes in equity or in the income tax note), then these reconciliations may be removed.

NZ IAS 1.90, NZ IAS 12.RDR 81.1 *Tier 2 entities are permitted to disclose aggregate current and deferred tax relating to other comprehensive income (which may be presented in another note), rather than tax on each component of other comprehensive income.*

NZ IAS 1.106(d), NZ IAS 1.106A

29.1 General reserve

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 1.106(d)	*Balance at beginning of year*	807	807
NZ IAS 1.106(d)	Movements [describe]	-	-
NZ IAS 1.106(d)	*Balance at end of year*	807	807

NZ IAS 1.79(b) The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. There is no policy of regular transfer. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

NZ IAS 1.91, NZ IAS 1.106(d), NZ IAS 1.106A

29.2 Properties revaluation reserve

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 1.106(d), NZ IAS 16.77(f)	*Balance at beginning of year*	51	51
NZ IAS 16.77(f)	Increase arising on revaluation of properties	1,643	-
NZ IAS 36.126(c)	Impairment losses	-	-
NZ IAS 36.126(d)	Reversals of impairment losses	-	-
	Deferred tax liability arising on revaluation	(493)	-
	Reversal of deferred tax liability on revaluation	-	-
NZ IAS 16.77(f)	Transferred to retained earnings	(3)	-
NZ IAS 16.77(f)	Others [describe]	-	-
NZ IAS 1.106(d), NZ IAS 16.77(f)	*Balance at end of year*	1,198	51

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

NZ 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 is transferred directly to retained earnings. Items of other comprehensive income included in the properties revaluation reserve will not be reclassified subsequently to profit or loss.

NZ IAS 1.106(d), NZ IAS 1.106A

29.3 Available-for-sale revaluation reserve

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 1.106(d)	*Balance at beginning of year*	527	470
NZ IFRS 7.20(a)(ii)	Net gain arising on revaluation of available-for-sale financial assets	94	81
	Income tax relating to gain arising on revaluation of available-for-sale financial assets	(28)	(24)
NZ IFRS 7.20(a)(ii)	Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	-	-
	Income tax relating to cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	-	-
NZ IFRS 7.20(a)(ii)	Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	-	-
	Income tax relating to cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	-	-
NZ IAS 1.106(d)	*Balance at end of year*	593	527

NZ IAS 1.79(b)

The available-for-sale revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

NZ IAS 1.106(d)

29.4 Equity-settled employee benefits reserve

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 1.106(d)	*Balance at beginning of year*	338	-
NZ IAS 1.106(d)	Arising on share-based payments	206	338
NZ IAS 1.106(d)	Others [describe]	-	-
NZ IAS 1.106(d)	*Balance at end of year*	544	338

NZ IAS 1.79(b)

The above equity-settled employee benefits reserve relates to share options granted by the Company to its employees under its employee share option plan. Further information about share-based payments to employees is set out in note 42.1.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

NZ IAS 1.106(d)
NZ IAS 1.106A

29.5 Cash flow hedging reserve

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 1.106(d)	*Balance at beginning of year*	278	258
NZ IFRS 7.23(c)	*Gain/(loss) arising on changes in fair value of hedging instruments entered into for 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)
NZ IFRS 7.23(d)	*Cumulative (gain)/loss arising on changes in fair value of hedging instruments 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
NZ IFRS 7.23(e)	*Transferred to initial carrying amount of hedged items*		
	Forward foreign exchange contracts	(257)	(201)
	Income tax related to amounts transferred to initial carrying amount of hedged item	77	60
	Others [describe]	-	-
NZ IAS 1.106(d)	*Balance at end of year*	317	278

COMMENTARY

NZ IFRS 7.RDR 23.1

A tier 2 entity is required to show only the total amount of cash flow hedges reclassified from equity and included in profit or loss for the period in accordance with NZ IFRS 7.23(d).

Please also read the commentary preceeding note 28.

NZ IAS 1.79(b)

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the Group's accounting policy.

NZ IAS 1.106(d),
NZ IAS 1.106A
NZ IAS 21.52(b)

29.6 Foreign currency translation reserve

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 1.106(d), NZ IAS 21.52(b)	*Balance at beginning of year*	225	140
NZ IAS 1.106(d)	Exchange differences arising on translating the foreign operations	75	121
	Income tax relating to gains arising on translating the net assets of foreign operations	(22)	(36)
NZ IAS 1.106(d)	Loss on hedging instruments designated in hedges of the net assets of foreign operations	(12)	-
	Income 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 operations	(166)	-
	Income tax related to gain/loss reclassified on disposal of foreign operations	51	-
	Gain/loss on hedging instruments reclassified to profit or loss on disposal of foreign operations	46	-
	Income tax related to gain/loss on hedging instruments reclassified on disposal of foreign operation	(15)	-
NZ IAS 1.106(d)	Others (describe)	-	-
NZ IAS 1.106(d), NZ IAS 21.52(b)	*Balance at end of year*	186	225

NZ IAS 1.79(b)

Exchange differences relating to the translation of the results and 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 hedging instruments for 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 of the foreign operation.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

NZ IAS 1.106(d)

29.7 Option premium on convertible notes

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 1.106(d)	*Balance at beginning of year*	-	-
NZ IAS 1.106(d)	Recognition of option premium on issue of convertible notes	834	-
NZ IAS 1.106(d)	Related income tax	(242)	-
NZ IAS 1.106(d)	*Balance at end of year*	592	-

NZ IAS 1.79(b)

The option premium on convertible notes represents the equity component (conversion rights) of the CU4.5 million 5.5% convertible notes issued during the year (see note 33).

NZ IAS 1.106(d), NZ IAS 1.106A

30. Retained earnings and dividends on equity instruments

	31/12/13 CU'000	31/12/12 CU'000 (restated)
Retained earnings	111,539	95,378

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 1.106(d)	*Balance at beginning of year*	95,378	74,366
NZ IAS 1.106(d)	Profit attributable to owners of the Company	22,750	27,357
NZ IAS 1.106(d), NZ IAS 19.135(b)	Other comprehensive income arising from remeasurement of defined benefit obligation net of income tax	564	134
NZ IAS 1.106(d)	Difference arising on disposal of interest in Subone Limited (see note 19)	34	-
NZ IAS 1.106(d)	Payment of dividends	(6,635)	(6,479)
NZ IAS 1.106(d)	Share buy-back	(555)	-
NZ IAS 1.106(d)	Related income tax	-	-
NZ IAS 1.106(d)	Transfer from properties revaluation reserve	3	-
NZ IAS 1.106(d)	Others [describe]	-	-
NZ IAS 1.106(d)	*Balance at end of year*	111,539	95,378

NZ IAS 1.107, RDR 107.1

On 23 May 2013, a dividend of CU6.515 million was paid to holders of fully paid ordinary shares. In May 2012, the dividend paid was CU6.369 million.

NZ IAS 1.107, RDR 107.1

Dividends of CU0.12 million were paid on convertible non-participating preference shares during the year (2012: CU0.11 million).

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

NZ IAS 1.106(d)
NZ IAS 1.106A

31. Non-controlling interests

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
NZ IAS 1.106(d)	*Balance at beginning of year*	22,058	18,831
NZ IAS 1.106(d)	Share of profit for the year	4,392	3,227
NZ IAS 1.106(d)	Non-controlling interests arising on the acquisition of Subsix Limited (see note 44)	127	-
NZ IAS 1.106(d)	Additional non-controlling interests arising on disposal of interest in Subone Limited (see note 19)	179	-
NZ IAS 1.106(d)	Non-controlling interest relating to outstanding vested share options held by the employees of Subsix Limited (i)	5	
NZ IAS 1.106(d)	*Balance at end of year*	26,761	22,058

(i) As at 31 December 2013, executives and senior employees of Subsix Limited held options over 5,000 ordinary shares of Subsix Limited, of which 2,000 will expire on 12 March 2015 and 3,000 will expire on 17 September 2015. These share options were issued by Subsix Limited before it was acquired by the Group in the current year. All of the outstanding share options had vested by the acquisition date of Subsix Limited. CU5,000 represents the market-based measure of these share options measured in accordance with NZ IFRS 2 at the acquisition date. Further details of the employee share option plan are provided in note 42.2.

NZ IFRS 7.7,8(f)

32. Borrowings

	31/12/13 CU'000	31/12/12 CU'000 (restated)
Unsecured – at amortised cost		
Bank overdrafts	520	314
Bills of exchange (i)	358	916
Loans from:		
- related parties (ii) (see note 43.3)	10,376	29,843
- other entities (iii)	3,701	3,518
- government (iv)	2,798	2,610
Convertible notes (note 33)	4,144	-
Perpetual notes (v)	1,905	-
Others [describe]	-	-
	23,802	37,201
Secured – at amortised cost		
Bank overdrafts	18	64
Bank loans (vi)	10,674	13,483
Loans from other entities (iii)	575	649
Transferred receivables (vii)	923	-
Finance lease liabilities (viii)	14	89
Others [describe]	-	-
	12,204	14,285
	36,006	51,486
Current	22,446	25,600
Non-current	13,560	25,886
	36,006	51,486

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

NZ IFRS 7.7

32.1 Summary of borrowing arrangements

(i) Bills of exchange with a variable interest rate were issued in 2006. The current weighted average effective interest rate on the bills is 6.8% per annum (31 December 2012: 6.8% per annum).

(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 2012: 8.0% - 8.2% per annum).

(iii) Fixed rate loans with a finance company with remaining maturity periods not exceeding 3 years (31 December 2012: 4 years). The weighted average effective interest rate on the loans is 8.15% per annum (31 December 2012: 8.10% per annum). 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.

NZ IAS 20.39(b),(c)

(iv) On 17 December 2012, 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 CU188,000 were recognised on this loan in 2013 and CU202,000 will be recognised in 2014 (see note 9).

(v) 2,500 perpetual notes with a coupon rate of 6% per annum were issued on 27 August 2013 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 2012: 8.32% per annum).

(vii) Secured by a charge over certain of the Group's trade receivables (see note 25.2).

(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 (see note 38.2).

32.2 Breach of loan agreement

COMMENTARY
Tier 2 entities are not required to make the separate disclosure required by NZ IFRS 7.18. Tier 2 entities disclose, only for loans payable recognised at the end of the reporting period for which there is a breach (of terms or default of principal, interest, sinking fund, or redemption of terms) that has not been remedied by the end of the reporting period:
(c) details of that breach or default;
(d) the carrying amount of the related loans payable at the end of the reporting period;
(e) whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

NZ IFRS 7.RDR 18.1

NZ IFRS 7.7

33. Convertible notes

On 13 September 2013, the Company issued 4.5 million 5.5% CU denominated convertible notes with an aggregate principal amount of CU4.5 million. Each note entitles the holder to convert to ordinary shares at a conversion price of CU1.00.

Conversion may occur at any time between 13 July 2014 and 12 September 2016. If the notes have not been converted, they will be redeemed on 13 September 2016 at CU1 each. Interest of 5.5% per annum will be paid quarterly up until the notes are converted or redeemed.

NZ IAS 32.28

The convertible notes contain two components: liability and equity elements. The equity element is presented in equity under the heading of "option premium on convertible notes". The effective interest rate of the liability element on initial recognition is 8.2% per annum.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

	CU'000
Proceeds of issue	4,950
Liability component at the date of issue	(4,116)
Equity component	834
Liability component at the date of issue	4,116
Interest charged calculated at an effective interest rate of 8.2%	110
Interest paid	(82)
Liability component at 31 December 2013 (included in "borrowings" (note 32))	4,144

NZ IFRS 7.7

34. Other financial liabilities

		31/12/13 CU'000	31/12/12 CU'000 (restated)
	Derivatives that are designated and effective as hedging instruments carried at fair value		
NZ IFRS 7.22(b)	Foreign currency forward contracts	87	-
NZ IFRS 7.22(b)	Interest rate swaps	5	-
NZ IFRS 7.22(b)	Currency swaps	-	-
NZ IFRS 7.22(b)	Others [describe]	-	-
		92	-
NZ IFRS 7.RDR 8.2	Financial liabilities carried at fair value through profit or loss (FVTPL)	14,926	-
	Financial guarantee contracts	24	18
	Others (contingent consideration) (iii)	75	-
		15,117	18
	Current	116	18
	Non-current	15,001	-
		15,117	18

(i) 3,000,000 redeemable cumulative preference shares with a coupon rate of 7% per annum were issued on 1 June 2013 at an issue price of CU5 per share. The shares are redeemable on 31 May 2015 at CU5 per share. The shares are unsecured borrowings of the Group and are designated as at FVTPL (see below).

These redeemable cumulative preference shares do not contain any equity component and are classified as financial liabilities in their entirety. In addition, the Group has designated these preference shares as financial liabilities at FVTPL as permitted by NZ IAS 39. The preference shares have fixed interest payments and mature on 31 May 2015.

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 2015. 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.

Dividends of CU613,000 (2012: nil) were paid on redeemable cumulative preference shares and are included in profit or loss in the "other gains and losses" line item.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

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

NZ IFRS 3.B64(f)(iii),(g)(i)-(ii)

(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). There has been no change in the fair value of the contingent consideration since the acquisition date.

35. Provisions

	31/12/13 CU'000	31/12/12 CU'000
Employee benefits (i)	1,334	4,388
Other provisions (see below)	4,316	1,038
	5,650	5,426
Current	3,356	3,195
Non-current	2,294	2,231
	5,650	5,426

	Other provisions	Rectification work (ii) CU'000	Warranties (iii) CU'000	Onerous leases (iv) CU'000	Total CU'000
NZ IAS 37.84(a)	*Balance at 1 January 2013*	-	295	743	1,038
NZ IAS 37.84(c)	Reductions arising from payments/other sacrifices of future economic benefits	(1,112)	(90)	(310)	(1,512)
NZ IAS 37.84(d)	Reductions resulting from re-measurement or settlement without cost	-	(15)	(100)	(115)
	Others [describe]	4,170	338	397	4,905
NZ IAS 37.84(a)	*Balance at 31 December 2013*	3,058	528	730	4,316

NZ IFRS 3.B64(j), NZ IAS 37.84(a), 85(a),(b)

(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 2014. The decrease in the carrying amount of the provision for the current year results from benefits being paid in the current year.

NZ 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 13.6). Anticipated expenditure for 2014 is CU1.94 million, and for 2015 is CU1.118 million. These amounts have not been discounted for the purposes of measuring the provision for rectification work, because the effect is not material.

NZ 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.

NZ 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.

NZ IAS 37.RDR 85.1

COMMENTARY

Tier 2 entities are not required to disclose the major assumptions concerning future events in accordance with NZ IAS 37.85(b).

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

36. Other liabilities

	31/12/13 CU'000	31/12/12 CU'000
Lease incentives (note 48.1)	270	360
Others [describe]	-	5
	270	365
Current	90	95
Non-current	180	270
	270	365

37. Trade and other payables

	31/12/13 CU'000	31/12/12 CU'000 (restated)
Trade payables	15,659	20,422
NZ IFRS 2.RDR 50.1(b) Cash-settled share-based payments	-	-
Others [describe]	-	-
	15,659	20,422

NZ 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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

38. Obligations under finance leases

38.1 Leasing arrangements

NZ IAS 17.31(e), NZ IFRS 7.7

The Group leased certain of its manufacturing equipment under finance leases. The average lease term is 5 years (2012: 5 years). The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

NZ IFRS 7.7

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2012: 3.75% to 6%) per annum.

38.2 Finance lease liabilities

NZ IAS 17.31(b), RDR 31.1

		Undiscounted minimum lease payments	
		31/12/13 CU'000	31/12/12 CU'000
NZ IAS 17.31(b)(i)	Not later than one year	10	58
NZ IAS 17.31(b)(ii)	Later than one year and not later than five years	6	44
NZ IAS 17.31(b)(iii)	Later than five years	-	-
		16	102

	31/12/13	31/12/12
Included in the consolidated financial statements as:		
- current borrowings (note 32)	9	54
- non-current borrowings (note 32)	5	35
	14	89

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.

NZ IAS 19.43

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.

NZ IAS 19.53

The total expense recognised in profit or loss of CU160,000 (2012: CU148,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2013, contributions of CU8,000 (2012: CU8,000) due in respect of the 2013 (2012) 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

NZ IAS 19.139(a)

COMMENTARY
Tier 2 entities are required to disclose information about the characteristics of its defined benefit plans, but are exempt from the specific prescribed characteristic-related disclosures of NZ IAS 19.139(a). Entities will need to consider the appropriate level of disclosure in this area.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

NZ IAS 19.139(b)

The plans in A-land typically expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is re-insured by an external insurance company.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2013 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.

NZ IAS 19.RDR 144.1

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

	Valuation at	
	31/12/13	31/12/12
Discount rate(s)	5.52%	5.20%
Expected rate(s) of salary increase	5.00%	5.00%
Average longevity at retirement age for current pensioners (years)*		
Males	27.5	27.3
Females	29.8	29.6
Average longevity at retirement age for current employees (future pensioners) (years)*		
Males	29.5	29.3
Females	31.0	30.9
Others [describe]	-	-

* Based on A Land's standard mortality table [with modification to reflect expected changes in mortality/ others (please describe)].

NZ IAS 19.RDR 144.1

COMMENTARY

Under NZ IAS 19.144 entities shall disclose the significant actuarial assumptions used to determine the present value of the defined benefit obligation. This disclosure shall be in absolute terms (e.g. as an absolute percentage, and not just as a margin between different percentages and other variables). When an entity provides disclosures in total for a grouping of plans, it shall provide such disclosures in the form of weighted averages or relatively narrow ranges.

However, tier 2 entities are only required to disclose the significant actuarial assumptions used to determine the present value of the defined benefit obligation, which is demonstrated above.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

NZ IAS 19.135(b) [The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss. / Of the expense for the year, an amount of CU412,000 (2012: CU402,000) has been included in profit or loss as cost of sales and the remainder has been included in administration expenses.]

NZ IAS 19.135(b) The remeasurement of the net defined benefit liability is included in other comprehensive income.

NZ IAS 19.135(b) The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows.

	31/12/13 CU'000	31/12/12 CU'000 (restated)	01/01/12 CU'000 (restated)
Present value of funded defined benefit obligation	6,156	5,808	6,204
Fair value of plan assets	(4,202)	(4,326)	(4,010)
Funded status	1,954	1,482	2,194
Restrictions on asset recognised	-	-	-
Other [describe]	-	-	-
Net liability arising from defined benefit obligation	1,954	1,482	2,194

Amounts recognised in comprehensive income in respect of these defined benefit plans are:

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000 (restated)
NZ IAS 19.RDR 141.1	Benefits paid	(956)	(1,481)
NZ IAS 19.RDR 141.1	Contributions from the employer	910	870
NZ IAS 19.RDR 141.1	Contributions from plan participants	440	412
NZ IAS 19.RDR 141.1	Assets distributed on settlements	-	-

NZ IAS 19.RDR 142.1 The fair value of the plan assets at the end of the reporting period for each category, are as follows.

	Fair value of plan assets	
	31/12/13 CU'000	31/12/12 CU'000
Cash and cash equivalents	-	-
Equity investments categorised by industry type	1,026	986
Debt investments categorised by issuers' credit rating	1,980	1,850
Properties categorised by nature and location	1,113	1,402
Derivatives	83	88
Other [describe]	-	-
Total	4,202	4,326

COMMENTARY

NZ IAS 19.RDR 142.1 *Tier 2 entities shall disaggregate the fair value of the plan assets into classes that distinguish the nature and risks of those items.*

The actual return on plan assets was CU0.743 million (2012: CU0.349 million).

NZ IAS 19.143 The plan assets include ordinary shares of the Company with an aggregate fair value of CU0.38 million (31 December 2012: CU0.252 million) and a property occupied by a subsidiary of the Company with fair value of CU0.62 million (31 December 2012: CU0.62 million).

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

40. Financial instruments

COMMENTARY

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.

40.1 Intentionally left blank

40.2 Categories of financial instruments

		31/12/13 CU'000	31/12/12 CU'000 (restated)
	Financial assets		
NZ IFRS 7.RDR 8.1	FVTPL financial assets	1,539	1,639
	Cash and bank balances (including cash and bank balances in a disposal group held for sale)	24,271	20,278
	Derivative instruments in designated hedge accounting relationships	528	397
NZ IFRS 7.8(b)	Held-to-maturity investments	5,905	4,015
NZ IFRS 7.8(c)	Loans and receivables (including trade receivables balance in a disposal group held for sale)	24,254	17,737
NZ IFRS 7.8(d)	Available-for-sale financial assets	7,919	7,465
	Financial liabilities		
NZ IFRS 7.RDR 8.2	FVTPL financial liabilities	14,926	-
	Derivative instruments in designated hedge accounting relationships	92	-
NZ IFRS 7.8(f)	Amortised cost (including trade payables balance in a disposal group held for sale)	54,919	71,908
	Financial guarantee contracts	24	18
	Contingent consideration for a business combination	75	-

COMMENTARY

If the categories of financial instruments are apparent from the face of the statement of financial position, the table above would not be required.

40.3-40.6.1 Intentionally left blank

40.6.2 Forward foreign exchange contracts

NZ 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.

NZ IFRS 7.22

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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

NZ IFRS 7.22

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.

NZ IFRS 7.23(a)

At 31 December 2013, the aggregate amount of losses under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on these anticipated future transactions is CU70,000 (2012: 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.

NZ IFRS 7.22

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.

NZ IFRS 7.23(a)

At 31 December 2013, the aggregate amount of gains under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to these anticipated future purchase transactions is CU239,000 (2012: 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.

NZ IFRS 7.23(b)

At the start of the third quarter of 2013, 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.

NZ IFRS 7.24(c)

At 31 December 2013, no ineffectiveness has been recognised in profit or loss arising from hedging the net investment in Subfour Limited.

40.6.3 – 40.7.1 Intentionally left blank

40.7.2 Interest rate swap contracts

NZ 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.

NZ IAS 7.22(b)

The fair value of interest rate swap contracts designated as cash flow hedges is $284,000 (2012: $177,000).

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.

NZ IFRS 7.22

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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

NZ 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 year, 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.

NZ IAS 7.22(b)

The fair value of interest rate swap contracts designated as fair value hedges is $51,000 (2012: $nil).

40.7.3 – 40.10.1 Intentionally left blank

NZ IFRS 7.39(c)

40.10.2 Financing facilities

		31/12/13 CU'000	31/12/12 CU'000
	Unsecured bank overdraft facility, reviewed annually and payable at call:		
	Amount used	520	314
NZ IAS 7.50(a)	Amount unused	1,540	2,686
		2,060	3,000
	Unsecured bill acceptance facility, reviewed annually:		
	Amount used	358	916
NZ IAS 7.50(a)	Amount unused	1,142	1,184
		1,500	2,100
	Secured bank overdraft facility:		
	Amount used	18	64
NZ IAS 7.50(a)	Amount unused	982	936
		1,000	1,000
	Secured bank loan facilities with various maturity dates through to 2013 and which may be extended by mutual agreement:		
	Amount used	14,982	17,404
NZ IAS 7.50(a)	Amount unused	5,604	7,811
		20,586	25,215

NZ IFRS 7.50(a)

COMMENTARY

Details of used and unused financing facilities are not mandatory under NZ IFRS, however NZ IAS 7.50(a) encourages such disclosure since it may be relevant to users in understanding the financial position and liquidity of an entity.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

40.11 Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

40.11.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

NZ IFRS 13.91(a), 93(a),IE63
NZ IFRS 7.22(b)

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)
	31/12/13	31/12/12	
1) Foreign currency forward contracts (see notes 22 and 34)	Assets – CU 244,000*; and Liabilities – CU87,000*	Assets - CU220,000*	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Interest rate swaps (see notes 22 and 34)	Assets – CU284,000*; Liabilities (designated for hedging) – CU5,000**; and Liabilities (not designated for hedging) – CU51,000	Assets – CU177,000*	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Held-for-trading non-derivative financial assets (see note 22)	Listed equity securities in Z land: Real estate industry – CU911,000; and Oil and gas industry – CU628,000.	Listed equity securities in Z land: Real estate industry - CU911,000; and Oil and gas industry - CU728,000.	Quoted bid prices in an active market.
4) Listed redeemable notes (see note 22)	Listed debt securities in Y Land – Energy industry – CU2,200,000	Listed debt securities in Y Land - Energy industry - CU2,180,000	Quoted bid prices in an active market.
5) Private equity investments (see note 22) (note 1)	20 per cent equity investment in Rocket Plus Limited engaged in refining and distribution of fuel products in A land – CU5,359,000; and 10 per cent equity investment in E Plus Limited engaged in Shoe manufacturing in A land – CU360,000	20 per cent equity investment in Rocket Plus Limited engaged in refining and distribution of fuel products in A land – CU5,285,000	Discounted cash flow. Future cash flows are estimated based on long-term revenue growth rates and long-term pre-tax operating margins (taking into account management's experience and knowledge of market conditions of the specific industries), a weighted average cost of capital (determined using a Capital Asset Pricing Model), and a discount for lack of marketability (determined by reference to the share price of listed entities in similar industries).
6) Redeemable cumulative preference shares (see note 34)	Liabilities – CU14,875,000	-	Discounted cash flow at a discount rate that reflects the issuer's current borrowing rate at the end of the reporting period
7) Contingent consideration in a business combination (see note 34)	Liabilities – CU75,000	-	Discounted cash flow. Future cash flows are estimated based on probability-adjusted revenues and profits.

* cash flow hedge
** fair value hedge

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

41. Deferred revenue

		31/12/13 CU'000	31/12/12 CU'000
	Arising from customer loyalty programme (i)	184	147
NZ IAS 20.39(b)	Arising from government grant (ii)	140	390
		324	537
	Current	265	372
	Non-current	59	165
		324	537

(i) The deferred revenue arises in respect of the Group's Maxi-Points Scheme recognised in accordance with NZ IFRIC 13 Customer Loyalty Programmes.

NZ IAS 20.39(b (ii) The deferred revenue arises as a result of the benefit received from an interest-free government loan received in December 2012 (see note 32). The revenue was offset against training costs incurred in 2013 (CU250,000) and will be offset against training costs to be incurred in 2014 (CU140,000)

NZ IFRS 2.44

42. Share-based payments

42.1 Employee share option plan of the Company

42.1.1 Details of the employee share option plan of the Company

NZ IFRS 2.45(a) The Company has a share option scheme for executives and senior employees of the Company and its subsidiaries. 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.

NZ IFRS 2.45(a) Each employee share option converts into one ordinary share of the Company 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.

NZ IFRS 2.45(a) The number of options granted is calculated in accordance with the performance-based formula approved by shareholders at the 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

NZ IFRS 2.45(a) The following share-based payment arrangements were in existence during the current and prior years:

Options series	Number	Grant date	Expiry date	Exercise price CU	Fair value at grant date CU
(1) Granted on 31 March 2012	140,000	31/03/12	30/03/13	1.00	1.15
(2) Granted on 30 September 2012	150,000	30/09/12	29/09/13	1.00	1.18
(3) Granted on 31 March 2013	160,000	31/03/13	30/03/14	1.00	0.98
(4) Granted on 29 September 2013	60,000	29/09/13	28/09/14	2.40	0.82

NZ IFRS 2.45(a),(b)(vii) All options vested on their date of grant and expire within twelve months of their issue, or one month after the resignation of the executive or senior employee, whichever is the earlier.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

42.1.2 Fair value of share options granted in the year

NZ IFRS 2.RDR 46.1,RDR 46.2

The weighted average fair value of the share options granted during the year is CU 0.94 (2012: CU 1.17). Options were priced using a binomial option pricing model (BOPM). The BOPM was used as it is better able to handle a variety of inputs and is therefore more accurate in determining fair value compared to other models.

NZ IFRS 2.RDR 46.1,46.2,47.1

COMMENTARY

Tier 2 entities are required to disclose information about how it measured the fair value of goods or services received or the fair value of the equity instruments granted. If a valuation methodology was used, the entity shall disclose the method and its reason for choosing it.

For cash-settled share based payment arrangements, a tier 2 entity shall disclose information about how the liability was measured.

If a tier 2 entity has measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted, the entity is required to disclose for share-based payments that were modified during the period, an explanation of those modifications.

42.1.3 Movements in shares options during the year

NZ IFRS 2.45(b)

The following reconciles the share options outstanding at the beginning and end of the year:

		2013		2012	
		Number of options	Weighted average exercise price CU	Number of options	Weighted average exercise price CU
NZ IFRS 2.45(b)(i)	*Balance at beginning of year*	290,000	1.00	-	-
NZ IFRS 2.45(b)(ii)	Granted during the year	220,000	1.38	290,000	1.00
NZ IFRS 2.45(b)(iii)	Forfeited during the year	-	-	-	-
NZ IFRS 2.45(b)(iv)	Exercised during the year	(314,000)	1.00	-	-
NZ IFRS 2.45(b)(v)	Expired during the year	-	-	-	-
NZ IFRS 2.45(b)(vi),(vii)	*Balance at end of year*	196,000	1.43	290,000	1.00

42.2 Employee share option plan of a subsidiary acquired in the current year

NZ IFRS 2.45(a)

Subsix Limited has a share option scheme for its executives and senior employees. The outstanding share options were not replaced and were still in existence at the date of acquisition of Subsix Limited.

NZ IFRS 2.45(a)

Each employee share option of Subsix Limited converts into one ordinary share of Subsix 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. All outstanding share options granted by Subsix Limited had been vested by the date when the Group acquired Subsix Limited.

NZ IFRS 2.45(a),(b)

The following share-based payment arrangements were in existence during the current year:

Options series	Number	Grant date	Expiry date	Exercise price CU	Market-based measure at the acquisition date of Subsix Limited CU
(1) Granted on 13 March 2012	2,000	13/03/12	12/03/15	0.2	1.00
(2) Granted on 18 September 2012	3,000	18/09/12	17/09/15	0.2	1.00

NZ IFRS 2.45(a),(b)(vii)

All options vested on their date of grant and expire within three years of their issue.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

42.2.1 Market-based measure of share options at the acquisition date

NZ IFRS 2.RDR 46.1,46.2,47.1

COMMENTARY
Tier 2 entities are required to disclose information about how it measured the fair value of goods or services received or the fair value of the equity instruments granted. If a valuation methodology was used, the entity shall disclose the method and its reason for choosing it. *For cash-settled share based payment arrangements, a tier 2 for profit entity shall disclose information about how the liability was measured.* *If a tier 2 entity has measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted, the entity is required to disclose for share-based payments that were modified during the period, an explanation of those modifications.*

43. Related party transactions

COMMENTARY
New Zealand entities which are required to prepare parent financial statements should also consider, in respect of the parent entity, the requirements of NZ IAS 27 Separate Financial Statements and NZ IAS 24 Related Party Disclosures, including NZ IFRS(RDR) concessions as applicable.

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

NZ IAS 24.18(a),19

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 31/12/13 CU'000	Year ended 31/12/12 CU'000	Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 24.18(a),19(a)	NZ Group Holdings Limited	693	582	439	427
NZ IAS 24.18(a),19(c)	Subsidiaries of NZ Group Holdings Limited	1,289	981	897	883
NZ IAS 24.18(a),19(d)	Associates of International Group Holdings Limited	398	291	-	-

NZ IAS 24.18(b),19

The following balances were outstanding at the end of the reporting period:

		Amounts owed by related parties		Amounts owed to related parties	
		31/12/13 CU'000	31/12/12 CU'000	31/12/13 CU'000	31/12/12 CU'000
NZ IAS 24.18(b),19(a)	NZ Group Holdings Limited	209	197	231	139
NZ IAS 24.18(b),19(c)	Subsidiaries of NZ Group Holdings Limited	398	293	149	78
NZ IAS 24.18(b),19(d)	Associates of International Group Holdings Limited	29	142	-	-

NZ IAS 24.23

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.

NZ IAS 24.18(b)(i)

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 years for bad or doubtful debts in respect of the amounts owed by related parties.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

43.2 *Loans to related parties*

		31/12/13 CU'000	31/12/12 CU'000
NZ IAS 24.18(b),19(f)	Loans to key management personnel	3,637	3,088

NZ IAS 24.18(b)(i) The Group has provided several of its key management personnel with short-term loans at rates comparable to the average commercial rate of interest.

NZ IAS 24.18(b)(i) The loans to key management personnel are unsecured.

NZ IFRS 7.7

43.3 *Loans from related parties*

		31/12/13 CU'000	31/12/12 CU'000
NZ IAS 24.18(b),19(a)	Loans from Mr Steve Hardy (the ultimate controlling party of the Company)	10,376	29,843

NZ IAS 24.18(b)(i) The Group has been provided loans at rates comparable to the average commercial rate of interest. The loans from the ultimate controlling party are unsecured.

NZ IAS 24.18(a),19(f) Interest expense of CU75,000 (2012: CU54,000) has been recognised in respect of this loan.

43.4 *Compensation of key management personnel*

NZ IAS 24.17, RDR 17.1 The remuneration of directors and other members of key management personnel during the year was CU 1,737,000 (2012: CU 1,428,000).

43.5 *Other related party transactions*

NZ IAS 24.18(a),19(a) In addition to the above, NZ Group Holdings Limited performed certain administrative services for the Company, for which a management fee of CU0.18 million (2012: CU0.16 million) was charged and paid, being an appropriate allocation of costs incurred by relevant administrative departments.

44. Business combinations

44.1 *Subsidiaries acquired*

	2013	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration transferred CU'000
NZ IFRS 3.B64(a)-(c)	Subsix Limited	Manufacture of leisure goods	15/07/13	80	505
NZ IFRS 3.B64(a)-(c)	Subseven Limited	Manufacture of leisure goods	30/11/13	100	687
					1,192

NZ IFRS 3.B64(f)

44.2 *Consideration transferred*

		Subsix Limited CU'000	Subseven Limited CU'000
NZ IFRS 3.B64(f)	Cash	430	247
NZ IFRS 3.B64(f)	Transfer of land and buildings at fair value at date of acquisition	-	400
NZ IFRS 3.B64(f)	Contingent consideration arrangement (i)	75	-
NZ IFRS 3.B64(f)	Plus: effect of settlement of legal claim against Subseven Limited	-	40
NZ IFRS 3.B64(f)	Total	505	687

NZ IFRS 3.B64(g) (i) Under the contingent consideration arrangement, the Group is required to pay the vendors an additional CU300,000 if Subsix Limited's profit before interest and tax (PBIT) in each of the years 2014 and 2015 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 at the acquisition date.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

NZ IFRS 3.B64(i)

44.3 Assets acquired and liabilities recognised at the date of acquisition

		Subsix Limited	Subseven Limited	Total
		CU'000	CU'000	CU'000
	Current assets			
NZ IFRS 3.B64(i)	Cash and cash equivalents	200	-	200
NZ IFRS 3.B64(i)	Trade and other receivables	87	105	192
NZ IFRS 3.B64(i)	Inventories	-	57	57
	Non-current assets			
NZ IFRS 3.B64(i)	Plant and equipment	143	369	512
	Current liabilities			
NZ IFRS 3.B64(i)	Trade and other payables	(18)	(35)	(53)
NZ IFRS 3.B64(i)	Contingent liabilities (see note 35)	(45)	-	(45)
	Non-current liabilities			
NZ IFRS 3.B64(i)	Deferred tax liabilities	(17)	-	(17)
		350	496	846

44.4 Non-controlling interests

NZ IFRS 3.B64(o)(i)-(ii) The non-controlling interest (20% ownership interest in Subsix Limited) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to CU127,000. This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

NZ IFRS 3.B64(o)(ii)
- assumed discount rate of 18%;

NZ IFRS 3.B64(o)(ii)
- assumed long-term sustainable growth rates of 3% to 5%; and

NZ IFRS 3.B64(o)(ii)
- 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.

NZ IFRS 2.44 All outstanding share options granted by Subsix Limited to its employees had vested by the acquisition date. These share options were measured in accordance with NZ IFRS 2 at their market-based measure of CU5,000 and were included in the non-controlling interest in Subsix Limited. Methods and significant assumptions used in determining the market-based measure at the acquisition date are set out in note 42.2.

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 (20% in Subsix Limited)	127	-	127
Plus: non-controlling interests (outstanding share options granted by Subsix Limited)	5	-	5
Less: fair value of identifiable net assets acquired	(350)	(496)	(846)
Goodwill arising on acquisition	287	191	478

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

45. Intentionally left blank

46. Cash and cash equivalents

NZ IAS 7.45

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

		31/12/13 CU'000	31/12/12 CU'000
NZ IAS 7.45	Cash on hand and demand deposits	1,096	1,278
NZ IAS 7.45	Short term deposits	23,000	19,000
NZ IAS 7.45	Cash and bank balances	24,096	20,278
NZ IAS 7.45	Bank overdrafts	(538)	(378)
		23,558	19,900
NZ IAS 7.45	Cash and bank balances included in a disposal group held for sale	175	-
		23,733	19,900

NZ IAS 7.43

47. Non-cash transactions

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated 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) had not been received in cash at the end of the reporting period;
- share issue proceeds of CU3,000 were received in the form of consulting services (2013: CU8,000) , as described in note 28.1; and

In addition, the Group acquired CU40,000 of equipment under a finance lease in 2012 (2013: nil).

48. Operating lease arrangements

48.1 The Group as lessee

48.1.1 Leasing arrangements

NZ IAS 17.35(d), NZ IFRS 7.7

Operating leases relate to leases of land with lease terms of between 5 and 10 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

		Year ended 31/12/13 CU'000	Year ended 31/12/12 CU'000
NZ IAS 17.35(c)	Total lease expense	2,008	2,092

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

NZ IAS 17.35(a)

48.1.3 Non-cancellable operating lease commitments

		31/12/13 CU'000	31/12/12 CU'000
NZ IAS 17.35(a)(i)	Not later than 1 year	1,734	1,908
NZ IAS 17.35(a)(ii)	Later than 1 year and not later than 5 years	3,568	4,336
NZ IAS 17.35(a)(iii)	Later than 5 years	4,618	5,526
		9,920	11,770

48.1.4 Liabilities recognised in respect of non-cancellable operating leases

	31/12/13 CU'000	31/12/12 CU'000
Onerous lease contracts (note 35)		
Current	305	408
Non-current	425	335
Lease incentives (note 36)		
Current	90	90
Non-current	180	270
	1,000	1,103

48.2 The Group as lessor

48.2.1 Leasing arrangements

NZ 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.

Rental income earned by the Group from its investment property and direct operating expenses arising on the investment property for the year are set out in notes 7 and 13 respectively.

NZ IAS 17.56(a)

48.2.2 Non-cancellable operating lease receivables

		31/12/13 CU'000	31/12/12 CU'000
NZ IAS 17.56(a)(i)	Not later than 1 year	18	18
NZ IAS 17.56(a)(ii)	Later than 1 year and not longer than 5 years	54	72
NZ IAS 17.56(a)(iii)	Later than 5 years	-	-

49. Commitments for expenditure

		31/12/13 CU'000	31/12/12 CU'000
NZ IAS 16.74(c)	Commitments for the acquisition of property, plant and equipment	4,856	6,010

NZ 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.

Source

NZ IFRS RDR Holdings Limited

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

Notes to the consolidated financial statements for the year ended 31 December 2013- continued

NZ IFRS 12.23(a)
NZ IFRS 12.B18 – B19

The Group's share of the capital commitments made jointly with other joint venturers relating to its joint venture, Electronics JV Limited, is as follows:

	31/12/13 CU'000	31/12/12 CU'000
Commitments to contribute funds for the acquisition of property, plant and equipment	983	192
Commitments to provide loans	-	-
Commitments to acquire other venturer's ownership interest when a particular event occurs or does not occur in the future (please specify what the particular event is)	-	-
Others (please specify)	-	-

50. Contingent liabilities and contingent assets

50.1 Contingent liabilities

		31/12/13 CU'000	31/12/12 CU'000
NZ IFRS 12.23(b), NZ IAS 37.86(a)	Contingent liabilities incurred by the Group arising from its interests in a joint venture (i)	110	116
NZ IFRS 12.23(b), NZ IAS 37.86(a)	Contingent liabilities incurred by the Group arising from its interests in associates (please disclose the details)	-	-
NZ IFRS 12.23(b), NZ IAS 37.86(a)	Group's share of associates' contingent liabilities (ii)	150	14
NZ IFRS 12.23(b), NZ IAS 37.86(a)	Group's share of joint venture's contingent liabilities (please specify the details)	-	-
NZ IAS 37.86(a)	Contingent liability in respect of court proceedings (iii)	-	-

NZ IFRS 12.23(b), NZ IAS 37.86(b)

(i) A number of contingent liabilities have arisen as a result of the Group's interest in its joint venture. 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 venture being more or less favourable than currently expected. The Group is not contingently liable for the liabilities of other venturers in its joint venture.

NZ IFRS 12.23(b), NZ IAS 37.86(b)

(ii) 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.

NZ IAS 37.86(b)

(iii) 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 the 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.

50.2 Contingent assets

		31/12/13 CU'000	31/12/12 CU'000
NZ IAS 37.89	Faulty goods claim (i)	140	-

NZ IAS 37.89(c)

(i) An entity 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

NZ IAS 10.21

On 18 January 2014, 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

NZ IAS 10.17

The financial statements were approved by the board of directors and authorised for issue on 15 March 2014.