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International GAAP Holdings Limited

Model financial statements for the year ended 31 December 2012

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Section 1 – Overview of new and revised International Financial Reporting Standards (IFRSs)

This section covers the following:

- an overview of new and revised International Financial Reporting Standards (IFRSs) that are mandatorily effective for the year ended 31 December 2012; and
- an overview of new and revised IFRSs that are not yet mandatorily effective but allow early application for the year ended 31 December 2012. For this purpose, the discussion below reflects a cut-off date of 31 July 2012. The potential impact of the application of any new and revised IFRSs issued by the IASB after 31 July 2012 but before the financial statements are issued should also be considered and disclosed.

Amendments to IFRSs that are mandatorily effective for the year ended 31 December 2012

Amendments to IFRSs	Effective for annual periods beginning on or after	Application
Amendments to IFRS 1 *Severe Hyperinflation*	1 July 2011	Retrospective application.
Amendments to IFRS 1 *Removal of Fixed Dates for First-time Adopters*	1 July 2011	Retrospective application.
Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets*	1 July 2011	Entities need not provide the disclosures required by the amendments for any period presented that begins before the date of initial application of the amendments.
Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012	Retrospective application.

Amendments to IFRS 1 Severe Hyperinflation (Effective for annual periods beginning on or after 1 July 2011)

The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

Amendments to IFRS 1 Removal of Fixed Dates for First-time Adopters (Effective for annual periods beginning on or after 1 July 2011)

The amendments regarding the removal of fixed dates provide relief to first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs.

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011)

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.

Amendments to IAS 12: Deferred Tax – Recovery of Underlying Assets (Effective for annual periods beginning on or after 1 January 2012)

The amendments to IAS 12 provide an exception to the general principle set out in IAS 12 *Income Taxes* that the measurement of deferred tax should reflect the manner in which an entity expects to recover the carrying amount of an asset. Specifically, the amendments establish a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in IAS 40 *Investment Property* will be recovered entirely through sale. The amendments were issued in response to concerns that application of IAS 12's general approach can be difficult or subjective for investment property measured at fair value because it may be that the entity intends to hold the asset for an indefinite or indeterminate period of time, during which it anticipates both rental income and capital appreciation.

Under the amendments, unless the presumption is rebutted, the measurement of the deferred tax liability or deferred tax asset is required to reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. The 'sale' presumption is rebutted if the investment property is depreciable and the investment property 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.

Following the application of the amendments, entities holding investment property accounted for using the fair value model in accordance with IAS 40 in jurisdictions where tax is not imposed on sale of the investment property will no longer recognise deferred tax on any temporary differences arising from fair value gains or losses (unless the presumption is rebutted). This is because there would be no tax consequences expected to arise from recovering the carrying amount entirely through sale, regardless of whether the entity intends to use the property to generate rental income for a period of time prior to sale.

For depreciable investment property, the application of the amendments will result in a change in accounting policy. When the deferred tax associated with an investment property was previously determined based on expectations that the property would be recovered through use, the measurement basis will need to be changed unless the 'sale' presumption is rebutted. When the amendments result in a change to the basis of measurement and the effect is material, prior year amounts are required to be restated as the amendments require full retrospective application.

New and revised IFRSs that are available for early application

The following new and revised IFRSs are not mandatorily effective for the year ended 31 December 2012. However, they are available for early application. Paragraph 30 of IAS 8 requires entities to consider and disclose the potential impact of new and revised IFRSs that have been issued but are not yet effective.

The list below reflects a cut-off date of 31 July 2012. The potential impact of the application of any new and revised IFRSs issued by the IASB after 31 July 2012 but before the financial statements are issued should also be considered and disclosed.

New IFRS on financial instruments	Effective for annual periods beginning on or after	Application
IFRS 9 *Financial Instruments* (as revised in 2010)	1 January 2015	Retrospective application, with specific transitional provisions.
Amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*	1 January 2015	Retrospective application, with specific transitional provisions.

New and revised IFRSs on consolidation, joint arrangements, associates and disclosures	Effective for annual periods beginning on or after	Application
IFRS 10 *Consolidated Financial Statements*	1 January 2013	Retrospective application, with specific transitional provisions. Earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) are early applied at the same time.
IFRS 11 *Joint Arrangements*	1 January 2013	Retrospective application, with specific transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) are early applied at the same time.
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013	Retrospective application, with specific transitional provisions. Entities are encouraged to provide information required by IFRS 12 earlier than annual periods beginning on or after 1 January 2013.
Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013	The amendments clarify certain transition guidance on the application of IFRS 10, IFRS 11 and IFRS 12 for the first time.
IAS 27 *Separate Financial Statements* (as revised in 2011)	1 January 2013	Retrospective application. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) are early applied at the same time.
IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)	1 January 2013	Retrospective application. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (as revised in 2011) are early applied at the same time.

New IFRS on fair value measurement	Effective for annual periods beginning on or after	Application
IFRS 13 *Fair Value Measurement*	1 January 2013	Prospective application. The disclosure requirements of IFRS 13 need not be applied in comparative information provided for periods before initial application of IFRS 13.

Revised IFRS on employee benefits	Effective for annual periods beginning on or after	Application
IAS 19 *Employee Benefits* (as revised in 2011)	1 January 2013	Retrospective application, with specific transitional provisions.

Amendments to IFRSs	Effective for annual periods beginning on or after	Application
Amendments to IFRS 1 *Government Loans*	1 January 2013	Retrospective application.
Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013	Retrospective application.
Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012	Retrospective application.
Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014	Retrospective application.
Annual Improvements to IFRSs 2009-2011 Cycle	1 January 2013	Retrospective application.

New Interpretation	Effective for annual periods beginning on or after	Application
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013	This Interpretation should be applied to production stripping costs incurred on or after the beginning of the earliest period presented, with specific transitional provisions.

New IFRS on financial instruments

IFRS 9 Financial Instruments (as revised in 2010)
(Effective for annual periods beginning on or after 1 January 2015)

IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets.

Under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* will be subsequently measured at either amortised cost or fair value. A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortised cost. All other debt instruments must be measured at fair value through profit or loss (FVTPL). A fair value option is available (provided that certain specified conditions are met) as an alternative to amortised cost measurement.

All equity investments within the scope of IAS 39 are to be measured in the statement of financial position at fair value, with the gains and losses recognised in profit or loss. If an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at fair value through other comprehensive income (FVTOCI), with only dividend income generally recognised in profit or loss.

In 2010, a revised version of IFRS 9 was issued. The revised version of IFRS 9 mainly adds the requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

In December 2011, the IASB issued Amendments to IFRS 9 and IFRS 7. The amendments defer the mandatory effective date of IFRS 9 from 1 January 2013 to 1 January 2015, with early application permitted. The amendments also modify the transitional requirements from IAS 39 to IFRS 9.

At the date of publication of these illustrative financial statements, phases two and three of the financial instruments project, being the impairment of financial assets and hedge accounting phases respectively, are still a work in progress. The IASB is also considering limited improvements to IFRS 9 regarding the classification and measurement of financial instruments. Preparers of financial statements should be aware of the status of these phases in considering any potential early application of IFRS 9.

New and revised IFRSs on consolidation, joint arrangements, associates and disclosures
(Effective for annual periods beginning on or after 1 January 2013)

In 2011, the IASB issued a package of five standards on consolidation, joint arrangements, associates and disclosures, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Each of the five standards is effective for annual periods beginning on or after 1 January 2013, with early application permitted. In general, if an entity wishes early application, it should apply all of the five standards early at the same time.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the part of IAS 27 *Consolidated and Separate Financial Statements* that deals with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*.

Headline changes brought about by IFRS 10 are as follows:

- Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change removes the perceived inconsistency between the previous version of IAS 27 and SIC-12 – the former used control concept whilst the latter placed greater emphasis on risks and rewards.

- A more robust definition of control has been developed in IFRS 10 in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. The definition of control in IFRS 10 includes three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns.

  - IFRS 10 requires an investor to focus on activities that significantly affect the returns of an investee ('relevant activities') in assessing whether it has control over the investee (not merely financial and operating policies as set out in the previous version of IAS 27).

  - IFRS 10 replaces the term 'benefits' with the term 'returns' so as to clarify that an investor's returns could potentially be positive, negative or both.

  - IFRS 10 makes it clear that there must be a linkage between 'power' and 'returns from the investee'.

  - IFRS 10 requires that, in assessing control, only substantive rights (i.e. rights that their holder has the practical ability to exercise) are considered. For a right to be substantive, the right needs to be currently exercisable at the time when decisions about the relevant activities need to be made.

- IFRS 10 adds application guidance to assist in assessing whether an investor controls an investee in complex scenarios, including:

  - Application guidance on when an investor that has less than 50 per cent of the voting rights of an investee has control over the investee (commonly referred to as 'de facto control').

  - Application guidance on whether a decision maker is acting as a principal or an agent for another party. A decision maker that has decision-making authority over the relevant activities of an investee does not have control over the investee when it is merely an agent.

  - Application guidance on when a particular set of assets and liabilities of an investee (i.e. a portion of an investee) can be deemed as a separate entity for the purposes of determining whether that portion is a subsidiary of the investor. IFRS 10 states that a portion of an investee is treated as a separate entity for consolidation purposes when that portion is economically 'ring-fenced' from the rest of the investee.

IFRS 10 does not contain 'bright lines' as to when an investor should or should not consolidate an investee.

Overall, the application of IFRS 10 requires significant judgement on a number of aspects.

IFRS 10 requires investors to reassess whether or not they have control over their investees on transition to IFRS 10. In general, IFRS 10 requires retrospective application, with certain limited transitional provisions.

Regarding the requirements for the preparation of consolidated financial statements, most of the requirements have been moved unchanged from the previous version of IAS 27 to IFRS 10.

IFRS 11 Joint Arrangements

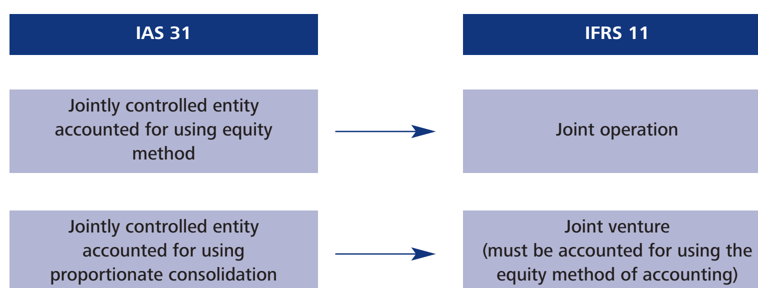
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.

IFRS 11 deals with how a joint arrangement should be classified where two or more parties have *joint control*. There are two types of joint arrangements under IFRS 11: *joint operations* and *joint ventures*. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements.

Type of joint arrangement	Features	Accounting under IFRS 11
Joint venture	Joint venturers have rights to the net assets of the arrangement.	Equity method of accounting – proportionate consolidation is not allowed.
Joint operation	Joint operators have rights to the assets and obligations for the liabilities of the arrangement.	Each joint operator recognises its share of the assets, liabilities, revenues and expenses.

Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle is the key factor in determining the existence of a jointly controlled entity.

Therefore, upon application of IFRS 11, the following changes may occur:



IFRS 11 requires retrospective application with specific transitional provisions.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that an entity should disclose information that helps users of financial statements evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial statements.

The disclosure requirements set out in IFRS 12 are more extensive than those in the current standards.

Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The amendments clarify certain transitional guidance on the application of IFRS 10, IFRS 11 and IFRS 12 for the first time. The major clarifications are as follows:

- The amendments explain that the 'date of initial application' of IFRS 10 means the beginning of the annual reporting period in which IFRS 10 is applied for the first time.
- The amendments clarify how a reporting entity should adjust comparative period(s) retrospectively if the consolidation conclusion reached at the date of initial application under IFRS 10 is different from that under IAS 27/ SIC-12.
- When the control over an investee was lost during the comparative period (e.g. as a result of a disposal), the amendments confirm there is no need to adjust the comparative figures retrospectively (even though a different consolidation conclusion might have been reached under IAS 27/SIC-12 and IFRS 10).
- When a reporting entity concludes, on the basis of the requirements of IFRS 10, that it should consolidate an investee that was not previously consolidated, IFRS 10 requires the entity to apply acquisition accounting in accordance with IFRS 3 *Business Combinations* to measure assets, liabilities and non-controlling interests of the investee at the date when the entity obtained control of the investee (based on the requirements of IFRS 10). The amendments clarify which version of IFRS 3 should be used in different scenarios.
- The amendments provide additional transitional relief by limiting the requirement to present adjusted comparative information to the period immediately before the date of initial application. They also eliminate the requirements to present comparative information for disclosures related to unconsolidated structured entities for any period before the first annual period in which IFRS 12 is applied.
- The effective date of the amendments is the same as the effective date of IFRS 10, IFRS 11 and IFRS 12 (i.e. 1 January 2013 for calendar-year entities).

New IFRS on fair value measurement

IFRS 13 Fair Value Measurement
(Effective for annual periods beginning on or after 1 January 2013)

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required by the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of IFRS 13 need not be applied in comparative information provided for periods before initial application of the Standard.

***IAS 19 Employee Benefits* (as revised in 2011)**
(Effective for annual periods beginning on or after 1 January 2013)

The amendments to IAS 19 change 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 fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be 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.

Another significant change to IAS 19 relates to the presentation of changes in defined benefit obligations and plan assets with changes being split into three components:

- Service cost – recognised in profit or loss and includes current and past service cost as well as gains or losses on settlements.

- Net interest – recognised in profit or loss and calculated by applying the discount rate at the beginning of the reporting period to the net defined benefit liability or asset at the beginning of each reporting period.

- Remeasurement – recognised in other comprehensive income and comprises actuarial gains and losses on the defined benefit obligation, the excess of the actual return on plan assets over the change in plan assets due to the passage of time and the changes, if any, due to the impact of the asset ceiling.

As a result, the profit or loss will no longer include an expected return on plan assets; instead, imputed finance income is calculated on the plan assets and is recognised as part of the net interest cost in profit or loss. Any actual return above or below the imputed finance income on plan assets is recognised as part of remeasurement in other comprehensive income.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.

Amendments to other IFRSs

Amendments to IFRS 1 Government Loans
(Effective for annual periods beginning on or after 1 January 2013)

The amendments provide relief to first-time adopters of IFRSs by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* to government loans outstanding at the date of transition to IFRSs.

Amendments to IAS 32 and IFRS 7 Offsetting Financial Assets and Financial Liabilities and the related disclosures
(Effective for annual periods beginning on or after 1 January 2014 and 1 January 2013 respectively)

The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014, with retrospective application required.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
(Effective for annual periods beginning on or after 1 July 2012)

The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to 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 IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (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.

Annual Improvements to IFRSs 2009-2011 Cycle
(Effective for annual periods beginning on or after 1 January 2013)

The Annual Improvements include amendments to five IFRSs which have been summarised below.

Standard	Subject of amendment	Details
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Repeated application of IFRS 1	The amendments clarify that an entity may apply IFRS 1 if its most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with IFRSs, even if the entity applied IFRS 1 in the past. An entity that does not elect to apply IFRS 1 must apply IFRSs retrospectively as if there was no interruption. An entity should disclose: a) the reason why it stopped applying IFRSs; b) the reason why it is resuming the application of IFRSs; and c) the reason why it has elected not to apply IFRS 1, if applicable.
	Borrowing costs	The amendments clarify that borrowing costs capitalised under previous GAAP before the date of transition to IFRSs may be carried forward without adjustment to the amount previously capitalised at the transition date. As for borrowing costs incurred on or after the date of transition to IFRSs that relate to qualifying assets under construction at the date of transition, the amendments clarify that they should be accounted for in accordance with IAS 23 *Borrowing Costs*. The amendments also state that a first-time adopter can choose to apply IAS 23 at a date earlier than the transition date.
IAS 1 *Presentation of Financial Statements*	Clarification of the requirements for comparative information	The amendments to IAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position. The amendments also clarify that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. However, if additional comparative information is provided, the information should be presented in accordance with IFRSs, including related note disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.
IAS 16 *Property, Plant and Equipment*	Classification of servicing equipment	The amendments clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.
IAS 32 *Financial Instruments: Presentation*	Tax effect of distribution to holders of equity instruments	The amendments clarify that income tax on distributions to holders of an equity instrument and on transaction costs of an equity transaction should be accounted for in accordance with IAS 12.
IAS 34 *Interim Financial Reporting*	Interim financial reporting and segment information for total assets and liabilities	The amendments clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

New Interpretation

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
(Effective for annual periods beginning on or after 1 January 2013)

IFRIC 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Under the Interpretation, the costs from this waste removal activity ('stripping') which provide improved access to ore is recognised as a non-current asset ('stripping activity asset') when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

The Interpretation is effective for annual periods beginning on or after 1 January 2013. An entity should apply this Interpretation to production stripping costs incurred on or after the beginning of the earliest period presented, with specific transitional provisions.

Section 2 – Model financial statements of International GAAP Holdings Limited for the year ended 31 December 2012

The model financial statements of International GAAP Holdings Limited for the year ended 31 December 2012 are intended to illustrate the presentation and disclosure requirements of International Financial Reporting Standards (IFRSs). They also contain additional disclosures that are considered to be best practice, particularly where such disclosures are included in illustrative examples provided within a specific Standard.

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

The model financial statements illustrate the impact of the application of the amendments to IFRSs that are mandatorily effective for the annual period beginning on 1 January 2012. The model financial statements do not illustrate the impact of the application of new and revised IFRSs that were not yet mandatorily effective on 1 January 2012 (e.g. IFRS 9 *Financial Instruments* and the package of five standards on consolidation, joint arrangements and associates) except for the following amendments to IFRSs:

- amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* (effective 1 July 2012); and
- amendments to IAS 1 *Presentation of Financial Statements* as part of the *Annual Improvements to IFRSs 2009-2011Cycle*, which provide guidance on when the statement of financial position as at the beginning of the earliest comparative period and the related notes are required to be disclosed (effective 1 January 2013).

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

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

Suggested disclosures are cross-referenced to the underlying requirements in the texts of the relevant Standards and Interpretations.

For the purposes of presenting the statements of profit or loss and other comprehensive income and cash flows, the alternatives allowed under IFRSs for those statements have been illustrated. Preparers should select the alternatives most appropriate to their circumstances and apply the chosen presentation method consistently.

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

Furthermore, changes to the model financial statements to illustrate the effect of the application of new and revised IFRSs for the first time are underlined to highlight the main changes for this reporting period.

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Source	International GAAP Holdings Limited			
IAS 1.10(b), 51(b),(c)	**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012**			**[Alt 1]**
IAS 1.113		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.51(d),(e)			CU'000	CU'000 (restated)
	Continuing operations			
IAS 1.82(a)	Revenue	5	140,918	151,840
IAS 1.99	Cost of sales		(87,897)	(91,840)
IAS 1.85	Gross profit		53,021	60,000
IAS 1.85	Investment income	7	3,608	2,351
IAS 1.85	Other gains and losses	8	647	1,005
IAS 1.99	Distribution expenses		(5,087)	(4,600)
IAS 1.99	Marketing expenses		(3,305)	(2,254)
IAS 1.99	Administration expenses		(13,129)	(17,325)
	Other expenses		(2,801)	(2,612)
IAS 1.82(b)	Finance costs	9	(4,418)	(6,023)
IAS 1.82(c)	Share of profits of associates	20	1,186	1,589
IAS 1.85	Gain recognised on disposal of interest in former associate	20	581	–
IAS 1.85	Others [describe]		–	–
IAS 1.85	Profit before tax		30,303	32,131
IAS 1.82(d)	Income tax expense	10	(11,555)	(11,709)
IAS 1.85	Profit for the year from continuing operations	13	18,748	20,422
	Discontinued operations			
IAS 1.82(ea)	Profit for the year from discontinued operations	11	8,310	9,995
IAS 1.81A(a)	**Profit for the year**		27,058	30,417
IAS 1.91(a)	**Other comprehensive income, net of income tax**	29		
IAS 1.82A(a)	*Items that will not be reclassified subsequently to profit or loss:*			
	Gain on revaluation of properties		–	1,150
	Share of gain (loss) on property revaluation of associates		–	–
	Others (please specify)		–	–
			–	1,150
IAS 1.82A(b)	*Items that may be reclassified subsequently to profit or loss:*			
	Exchange differences on translating foreign operations		(39)	85
	Net fair value gain on available-for-sale financial assets		66	57
	Net fair value gain on hedging instruments entered into for cash flow hedges		39	20
	Others (please specify)		–	–
			66	162
IAS 1.81A(b)	Other comprehensive income for the year, net of income tax		66	1,312
IAS 1.81A(c)	**Total comprehensive income for the year**		27,124	31,729
	Profit for the year attributable to:			
IAS 1.81B(a)(ii)	Owners of the Company		23,058	27,654
IAS 1.81B(a)(i)	Non-controlling interests		4,000	2,763
			27,058	30,417
	Total comprehensive income for the year attributable to:			
IAS 1.81B(b)(ii)	Owners of the Company		23,124	28,966
IAS 1.81B(b)(i)	Non-controlling interests		4,000	2,763
			27,124	31,729

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012 – continued **[Alt 1] continued**

Source		Notes	Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000 (restated)
	Earnings per share	14		
	From continuing and discontinued operations			
IAS 33.66	Basic (cents per share)		132.3	137.4
IAS 33.66	Diluted (cents per share)		115.6	131.0
	From continuing operations			
IAS 33.66	Basic (cents per share)		84.6	87.7
IAS 33.66	Diluted (cents per share)		74.1	83.6

Notes: The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'.

One statement vs. two statements

The amendments to 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. Alt 1 above illustrates the presentation of profit or loss and other comprehensive income in one statement with expenses analysed by function. Alt 2 (see following pages) illustrates the presentation of profit or loss and other comprehensive income 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 other comprehensive income. The objective under both approaches is to arrive at an amount for 'total comprehensive income'. 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.

Other comprehensive income: items that may or may not be reclassified

Irrespective of whether the one-statement or the two-statement approach is followed, the items of other comprehensive income should be classified by nature and grouped into those that, in accordance with other 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 reclassification adjustments

In addition, in accordance with paragraph 94 of IAS 1, an entity may present reclassification adjustments in the statement(s) of profit or loss and other comprehensive income or in the notes. In Alt 1 above, the reclassification adjustments have been presented in the notes. Alt 2 (see following pages) illustrates the presentation of the reclassification adjustments in the consolidated statement of profit or loss and other comprehensive income.

Presentation options for income tax relating to items of other comprehensive income

Furthermore, for items of other comprehensive income, additional presentation options are available as follows: the individual items of other comprehensive income 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). Whichever option is selected, the income tax relating to each item of other comprehensive income must be disclosed, either in the statement of profit or loss and other comprehensive income or in the notes (see Note 29).

Source	International GAAP Holdings Limited			
IAS 1.10A, 51(b),(c)	**Consolidated statement of profit or loss for the year ended 31 December 2012**			**[Alt 2]**
IAS 1.113		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.51(d),(e)			CU'000	CU'000 (restated)
	Continuing operations			
IAS 1.82(a)	Revenue	5	140,918	151,840
IAS 1.85	Investment income	7	3,608	2,351
IAS 1.85	Other gains and losses	8	647	1,005
IAS 1.99	Changes in inventories of finished goods and work in progress		7,134	2,118
IAS 1.99	Raw materials and consumables used		(84,659)	(85,413)
IAS 1.99	Depreciation and amortisation expenses	13	(11,193)	(13,878)
IAS 1.99	Employee benefits expense	13	(10,113)	(11,527)
IAS 1.82(b)	Finance costs	9	(4,418)	(6,023)
IAS 1.99	Consulting expense		(3,120)	(1,926)
	Other expenses		(10,268)	(8,005)
IAS 1.82(c)	Share of profits of associates	20	1,186	1,589
IAS 1.85	Gain recognised on disposal of interest in former associate	20	581	–
IAS 1.85	Others [describe]		–	–
IAS 1.85	Profit before tax		30,303	32,131
IAS 1.82(d)	Income tax expense	10	(11,555)	(11,709)
IAS 1.85	Profit for the year from continuing operations	13	18,748	20,422
	Discontinued operations			
IAS 1.82(ea)	Profit for the year from discontinued operations	11	8,310	9,995
IAS 1.81A(a)	**Profit for the year**		27,058	30,417
	Attributable to:			
IAS 1.81B(a)(ii)	Owners of the Company		23,058	27,654
IAS 1.81B(a)(i)	Non-controlling interests		4,000	2,763
			27,058	30,417
	Earnings per share	14		
	From continuing and discontinued operations			
IAS 33.66, 67A	Basic (cents per share)		132.3	137.4
IAS 33.66, 67A	Diluted (cents per share)		115.6	131.0
	From continuing operations			
IAS 33.66, 67A	Basic (cents per share)		84.6	87.7
IAS 33.66, 67A	Diluted (cents per share)		74.1	83.6

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

See the previous page for a discussion of the format 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 IAS 1.10A, the statement of profit or loss must be displayed immediately before the statement of comprehensive income.

Source	International GAAP Holdings Limited			
IAS 1.10A, 51(b),(c)	**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012**			**[Alt 2]**
IAS 1.113		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.51(d),(e)			CU'000	CU'000 (restated)
IAS 1.10A	**Profit for the year**		27,058	30,417
	Other comprehensive income	29		
IAS 1.82A(a)	*Items that will not be reclassified subsequently to profit or loss:*			
	Gain on revaluation of properties		–	1,643
	Share of gain (loss) on property revaluation of associates		–	–
	Others (please specify)		–	–
IAS 1.91(b)	Income tax relating to items that will not be reclassified subsequently		–	(493)
			–	1,150
IAS 1.82A(b)	*Items that may be reclassified subsequently to profit or loss:*			
	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
	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
	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)		–	–
IAS 1.91(b)	Income tax relating to items that may be reclassified subsequently		(27)	(69)
IAS 1.81A(b)	Other comprehensive income for the year, net of income tax		66	1,312
IAS 1.81A(c)	**Total comprehensive income for the year**		27,124	31,729
	Attributable to:			
IAS 1.81B(b)(ii)	Owners of the Company		23,124	28,966
IAS 1.81B(b)(i)	Non-controlling interests		4,000	2,763
			27,124	31,729

Source	International GAAP Holdings Limited

IAS 1.10(a),(ea),(f) 51(b),(c)

Consolidated statement of financial position at 31 December 2012

Source		Notes	31/12/12	31/12/11	01/01/11
IAS 1.113			CU'000	CU'00	CU'000
IAS 1.51(d), (e)	**Assets**			(restated)	(restated)
IAS 1.60	*Non-current assets*				
IAS 1.54(a)	Property, plant and equipment	15	109,783	135,721	161,058
IAS 1.54(b)	Investment property	16	1,968	1,941	1,500
IAS 1.55	Goodwill	17	20,285	24,060	23,920
IAS 1.54(c)	Other intangible assets	18	9,739	11,325	12,523
IAS 1.54(e)	Investments in associates	20	7,402	7,270	5,706
IAS 1.54(o)	Deferred tax assets	10	2,083	1,964	1,843
IAS 1.55	Finance lease receivables	26	830	717	739
IAS 1.54(d)	Other financial assets	22	10,771	9,655	7,850
IAS 1.55	Other assets	23	–	–	–
	Total non-current assets		162,861	192,653	215,139
IAS 1.60	*Current assets*				
IAS 1.54(g)	Inventories	24	31,213	28,982	29,688
IAS 1.54(h)	Trade and other receivables	25	19,249	14,658	13,550
IAS 1.55	Finance lease receivables	26	198	188	182
IAS 1.55	Amounts due from customers under construction contracts	27	240	230	697
IAS 1.54(d)	Other financial assets	22	8,757	6,949	5,528
IAS 1.54(n)	Current tax assets	10	125	60	81
IAS 1.55	Other assets	23	–	–	–
IAS 1.54(i)	Cash and bank balances	46	23,446	19,778	7,752
			83,228	70,845	57,478
IAS 1.54(j)	Assets classified as held for sale	12	22,336	–	–
	Total current assets		105,564	70,845	57,478
	Total assets		268,425	263,498	272,617

Note: IAS 1.10(f) requires that an entity present a statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

As part of the Annual Improvements to IFRSs 2009-2011 Cycle, IAS 1 Presentation of Financial Statements has been revised to provide guidance on when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes should be presented in the financial statements. Based on the amendments, an entity is required to present a third statement of financial position if:

(a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and

(b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the third statement of financial position.

Other than disclosures of certain specified information as required by IAS 1.41-44 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the related notes to the third statement of financial position are not required to be disclosed.

In this model, it is assumed that the application of the amendments to IAS 12 Income Taxes has resulted in a material retrospective restatement of certain items in the financial statements (see note 2). As such, a third statement of financial position has been presented.

Source	International GAAP Holdings Limited

Consolidated statement of financial position at 31 December 2012 – continued

Source		Notes	31/12/12	31/12/11	01/01/11
			CU'000	CU'000 (restated)	CU'000 (restated)
	Equity and liabilities				
	Capital and reserves				
IAS 1.55	Issued capital	28	32,439	48,672	48,672
IAS 1.55	Reserves	29	4,237	3,376	1,726
IAS 1.55	Retained earnings	30	110,904	94,999	73,824
			147,580	147,047	124,222
IAS 1.55	Amounts recognised directly in equity relating to assets classified as held for sale	12	–	–	–
IAS 1.54(r)	Equity attributable to owners of the Company		147,580	147,047	124,222
IAS 1.54(q)	Non-controlling interests	31	24,316	20,005	17,242
	Total equity		171,896	167,052	141,464
IAS 1.60	*Non-current liabilities*				
IAS 1.55	Borrowings	32	17,868	29,807	25,785
IAS 1.54(m)	Other financial liabilities	34	15,001	–	–
IAS 1.55	Retirement benefit obligation	39	2,861	2,023	2,968
IAS 1.54(o)	Deferred tax liabilities	10	6,630	5,567	4,436
IAS 1.54(l)	Provisions	35	2,294	2,231	4,102
IAS 1.55	Deferred revenue	41	59	165	41
IAS 1.55	Other liabilities	36	180	270	–
	Total non-current liabilities		44,893	40,063	37,332
IAS 1.60	*Current liabilities*				
IAS 1.54(k)	Trade and other payables	37	16,373	21,220	52,750
IAS 1.55	Amounts due to customers under construction contracts	27	36	15	245
IAS 1.55	Borrowings	32	22,446	25,600	33,618
IAS 1.54(m)	Other financial liabilities	34	116	18	–
IAS 1.54(n)	Current tax liabilities	10	5,270	5,868	4,910
IAS 1.54(l)	Provisions	35	3,356	3,195	2,235
IAS 1.55	Deferred revenue	41	265	372	63
IAS 1.55	Other liabilities	36	90	95	–
			47,952	56,383	93,821
IAS 1.54(p)	Liabilities directly associated with assets classified as held for sale	12	3,684	–	–
	Total current liabilities		51,636	56,383	93,821
	Total liabilities		96,529	96,446	131,153
	Total equity and liabilities		268,425	263,498	272,617

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

Consolidated statement of changes in equity for the year ended 31 December 2012

IAS 1.51(d),(e)

	Share capital	Share premium	General reserve	Properties revaluation reserve
	CU'000	CU'000	CU'000	CU'000
Balance at 1 January 2011 (as previously reported)	23,005	25,667	807	51
Adjustments (see note 2.1)	–	–	–	–
Balance at 1 January 2011 (restated)	23,005	25,667	807	51
Profit for the year	–	–	–	–
Other comprehensive income for the year, net of income tax	–	–	–	1,150
Total comprehensive income for the year	–	–	–	1,150
Recognition of share-based payments	–	–	–	–
Payment of dividends	–	–	–	–
Balance at 31 December 2011 (restated)	23,005	25,667	807	1,201
Profit for the year	–	–	–	–
Other comprehensive income for the year, net of income tax	–	–	–	–
Total comprehensive income for the year	–	–	–	–
Payment of dividends	–	–	–	–
Additional non-controlling interests arising on the acquisition of Subsix Limited (note 44)	–	–	–	
Additional non-controlling interests relating to outstanding share-based payment transactions of Subsix Limited (note 44)	–	–	–	–
Disposal of partial interest in Subone Limited (note 19)	–	–	–	–
Recognition of share-based payments	–	–	–	–
Issue of ordinary shares under employee share option plan	314	–	–	–
Issue of ordinary shares for consulting services performed (note 28.1)	3	5	–	–
Issue of convertible non-participating preference shares	100	–	–	–
Issue of convertible notes	–	–	–	–
Share issue costs	–	(6)	–	–
Buy-back of ordinary shares	(5,603)	(10,853)	–	–
Share buy-back costs	–	(277)	–	–
Transfer to retained earnings	–	–	–	(3)
Income tax relating to transactions with owners	84	–	–	–
Balance at 31 December 2012	17,819	14,620	807	1,198

Investments revaluation reserve	Equity-settled employee benefits reserve	Cash flow hedging reserve	Foreign currency translation reserve	Option premium on convertible notes	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
470	–	258	140	–	73,854	123,922	17,242	141,164
–	–	–	–	–	300	300	–	300
470	–	258	140	–	73,824	124,222	17,242	141,464
–	–	–	–	–	27,654	27,654	2,763	30,417
57	–	20	85	–	–	1,312	–	1,312
57	–	20	85	–	27,654	28,966	2,763	31,729
–	338	–	–	–	–	338	–	338
–	–	–	–	–	(6,479)	(6,479)	–	(6,479)
527	338	278	225	–	94,999	147,047	20,005	167,052
–	–	–	–	–	23,058	23,058	4,000	27,058
66	–	39	(39)	–	–	66	–	66
66	–	39	(39)	–	23,058	23,124	4,000	27,124
–	–	–	–	–	(6,635)	(6,635)	–	(6,635)
–	–	–	–	–	–	–	127	127
–	–	–	–	–	–	5	5	
–	–	–	–	–	34	34	179	213
–	206	–	–	–	–	206	–	206
–	–	–	–	–	–	314	–	314
–	–	–	–	–	–	8	–	8
–	–	–	–	–	–	100	–	100
–	–	–	–	834	–	834	–	834
–	–	–	–	–	–	(6)	–	(6)
–	–	–	–	–	(555)	(17,011)	–	(17,011)
–	–	–	–	–	–	(277)	–	(277)
–	–	–	–	–	3	–	–	–
–	–	–	–	(242)	–	(158)	–	(158)
593	544	317	186	592	110,904	147,580	24,316	171,896

Source	International GAAP Holdings Limited			
IAS 1.10(d), 51(b),(c)	**Consolidated statement of cash flows for the year ended 31 December 2012**			**[Alt 1]**
IAS 1.113		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.51(d),(e)			CU'000	CU'000
IAS 7.10	**Cash flows from operating activities**			
IAS 7.18(a)	Receipts from customers		211,190	214,497
	Payments to suppliers and employees		(163,020)	(181,490)
	Cash generated from operations		48,170	33,007
IAS 7.31	Interest paid		(4,493)	(6,106)
IAS 7.35	Income taxes paid		(13,848)	(13,340)
	Net cash generated by operating activities		29,829	13,561
IAS 7.10	**Cash flows from investing activities**			
	Payments to acquire financial assets		(1,890)	–
	Proceeds on sale of financial assets		–	51
IAS 7.31	Interest received		2,315	1,054
	Royalties and other investment income received		1,137	1,143
IAS 24.19(d)	Dividends received from associates		30	25
IAS 7.31	Other dividends received		156	154
	Amounts advanced to related parties		(738)	(4,311)
	Repayments by related parties		189	1,578
	Payments for property, plant and equipment		(22,932)	(11,875)
	Proceeds from disposal of property, plant and equipment		11,462	21,245
	Payments for investment property		(10)	(202)
	Proceeds from disposal of investment property		–	58
	Payments for intangible assets		(6)	(358)
IAS 7.39	Net cash outflow on acquisition of subsidiaries	44	(477)	–
IAS 7.39	Net cash inflow on disposal of subsidiary	45	7,566	–
	Net cash inflow on disposal of associate		–	120
	Net cash (used in)/generated by investing activities		(3,198)	8,682
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		(37,761)	(23,209)
	Proceeds from government loans		–	3,000
IAS 7.42A	Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		213	–
IAS 7.31	Dividends paid on redeemable preference shares		(613)	–
IAS 7.31	Dividends paid to owners of the Company		(6,635)	(6,479)
	Net cash used in financing activities		(22,868)	(1,890)
	Net increase in cash and cash equivalents		3,763	20,353
	Cash and cash equivalents at the beginning of the year		19,400	(769)
IAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(80)	(184)
	Cash and cash equivalents at the end of the year	46	23,083	19,400

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

Source	International GAAP Holdings Limited		
IAS 1.10(d), 51(b),(c)	**Consolidated statement of cash flows for the year ended 31 December 2012**		**[Alt 2]**
IAS 1.113		Year ended 31/12/12	Year ended 31/12/11
IAS 1.51(d),(e)		CU'000	CU'000 (restated)
IAS 7.10	**Cash flows from operating activities**		
IAS 7.18(b)	Profit for the year	27,058	30,417
	Adjustments for:		
	Income tax expense recognised in profit or loss	14,715	14,707
	Share of profits of associates	(1,186)	(1,589)
	Finance costs recognised in profit or loss	4,418	6,023
	Investment income recognised in profit or loss	(3,608)	(2,351)
	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	14,179	17,350
	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)	–
		53,460	64,365
	Movements in working capital:		
	Decrease/(increase) in trade and other receivables	1,861	(2,797)
	(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	(4,847)	(28,469)
	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	48,170	33,007
IAS 7.31	Interest paid	(4,493)	(6,106)
IAS 7.35	Income taxes paid	(13,848)	(13,340)
	Net cash generated by operating activities	29,829	13,561

Source	International GAAP Holdings Limited			

Consolidated statement of cash flows
for the year ended 31 December 2012 – continued **[Alt 2] continued**

Source		Notes	Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000
IAS 7.10	**Cash flows from investing activities**			
	Payments to acquire financial assets		(1,890)	–
	Proceeds on sale of financial assets		–	51
IAS 7.31	Interest received		2,315	1,054
	Royalties and other investment income received		1,137	1,143
IAS 24.19(d)	Dividends received from associates		30	25
IAS 7.31	Other dividends received		156	154
	Amounts advanced to related parties		(738)	(4,311)
	Repayments by related parties		189	1,578
	Payments for property, plant and equipment		(22,932)	(11,875)
	Proceeds from disposal of property, plant and equipment		11,462	21,245
	Payments for investment property		(10)	(202)
	Proceeds from disposal of investment property		–	58
	Payments for intangible assets		(6)	(358)
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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		(37,761)	(23,209)
	Proceeds from government loans		–	3,000
IAS 7.42A	Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		213	–
IAS 7.31	Dividends paid on redeemable cumulative preference shares		(613)	–
IAS 7.31	Dividends paid to owners of the Company		(6,635)	(6,479)
	Net cash used in financing activities		(22,868)	(1,890)
	Net increase in cash and cash equivalents		3,763	20,353
	Cash and cash equivalents at the beginning of the year		19,400	(769)
IAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(80)	(184)
	Cash and cash equivalents at the end of the year	46	23,083	19,400

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

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

Notes to the consolidated financial statements for the year ended 31 December 2012

1. General information

IAS 1.138(a), (c)
IAS 24.13

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

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

2.1 Amendments to IFRSs affecting amounts reported in the financial statements

IAS 8.28

The following amendments to IFRSs have been applied in the current year and have affected the amounts reported in these financial statements.

Amendments to IFRSs affecting presentation and disclosure only

IFRS 7.44M

Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets*

The Group has applied the amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

In the current year, the Group discounted certain trade receivables to a bank for cash. 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). The relevant disclosures have been made regarding the transfer of these trade receivables on application of the amendments to IFRS 7 (see note 25.2). In accordance with the transitional provisions set out in the amendments to IFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

IAS 8.28

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

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to 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 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 IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 8.28

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

The Group has applied the amendments to IAS 1 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* in advance of the effective date (annual periods beginning on or after 1 January 2013).

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 January 2011 (see below). In accordance with the amendments to IAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2011 without the related notes except for the disclosure requirements of IAS 8 as detailed below.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IAS 8.28

Amendments to IFRSs affecting the reported financial performance and/or financial position
Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

The Group has applied the amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the directors 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 presumption set out in the amendments to IAS 12 is not rebutted. The application of the amendments to IAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use. The amendments to IAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by CU300,000 as at 1 January 2011 with the corresponding adjustment being recognised in retained earnings. Similarly, the deferred tax liabilities have been decreased by CU390,000 as at 31 December 2011.

In the current year, no deferred taxes have been provided for changes in fair value of the Group's investment properties. The change in accounting policy has resulted in the Group's income tax expense for the years ended 31 December 2012 and 31 December 2011 being reduced by CU9,000 and CU90,000 respectively and hence resulted in profit for the years ended 31 December 2012 and 31 December 2011 being increased by CU9,000 and CU90,000 respectively.

IFRS 3.24
IFRS 3.32

Note: When an investment property was acquired as part of a business combination that took place in a prior year, the corresponding adjustments will also include an adjustment to goodwill.

Impact of the application of amendments to IAS 12

Impact on profit (loss) for the year	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Decrease in income tax expenses and increase in profit for the year	9	90
Increase in profit for the year attributable to:		
Owners of the Company	9	90
Non-controlling interests	–	–
	9	90

Impact on net assets and equity as at 1 January 2011	As at 01/01/11 as previously reported	Amendments to IAS12 adjustments	As at 01/01/11 as restated
	CU'000	CU'000	CU'000
Deferred tax liabilities [increase/(decrease)]	4,736	(300)	4,436
Total effect on net assets [increase/(decrease)]	141,164	300	141,464
Retained earnings [increase/(decrease)]	73,524	300	73,824
Total effect on equity [increase/(decrease)]	141,164	300	141,464

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

Impact on net assets and equity as at 31 December 2011	As at 01/01/11 as previously reported	Amendments to IAS12 adjustments	As at 01/01/11 as restated
	CU'000	CU'000	CU'000
Deferred tax liabilities [increase/(decrease)]	5,957	(390)	5,567
Total effect on net assets [increase/(decrease)]	166,662	390	167,052
Retained earnings [increase/(decrease)]	94,609	390	94,999
Total effect on equity [increase/(decrease)]	166,662	390	167,052

Impact on net assets and equity as at 31 December 2012	Amendments to IAS 12
	CU'000
Decrease in deferred tax liabilities	399
Increase in net assets	399
Increase in retained earnings	399
Increase in equity	399

2.2 New and revised IFRSs in issue but not yet effective

Note: *Entities are required to disclose in their financial statements the potential impact of new and revised IFRSs that have been issued but are not yet effective. The disclosures below reflect a cut-off date of 31 July 2012. The potential impact of the application of any new and revised IFRSs issued by the IASB after 31 July 2012 but before the financial statements are issued should also be considered and disclosed.*

IAS 8.30
IAS 8.31

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*[3]
IFRS 10	*Consolidated Financial Statements*[1]
IFRS 11	*Joint Arrangements*[1]
IFRS 12	*Disclosure of Interests in Other Entities*[1]
IFRS 13	*Fair Value Measurement*[1]
Amendments to IFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*[1]
IAS 19 (as revised in 2011)	*Employee Benefits*[1]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[1]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[1]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[2]
Amendments to IFRSs	*Annual Improvements to IFRSs 2009-2011 Cycle* except for the amendment to IAS 1[1] (see note 2.1)
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

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

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures.* IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The directors anticipate that the application of these five standards will have a significant impact on amounts reported in the consolidated financial statements. For example, the application of IFRS 10 may affect the accounting for the Group's 45% ownership interest in C Plus Limited that is currently classified as the Group's associate. Taking into account the new definition of control and the additional guidance on control set out in IFRS 10, the application of IFRS 10 may result in C Plus Limited being treated as the Group's subsidiary. If C Plus Limited is consolidated as the Group's subsidiary, the net assets as well as income and expenses of C Plus Limited will be presented as separate line items in the consolidated statement of financial position and in the consolidated statement of profit or loss and other comprehensive income respectively, rather than being presented as one line item in the Group's consolidated financial statements. A detailed review will be performed by the directors to quantify the impact on the application of IFRS 10.

The application of IFRS 11 will change the classification and subsequent accounting of the Group's investment in JV Electronics Limited, which is classified as a jointly controlled entity under IAS 31 and has been accounted for using the proportionate consolidation method. Under IFRS 11, JV Electronics Limited will be classified as a joint venture and accounted for using the equity method, resulting in the aggregation of the Group's proportionate share of JV Electronics Limited's net assets and items of profit or loss and other comprehensive income into a single line item which will be presented in the consolidated statement of financial position and in the consolidated statement of profit or loss and other comprehensive income as 'investment in joint venture' and 'share of profits (loss) of joint venture' respectively. Besides the investment in JV Electronics Limited, the Group does not have any other interests in jointly controlled entities.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of the new Standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IFRS 7 and IAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

IAS 19 *Employee Benefits*

The amendments to IAS 19 change 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 fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be 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 IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to IAS 19 require retrospective application. Based on the directors' preliminary assessment, when the Group applies the amendments to IAS 19 for the first time for the year ending 31 December 2013, the profit after income tax for the year ended 31 December 2012 would be reduced by CU 308,000 and the other comprehensive income after income tax for the said year would be increased by CU 564,000 (1 January 2012: decrease in retained earnings of CU163,000) with the corresponding adjustments being recognised in the retirement benefit obligation and income tax liability. This net effect reflects a number of adjustments, including their income tax effects: a) full recognition of actuarial gains through other comprehensive income and decrease in the net pension deficit; b) immediate recognition of past service costs in profit or loss and an increase in the net pension deficit and c) reversal of the difference between the gain arising from the expected rate of return on pension plan assets and the discount rate through other comprehensive income.

Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012

The *Annual Improvements to IFRSs 2009 – 2011 Cycle* include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- amendments to IAS 16 *Property, Plant and Equipment*; and
- amendments to IAS 32 *Financial Instruments: Presentation*.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognised as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The directors anticipate that IFRIC 20 will have no effect to the Group's financial statements as the Group does not engage in such activities.

[Describe the potential impact of the application of other new and revised IFRSs, if any.]

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

IAS 1.112(a), 117

3. Significant accounting policies

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

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

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

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

3.1 Statement of compliance

IAS 1.16

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

IAS 1.17(b)

3.2 Basis of preparation

IAS 1.17(b)

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, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. 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.

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

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

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. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

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 IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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 IAS 12 and 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 IFRS 2 *Share-based Payment* at the acquisition date (see note 3.16.2); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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 IFRS.

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 IAS 39, or 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 fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

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.

3.6 Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition 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, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of 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. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with 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 IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate 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 it loses significant influence over that associate.

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

3.7 Interests in joint ventures

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

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

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

IAS 31.57

The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination (see notes 3.4 and 3.5 above).

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3.8 Non-current assets held for sale

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

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

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

IAS 18.35(a)

3.9 Revenue recognition

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

3.9.1 Sale of goods

Revenue from the sale of goods is recognised when 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.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

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.

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.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

3.11 Leasing

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

3.11.1 The Group as lessor

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

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

3.11.2 The Group as lessee

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

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 note 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 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 (attributed to non-controlling interests as appropriate).

Notes to the consolidated financial statements for the year ended 31 December 2012 – 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, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), 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 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 jointly controlled entities 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 on identifiable assets and liabilities acquired arising on the 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 and accumulated in equity.

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.

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.

IAS 19.120A(a)

3.15 Retirement benefit costs

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 reporting period. Actuarial gains and losses that exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

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

3.16 Share-based 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.

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 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 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 liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax 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 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 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 disposal of its investment properties.

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.

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.

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.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

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.

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

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.

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.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

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).

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.

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).

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).

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

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.

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

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.

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.

IFRS 7.B5(e)

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

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 upon 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 IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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 investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments 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.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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.

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

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 investments 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.

3.25.7 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another 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.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

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.

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.

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 [share premium/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 acquired 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.

Notes to the consolidated financial statements
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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 IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

IFRS 7.B5(e)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' 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.

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 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.

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.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

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.

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 is recognised in 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.

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4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

IAS 1.122

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 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 2012, 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 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 2011: CU4.015 million). Details of these assets are set out in note 22.

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 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 disposal of its investment properties.

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.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

4.2.1 Recoverability of internally generated intangible asset

During the year, the directors reconsidered the recoverability of the Group's internally generated intangible asset arising from its e-business development, which is included in the consolidated statement of financial position at 31 December 2012 at CU0.5 million (31 December 2011: 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 regarding future market share and anticipated margins on these products. Detailed sensitivity analysis has been carried out and the directors are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

4.2.2 Impairment of goodwill

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

The carrying amount of goodwill at 31 December 2012 was CU20.3 million (31 December 2011: CU24.1 million) after an impairment loss of CU235,000 was recognised during 2012 (2011: 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
2012	879
2013	607
2014	144
2015	102

4.2.4 Valuation of financial instruments

As described in note 40, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 40 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

5. Revenue

IAS 18.35(b)

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

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
IAS 18.35(b)	Revenue from the sale of goods	119,232	128,852
IAS 18.35(b)	Revenue from the rendering of services	16,388	18,215
IAS 11.39(a)	Construction contract revenue	5,298	4,773
		140,918	151,840

6. Segment information

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

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

6.1 Products and services from which reportable segments derive their revenues

IFRS 8.22

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided, and in respect of the 'electronic equipment' and 'leisure goods' operations, the information is further analysed based on the different classes of customers. The directors of the Company have chosen to organise the Group around differences in products and services. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

Electronic equipment
– direct sales
– wholesalers
– internet sales

Leisure goods
– wholesalers
– retail outlets

Computer software – Installation of computer software for specialised business applications

Construction – Construction of residential properties

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

Two operations (the manufacture and sale of toys and bicycles) were discontinued in the current year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 11.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

6.2 Segment revenues and results

IFRS 8.23, 23(a)

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

Source			Segment revenue		Segment profit	
			Year ended 31/12/12	Year ended 31/12/11	Year ended 31/12/12	Year ended 31/12/11
			CU'000	CU'000	CU'000	CU'000
	Electronic equipment	– direct sales	37,509	39,641	6,619	9,331
		– wholesalers	20,194	22,534	6,618	5,954
		– internet sales	27,563	29,699	6,632	5,348
	Leisure goods	– wholesalers	13,514	18,332	3,252	4,110
		– retail outlets	20,452	18,646	4,921	4,372
	Computer software		16,388	18,215	3,201	5,260
	Construction		5,298	4,773	389	1,500
IFRS 8.28(a)	Total for continuing operations		140,918	151,840	31,632	35,875
	Share of profits of associates				1,186	1,589
	Gain recognised on disposal of interest in former associate				581	–
	Investment income				3,608	2,351
	Other gains and losses				647	1,005
	Central administration costs and directors' salaries				(2,933)	(2,666)
	Finance costs				(4,418)	(6,023)
IFRS 8.28(b)	Profit before tax (continuing operations)				30,303	32,131

IFRS 8.23(b)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2011: nil).

IFRS 8.27

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, other gains and losses as well as finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

6.3 Segment assets and liabilities

Source			31/12/12	31/12/11
			CU'000	CU'000 (restated)
IFRS 8.23, 28(c)	**Segment assets**			
	Electronic equipment	– direct sales	51,100	47,378
		– wholesalers	48,596	36,061
		– internet sales	42,648	32,817
	Leisure goods	– wholesalers	29,851	33,942
		– retail outlets	16,300	18,749
	Computer software		16,732	14,873
	Construction		11,724	15,610
	Total segment assets		216,951	199,430
	Assets relating to toy and bicycle operations (now discontinued)		22,336	38,170
	Unallocated		29,138	25,898
	Consolidated total assets		268,425	263,498
IFRS 8.23, 28(d)	**Segment liabilities**			
	Electronic equipment	– direct sales	8,667	8,158
		– wholesalers	4,935	3,422
		– internet sales	3,783	3,784
	Leisure goods	– wholesalers	3,152	3,262
		– retail outlets	2,278	2,581
	Computer software		1,266	1,565
	Construction		1,433	1,832
	Total segment liabilities		25,514	24,604
	Liabilities relating to toy and bicycle operations (now discontinued)		3,684	4,982
	Unallocated		67,331	66,860
	Consolidated total liabilities		96,529	96,446

IFRS 8.27

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

- all assets are allocated to reportable segments other than interests in associates, 'other financial assets', and current and deferred tax assets. Goodwill is allocated to reportable segments as described in note 17.1. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than borrowings, 'other financial liabilities', current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

6.4 Other segment information

IFRS 8.23(e), 24(b)

		Depreciation and amortisation		Additions to non-current assets	
		Year ended 31/12/12	Year ended 31/12/11	Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000	CU'000	CU'000
Electronic equipment	– direct sales	2,097	2,039	4,695	2,682
	– wholesalers	2,076	2,466	1,770	1,023
	– internet sales	2,067	2,329	3,205	2,024
Leisure goods	– wholesalers	2,014	2,108	5,880	1,547
	– retail outlets	1,889	3,240	4,234	2,901
Computer software		756	1,326	2,195	1,901
Construction		294	370	500	384
		11,193	13,878	22,479	12,462

IFRS 8.23(i)
IAS 36.129

In addition to the depreciation and amortisation reported above, impairment losses of CU1.204 million (2011: nil) and CU235,000 (2011: nil) were recognised in respect of property, plant and equipment and goodwill, respectively. These impairment losses were attributable to the following reportable segments.

		CU'000
Impairment losses recognised for the year in respect of property, plant and equipment:		
Electronic equipment	– direct sales	529
	– wholesalers	285
	– internet sales	390
		1,204
Impairment loss recognised for the year in respect of goodwill		
Construction		235

IFRS 8.23(f)

Rectification costs of CU4.17 million (2011: nil) disclosed in note 13.6 relate to the 'electronic equipment – direct sales' reportable segment.

6.5 Revenue from major products and services

IFRS 8.32

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

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Electronic equipment	85,266	91,874
Sports shoes	11,057	11,850
Sports equipment	9,946	11,000
Outdoor play equipment	12,963	14,128
Installation of computer software	16,388	18,215
Construction	5,298	4,773
	140,918	151,840

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

6.6 Geographical information

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

IFRS 8.33(a),(b)

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

	Revenue from external customers		Non-current assets*	
	Year ended 31/12/12	Year ended 31/12/11	31/12/12	31/12/11
	CU'000	CU'000	CU'000	CU'000
A Land	84,202	73,971	98,453	88,012
B Land	25,898	43,562	21,411	25,745
C Land	25,485	25,687	16,085	19,341
Other	5,333	8,620	5,826	8,809
	140,918	151,840	141,775	141,907

* Non-current assets exclude those relating to toy and bicycle operations and non-current assets classified as held for sale, and exclude financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts.

6.7 Information about major customers

IFRS 8.34

Included in revenues arising from direct sales of electronic equipment of CU37.5 million (2011: CU39.6 million) (see note 6.2 above) are revenues of approximately CU25.6 million (2011: CU19.8 million) which arose from sales to the Group's largest customer. No other single customers contributed 10% or more to the Group's revenue for both 2012 and 2011.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

7. Investment income

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
	Continuing operations		
	Rental income:		
IAS 17.47(e)	Finance lease contingent rental income	–	–
	Operating lease rental income:		
IAS 40.75(f)	Investment property	18	14
IAS 17.56(b)	Contingent rental income	–	–
	Others [describe]	–	–
		18	14
IAS 18.35(b)	Interest income:		
	Bank deposits	1,650	541
	Available-for-sale investments	154	98
	Other loans and receivables	66	5
	Held-to-maturity investments	445	410
IFRS 7.20(d)	Impaired financial assets	–	–
		2,315	1,054
IAS 18.35(b)	Royalties	79	28
IAS 18.35(b)	Dividends from equity investments	156	154
	Others (aggregate of immaterial items)	1,040	1,101
		3,608	2,351

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

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
	Available-for-sale financial assets	154	98
	Loans and receivables (including cash and bank balances)	1,716	546
	Held-to-maturity investments	445	410
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
	Dividend income earned on available-for-sale financial assets	156	154
	Investment income earned on non-financial assets	1,137	1,143
		3,608	2,351

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

8. Other gains and losses

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
	Continuing operations		
IAS 1.98(c)	Gain/(loss) on disposal of property, plant and equipment	6	67
IAS 1.98(d)	Gain/(loss) on disposal of available-for-sale investments	–	–
IFRS 7.20(a)	Cumulative gain/(loss) reclassified from equity on disposal of vailable-for-sale investments	–	–
IFRS 7.20(a)	Cumulative loss reclassified from equity on impairment of available-for-sale investments	–	–
IAS 21.52(a)	Net foreign exchange gains/(losses)	819	474
	Gain arising on effective settlement of legal claim against Subseven Limited (note 44)	40	–
IFRS 7.20(a)	Net gain/(loss) arising on financial assets designated as at FVTPL	–	–
IFRS 7.20(a)	Net gain/(loss) arising on financial liabilities designated as at FVTPL (i)	(488)	–
IFRS 7.20(a)	Net gain/(loss) arising on financial assets classified as held for trading (ii)	202	99
IFRS 7.20(a)	Net gain/(loss) arising on financial liabilities classified as held for trading(iii)	(51)	–
IAS 40.76(d)	Gain/(loss) arising on changes in fair value of investment property	30	297
IFRS 7.24(b)	Hedge ineffectiveness on cash flow hedges	89	68
IFRS 7.24(c)	Hedge ineffectiveness on net investment hedges	–	–
		647	1,005

(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 (2011: 99,000), including interest of CU46,000 received during the year (2011: CU27,000)).

(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).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

9. Finance costs

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
	Continuing operations		
	Interest on bank overdrafts and loans (other than those from related parties)	3,056	3,531
	Interest on loans from related parties	1,018	2,521
	Interest on obligations under finance leases	75	54
	Interest on convertible notes	110	–
	Interest on perpetual notes	52	–
	Interest on interest-free government loans	188	–
	Other interest expense	25	–
IFRS 7.20(b)	Total interest expense for financial liabilities not classified as at FVTPL	4,524	6,106
IAS 23.26(a)	Less: amounts included in the cost of qualifying assets	(11)	(27)
		4,513	6,079
IFRS 7.24(a)	Loss/(gain) arising on derivatives as designated hedging instruments in fair value hedges	5	–
IFRS 7.24(a)	(Gain)/loss arising on adjustment for hedged item attributable to the hedged risk in a designated fair value hedge accounting relationship	(5)	–
		–	–
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 discounts on provisions	28	30
IFRS 5.17	Unwinding of discount on costs to sell non-current assets classified as held for sale	–	–
	Other finance costs	–	–
		4,418	6,023

IAS 23.26(b) — The weighted average capitalisation rate on funds borrowed generally is 8.0% per annum (2011: 7.8% per annum).

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.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

10. Income taxes relating to continuing operations

10.1 Income tax recognised in profit or loss

Source		Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000 (restated)
IAS 12.79	*Current tax*		
	In respect of the current year	10,071	11,347
	In respect of prior years	–	–
	Others [describe]	–	–
		10,071	11,347
IAS 12.80	*Deferred tax*		
	In respect of the current year	1,634	448
	Deferred tax reclassified from equity to profit or loss	(150)	(86)
	Adjustments to deferred tax attributable to changes in tax rates and laws	–	–
	Write-downs (reversals of previous write-downs) of deferred tax assets		
	Others [describe]	–	–
		1,484	362
	Total income tax expense recognised in the current year relating to continuing operations	11,555	11,709

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

Source		Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000 (restated)
	Profit before tax from continuing operations	30,303	32,131
	Income tax expense calculated at 30% (2011: 30%)	9,091	9,639
	Effect of income that is exempt from taxation	(39)	(90)
	Effect of expenses that are not deductible in determining taxable profit	2,562	2,221
	Effect of concessions (research and development and other allowances)	(75)	(66)
	Impairment losses on goodwill that are not deductible	5	–
	Effect of 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
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]	–	–
		11,555	11,709
	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)	11,555	11,709

IAS 12.81(c) The tax rate used for the 2012 and 2011 reconciliations above is the corporate tax rate of 30% payable by corporate entities in A Land on taxable profits under tax law in that jurisdiction.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IAS 12.81(a)

10.2 Income tax recognised directly in equity

	Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000
Current tax		
Share issue costs	(1)	–
Share buy-back costs	(8)	–
Others [describe]	–	–
	(9)	–
Deferred tax		
Arising on transactions with owners:		
Initial recognition of the equity component of convertible notes	242	–
Share issue and buy-back expenses deductible over 5 years	(75)	–
Excess tax deductions related to share-based payments	–	–
Others [describe]	–	–
	167	–
Total income tax recognised directly in equity	158	–

IAS 12.81(ab)

10.3 Income tax recognised in other comprehensive income

	Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000
Current tax		
[describe]	–	–
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Translation of foreign operations	22	36
Fair value remeasurement of hedging instruments entered into for a hedge of a net investment in a foreign operation	(4)	–
Fair value remeasurement of available-for-sale financial assets	28	24
Fair value remeasurement of hedging instruments entered into for cash flow hedges	131	95
Property revaluations	–	493
Others [describe]	–	–
	177	648
Arising on income and expenses reclassified from equity to profit or loss:		
Relating to cash flow hedges	(37)	(26)
Relating to available-for-sale financial assets	–	–
On disposal of a foreign operation	(36)	–
	(73)	(26)
Arising on gains/losses of hedging instruments in cash flow hedges transferred to the initial carrying amounts of hedged items	(77)	(60)
Total income tax recognised in other comprehensive income	27	562

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

10.4 Current tax assets and liabilities

	31/12/12	31/12/11
	CU'000	CU'000
Current tax assets		
Benefit of tax losses to be carried back to recover taxes paid in prior periods	–	–
Tax refund receivable	125	60
Others [describe]	–	–
	125	60
Current tax liabilities		
Income tax payable	5,270	5,868
Others [describe]	–	–
	5,270	5,868

10.5 Deferred tax balances

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

	31/12/12	31/12/11	01/01/11
	CU'000	CU'000	CU'000
		(restated)	(restated)
Deferred tax assets	2,083	1,964	1,843
Deferred tax liabilities	(6,630)	(5,567)	(4,436)
	(4,547)	(3,603)	(2,593)

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IAS 12.81(a),(g)

2012	Opening balance	Recognised in profit or loss	Recognised in other compre-hensive income	Recognised directly in equity	Reclassified from equity to profit or loss	Acquisitions/ disposals	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:								
Cash flow hedges	(119)	–	(131)	–	114	–	–	(136)
Net investment hedges	–	–	4	–	–	–	–	4
Associates	(1,268)	(356)	–	–	–	–	–	(1,624)
Property, plant & equipment	(3,165)	(1,517)	–	–	–	458	430	(3,794)
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
Other financial liabilities	5	2	–	–	–	–	–	7
Unclaimed share issue and buy-back costs	–	–	–	75	–	–	–	75
Others [describe]	(181)	(32)	–	–	–	–	–	(213)
	(3,605)	(1,634)	(177)	(167)	150	454	430	(4,549)
Tax losses	–	–	–	–	–	–	–	–
Others	2	–	–	–	–	–	–	2
	2	–	–	–	–	–	–	2
	(3,603)	(1,634)	(177)	(167)	150	454	430	(4,547)

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IAS 12.81(a),(g)

2011 (restated)	Opening balance	Recognised in profit or loss	Recognised in other compre-hensive income	Recognised directly in equity	Reclassified from equity to profit or loss	Acquisitions/ disposals	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:								
Cash flow hedges	(110)	–	(95)	–	86	–	–	(119)
Associates	(791)	(477)	–	–	–	–	–	(1,268)
Property, plant & equipment	(2,560)	(112)	(493)	–	–	–	–	(3,165)
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
Other financial liabilities	9	(4)	–	–	–	–	–	5
Others [describe]	(97)	(84)	–	–	–	–	–	(181)
	(2,593)	(450)	(648)	–	86	–	–	(3,605)
Tax losses	–	–	–	–	–	–	–	–
Others	–	2	–	–	–	–	–	2
	–	2	–	–	–	–	–	2
	(2,593)	(448)	(648)	–	86	–	–	(3,603)

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

IAS 12.81(e)

	31/12/12	31/12/11
	CU'000	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:		
– tax losses (revenue in nature)	–	–
– tax losses (capital in nature)	–	–
– unused tax credits (expire [date])	11	11
– deductible temporary differences [describe]	–	–
	11	11

The unrecognised tax credits will expire in 2014.

10.7 Unrecognised taxable temporary differences associated with investments and interests

IAS 12.81(f)

	31/12/12	31/12/11
	CU'000	CU'000
Taxable temporary differences in relation to investments in subsidiaries, branches and associates and interests in joint ventures for which deferred tax liabilities have not been recognised are attributable to the following:		
– domestic subsidiaries	120	125
– foreign subsidiaries	–	–
– associates and jointly controlled entities	–	–
– others [describe]	–	–
	120	125

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

11. Discontinued operations

11.1 Disposal of toy manufacturing operations

IFRS 5.30
IFRS 5.41

On 28 September 2012, 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 2012, on which date control of the toy manufacturing operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 45.

11.2 Plan to dispose of the bicycle business

IFRS 5.30
IFRS 5.41

On 30 November 2012, 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 2013. The Group has not recognised any impairment losses in respect of the bicycle business, neither when the operation was reclassified as held for sale nor at the end of the reporting period.

11.3 Analysis of profit for the year from discontinued operations

The combined results of the discontinued operations (i.e. toy 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.

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
IFRS 5.33(b)	*Profit for the year from discontinued operations*		
	Revenue	64,405	77,843
	Other gains	30	49
		64,435	77,892
	Expenses	(54,905)	(64,899)
	Profit before tax	9,530	12,993
IAS 12.81(h)	Attributable income tax expense	(2,524)	(2,998)
		7,006	9,995
	Loss on remeasurement to fair value less costs to sell	–	–
	Gain/(loss) on disposal of operation including a cumulative exchange gain of CU120,000 reclassified from foreign currency translation reserve to profit or loss (see note 45)	1,940	–
IAS 12.81(h)	Attributable income tax expense	(636)	–
		1,304	–
IFRS 5.33(d)	Profit for the year from discontinued operations (attributable to owners of the Company)	8,310	9,995
IFRS 5.33(c)	*Cash flows from discontinued operations*		
	Net cash inflows from operating activities	6,381	7,078
	Net cash inflows from investing activities	2,767	–
	Net cash outflows from financing activities	(5,000)	–
	Net cash inflows	4,148	7,078

The bicycle business has been classified and accounted for at 31 December 2012 as a disposal group held for sale (see note 12).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

12. Assets classified as held for sale

	31/12/12	31/12/11
	CU'000	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	–

IFRS 5.41

(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 at 31 December 2012.

IFRS 5.41
IFRS 5.38

(ii) As described in note 11, the Group is seeking to dispose of its bicycle business and anticipates that the disposal will be completed by 31 July 2013. The major classes of assets and liabilities of the bicycle business at the end of the reporting period are as follows:

	31/12/12
	CU'000
Goodwill	1,147
Property, plant and equipment	16,944
Inventories (IAS 2.36(c))	2,090
Trade receivables	720
Cash and bank balances	175
Assets of bicycle business classified as held for sale	21,076
Trade payables	(3,254)
Current tax liabilities	–
Deferred tax liabilities	(430)
Liabilities of bicycle business associated with assets classified as held for sale	(3,684)
Net assets of bicycle business classified as held for sale	17,392

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

13. Profit for the year from continuing operations

IFRS 5.33(d)

Profit for the year from continuing operations is attributable to:

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000 (restated)
Owners of the Company	14,748	17,659
Non-controlling interests	4,000	2,763
	18,748	20,422

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

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
IFRS 7.20(e)	*13.1 Impairment losses on financial assets*		
	Impairment loss on trade receivables (see note 25)	63	430
	Impairment loss on available-for-sale equity investments	–	–
	Impairment loss on available-for-sale debt investments	–	–
	Impairment loss on held-to-maturity financial assets	–	–
	Impairment loss on loans carried at amortised cost	–	–
		63	430
	Reversal of impairment losses on trade receivables	(103)	–
	13.2 Depreciation and amortisation expense		
	Depreciation of property, plant and equipment	9,601	12,322
IAS 38.118(d)	Amortisation of intangible assets (included in [cost of sales/depreciation and amortisation expense/administrative expense/other expenses])	1,592	1,556
IAS 1.104	Total depreciation and amortisation expense	11,193	13,878
IAS 40.75(f)	*13.3 Direct operating expenses arising from investment property*		
	Direct operating expenses from investment property that generated rental income during the year	1	2
	Direct operating expenses from investment property that did not generate rental income during the year	–	–
		1	2
IAS 38.126	*13.4 Research and development costs expensed as incurred*	502	440

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

Source		Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000
	13.5 Employee benefits expense		
	Post employment benefits (see note 39)		
IAS 19.46	Defined contribution plans	160	148
IAS 19.120A(g)	Defined benefit plans	896	428
		1,056	576
IFRS 2.50	Share-based payments (see note 42.1)		
IFRS 2.51(a)	Equity-settled share-based payments	206	338
IFRS 2.51(a)	Cash-settled share-based payments	–	–
		206	338
IAS 19.142	Termination benefits	–	–
	Other employee benefits	8,851	10,613
IAS 1.104	Total employee benefits expense	10,113	11,527

13.6 Exceptional rectification costs

IAS 1.97

Costs of CU4.17 million have been recognised during the year in respect of rectification work to be carried out on goods supplied to one of the Group's major customers, which have been included in [cost of sales/cost of inventories and employee benefits expense] (2011: nil). The amount represents the estimated cost of work to be carried out in accordance with an agreed schedule of works up to 2014. 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 2013 and 2014 (see note 35).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

14. Earnings per share

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

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

If other entities choose to disclose EPS information voluntarily in their financial statements that comply with IFRSs, the disclosures in relation to the EPS information should comply fully with the requirements set out in IAS 33.

Source		Year ended 31/12/12	Year ended 31/12/11
		Cents per share	Cents per share (restated)
	Basic earnings per share		
	From continuing operations	84.6	87.7
IAS 33.68	From discontinued operations	47.7	49.7
	Total basic earnings per share	132.3	137.4
	Diluted earnings per share		
	From continuing operations	74.1	83.6
IAS 33.68	From discontinued operations	41.5	47.4
	Total diluted earnings per share	115.6	131.0

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IAS 33.70(a)

14.1 Basic earnings per share

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

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000 (restated)
Profit for the year attributable to owners of the Company	23,058	27,654
Others [describe]	–	–
Earnings used in the calculation of basic earnings per share	23,058	27,654
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	(8,310)	(9,995)
Others [describe]	–	–
Earnings used in the calculation of basic earnings per share from continuing operations	14,748	17,659

IAS 33.70(b)

	Year ended 31/12/12	Year ended 31/12/11
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	17,432	20,130

14.2 Diluted earnings per share

IAS 33.70(a)

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

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000 (restated)
Earnings used in the calculation of basic earnings per share	23,058	27,654
Interest on convertible notes (after tax at 30%)	77	–
Earnings used in the calculation of diluted earnings per share	23,135	27,654
Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	(8,310)	(9,995)
Others [describe]	–	–
Earnings used in the calculation of diluted earnings per share from continuing operations	14,825	17,659

IAS 33.70(b)

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

	Year ended 31/12/12	Year ended 31/12/11
	'000	'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	17,432	20,130
Shares deemed to be issued for no consideration in respect of:		
– employee options	161	85
– partly paid ordinary shares	1,073	900
– convertible notes	1,350	–
– others [describe]	–	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	20,016	21,115

**Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued**

IAS 33.70(c)

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

	Year ended 31/12/12	Year ended 31/12/11
	'000	'000
[Describe]	–	–

14.3 Impact of changes in accounting policies

IAS 8.28(f)

Changes in the Group's accounting policies during the year are described in detail in note 2.1. To the extent that those changes have had an impact on results reported for 2012 and 2011, they have had an impact on the amounts reported for earnings per share.

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

	Increase (decrease) in profit for the year attributable to the owners of the Company		Increase (decrease) in basic earnings per share		Increase (decrease) in diluted earnings per share	
	Year ended 31/12/12	Year ended 31/12/11	Year ended 31/12/12	Year ended 31/12/11	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000	Cents per share	Cents per share	Cents per share	Cents per share
Changes in accounting policies relating to:						
– Application of the amendments to IAS 12 (see note 2.1)	9	90	0.05	0.45	0.04	0.43
	9	90	0.05	0.45	0.04	0.43

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

15. Property, plant and equipment

	31/12/12	31/12/11
	CU'000	CU'000
Carrying amounts of:		
Freehold land	13,868	16,658
Buildings	8,132	11,204
Plant and equipment	87,755	107,697
IAS 17.31(a) Equipment under finance lease	28	162
	109,783	135,721

IAS 16.73(a
IAS 16.73(d),(e)
IAS16.74 (b)

	Freehold land at revalued amount	Buildings at revalued amount	Plant and equipment at cost	Equipment under finance lease at cost	Total
	CU'000	CU'000	CU'000	CU'000	CU'000
Cost or valuation					
Balance at 1 January 2011	15,610	12,659	159,107	630	188,006
Additions	–	1,008	10,854	40	11,902
Disposals	–	–	(27,298)	–	(27,298)
Acquisitions through business combinations	–	–	–	–	–
Construction expenditure capitalised	–	–	–	–	–
Reclassified as held for sale	–	–	–	–	–
Revaluation increase	1,608	37	–	–	1,645
Effect of foreign currency exchange differences	(560)	–	(288)	–	(848)
Others [describe]	–	–	–	–	–
Balance at 31 December 2011	16,658	13,704	142,375	670	173,407
Additions	–	–	21,473	–	21,473
Disposals	(1,439)	(1,200)	(12,401)	(624)	(15,664)
Transferred as consideration for acquisition of subsidiary	(400)	–	–	–	(400)
Derecognised on disposal of a subsidiary	–	–	(8,419)	–	(8,419)
Acquisitions through business ombinations	–	–	512	–	512
Reclassified as held for sale	(1,260)	(1,357)	(22,045)	–	(24,662)
Revaluation increase/(decrease)	–	–	–	–	–
Effect of foreign currency exchange differences	309	–	1,673	–	1,982
Others [describe]	–	–	–	–	–
Balance at 31 December 2012	13,868	11,147	123,168	46	148,229

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

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

	Freehold land at revalued amount	Buildings at revalued amount	Plant and equipment at cost	Equipment under finance lease at cost	Total
	CU'000	CU'000	CU'000	CU'000	CU'000
Accumulated depreciation and impairment					
Balance at 1 January 2011	–	(1,551)	(25,019)	(378)	(26,948)
Eliminated on disposals of assets	–	–	4,610	–	4,610
Eliminated on revaluation	–	(2)	–	–	(2)
Eliminated on reclassification as held for sale	–	–	–	–	–
Impairment losses recognised in profit or loss	–	–	–	–	–
Reversals of impairment losses recognised in profit or loss	–	–	–	–	–
Depreciation expense	–	(947)	(14,717)	(130)	(15,794)
Effect of foreign currency exchange differences	–	–	448	–	448
Others [describe]	–	–	–	–	–
Balance at 31 December 2011	–	(2,500)	(34,678)	(508)	(37,686)
Eliminated on disposals of assets	–	106	3,602	500	4,208
Eliminated on disposal of a subsidiary	–	–	2,757	–	2,757
Eliminated on revaluation	–	–	–	–	–
Eliminated on reclassification as held for sale	–	153	6,305	–	6,458
IAS 36.126(a) Impairment losses recognised in profit or loss	–	–	(1,204)	–	(1,204)
IAS 36.126(b) Reversals of impairment losses recognised in profit or loss	–	–	–	–	–
Depreciation expense	–	(774)	(11,803)	(10)	(12,587)
Effect of foreign currency exchange differences	–	–	(392)	–	(392)
Others [describe]	–	–	–	–	–
Balance at 31 December 2012	–	(3,015)	(35,413)	(18)	(38,446)

15.1 Impairment losses recognised in the year

IAS 36.130(a) to (g)

During the year, as the result of the unexpected poor performance of a manufacturing plant, the Group carried out a review of the recoverable amount of that manufacturing plant and the related equipment. These assets are used in the Group's electronic equipment reportable segments. The review led to the recognition of an impairment loss of CU1.09 million, which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 9% per annum. No impairment assessment was performed in 2011 as there was no indication of impairment.

IAS 36.131

Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to CU0.114 million. These losses are attributable to greater than anticipated wear and tear. These assets are also used in the Group's electronic equipment reportable segment.

IAS 36.126(a)

The impairment losses have been included in profit or loss in the [other expenses/cost of sales] line item.

IAS 16.73(c)

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

15.2 Freehold land and buildings carried at revalued amounts

IAS 16.77(a) to (d)

The valuation of the Group's land and buildings was performed by Messrs R & P Trent, independent valuers not related to the Group, to determine the fair value of the land and buildings as at 31 December 2012 and 31 December 2011. Messrs R & P Trent are members of the Institute of Valuers of A Land. The valuation was determined by reference to recent market transactions on arm's length term.

IAS 16.77(e)

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

	31/12/12	31/12/11
	CU'000	CU'000
Freehold land	11,957	14,747
Buildings	7,268	10,340

15.3 Assets pledged as security

IAS 16.74(a)

Freehold land and buildings with a carrying amount of approximately CU22 million (31 December 2011: approximately CU27.8 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 2011: CU162,000).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

16. Investment property

	31/12/12	31/12/11
	CU'000	CU'000
Fair value		
Completed investment property	1,968	1,941

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
IAS 40.76			
	Balance at beginning of year	1,941	1,500
	Additions	10	202
	Acquisitions through business combinations	–	–
	Other acquisitions [describe]	–	–
	Disposals	–	(58)
	Transferred from property, plant and equipment	–	–
	Other transfers [describe]	–	–
	Property reclassified as held for sale	–	–
	Gain/(loss) on property revaluation	30	297
	Effect of foreign currency exchange differences	(13)	–
	Other changes [describe]	–	–
	Balance at end of year	1,968	1,941

IAS 40.75(d),(e)

The fair value of the Group's investment property at 31 December 2012 and 31 December 2011 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 valuation was arrived at by reference to [market evidence of transaction prices for similar properties/other methods [describe]].

Note: IAS 40.75(d) requires entities to disclose methods and significant assumptions used in determining the fair value of investment properties. Entities are also required to include a statement as to whether the determination of fair value is supported by market evidence or is more heavily based on other factors (which the entities should disclose).

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

17. Goodwill

	31/12/12	31/12/11
	CU'000	CU'000
Cost	20,520	24,060
Accumulated impairment losses	(235)	–
	20,285	24,060

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
IFRS 3.B67(d)	*Cost*		
	Balance at beginning of year	24,060	23,920
	Additional amounts recognised from business combinations occurring during the year (note 44)	478	–
	Derecognised on disposal of a subsidiary (note 45)	(3,080)	–
	Reclassified as held for sale (note 12)	(1,147)	–
	Effect of foreign currency exchange differences	209	140
	Others [describe]	–	–
	Balance at end of year	20,520	24,060
	Accumulated impairment losses		
	Balance at beginning of year	–	–
IAS 36.126(a)	Impairment losses recognised in the year	(235)	–
	Derecognised on disposal of a subsidiary	–	–
	Classified as held for sale	–	–
	Effect of foreign currency exchange differences	–	–
	Balance at end of year	(235)	–

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

17.1 Allocation of goodwill to cash-generating units

IAS 36.134, 135

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

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

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

	31/12/12	31/12/11
	CU'000	CU'000
Leisure goods – retail outlets	10,162	9,620
Electronic equipment – internet sales	8,623	8,478
Construction operations – Murphy Construction	235	235
Construction operations – other	1,500	1,500
	20,520	19,833

Leisure goods – retail outlets

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 9% per annum (2011: 8% per annum).

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 5% (2011: 5%) per annum growth rate which is the projected long-term average growth rate for the international leisure goods market. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Electronic equipment – internet sales

The recoverable amount of the 'electronic equipment – internet sales' segment as a cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 9% per annum (2011: 8% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 21% (2011: 18%) per annum growth rate. This growth rate exceeds by 0.5 percentage points the long-term average growth rate for the international electronic equipment market. However, among other factors, the internet sales cash-generating unit benefits from the protection of a 20-year patent on the Series Z electronic equipment, granted in 2007, which is still acknowledged as one of the top models in the market. The steady growth rate of 21% is estimated by the directors based on past performance and their expectations of market development. The directors estimate that a decrease in growth rate by 1 to 5% would result in the aggregate carrying amount of the cash-generating unit exceeding the recoverable amount of the cash-generating unit by approximately CU 1 to 5 million. The directors believe that any reasonably possible change in the other key assumptions on which recoverable amount is based would not cause the 'electronic equipment – internet sales' carrying amount to exceed its recoverable amount.

Construction operations – Murphy Construction

IAS 36.130

The goodwill associated with Murphy Construction arose when that business was acquired by the Group in 2006. The business has continued to operate on a satisfactory basis, but without achieving any significant increase in market share. During the year, the government of A Land introduced new regulations requiring registration and certification of builders for government contracts. In the light of the decision to focus the Group's construction activities through the other operating units in Subthree Limited, the directors have decided not to register Murphy Construction for this purpose, which means that it has no prospects of obtaining future contracts. The directors have consequently determined to write off the goodwill directly related to Murphy Construction amounting to CU235,000. No other write-down of the assets of Murphy Construction is considered necessary. Contracts in progress at the end of the year will be completed without loss to the Group.

The impairment loss has been included in profit or loss in the 'other expenses' line item.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

Construction operations – other

The recoverable amount of the Group's remaining construction operations has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 9% per annum (2011: 8% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 8% (2011: 8%) per annum growth rate. This growth rate does not exceed the long-term average growth rate for the construction market in A Land. The directors believe that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the construction operations carrying amount to exceed its recoverable amount.

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

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

18. Other intangible assets

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

Source		Capitalised development	Patents	Trademarks	Licenses	Total
		CU'000	CU'000	CU'000	CU'000	CU'000
IAS 38.118(c),(e)	*Cost*					
	Balance at 1 January 2011	3,230	5,825	4,711	6,940	20,706
	Additions	–	–	–	–	–
	Additions from internal developments	358	–	–	–	358
	Acquisitions through business combinations	–	–	–	–	–
	Disposals or classified as held for sale	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Others [describe]	–	–	–	–	–
	Balance at 31 December 2011	3,588	5,825	4,711	6,940	21,064
	Additions	–	–	–	–	–
	Additions from internal developments	6	–	–	–	6
	Acquisitions through business combinations	–	–	–	–	–
	Disposals or classified as held for sale	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Others [describe]	–	–	–	–	–
	Balance at 31 December 2012	3,594	5,825	4,711	6,940	21,070
	Accumulated amortisation and impairment					
	Balance at 1 January 2011	(1,000)	(874)	(3,533)	(2,776)	(8,183)
	Amortisation expense	(682)	(291)	(236)	(347)	(1,556)
	Disposals or classified as held for sale	–	–	–	–	–
IAS 36.130(b)	Impairment losses recognised in profit or loss	–	–	–	–	–
IAS 36.130(b)	Reversals of impairment losses recognised in profit or loss	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Others [describe]	–	–	–	–	–
	Balance at 31 December 2011	(1,682)	(1,165)	(3,769)	(3,123)	(9,739)
	Amortisation expense	(718)	(291)	(236)	(347)	(1,592)
	Disposals or classified as held for sale	–	–	–	–	–
IAS 36.130(b)	Impairment losses recognised in profit or loss	–	–	–	–	–
IAS 36.130(b)	Reversals of impairment losses recognised in profit or loss	–	–	–	–	–
	Effect of foreign currency exchange differences	–	–	–	–	–
	Others [describe]	–	–	–	–	–
	Balance at 31 December 2012	(2,400)	(1,456)	(4,005)	(3,470)	(11,331)

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

IAS 38.118(a)

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

Capitalised development	5 years
Patents	10 – 20 years
Trademarks	20 years
Licenses	20 years

18.1 Significant intangible assets

IAS 38.122(b)

The Group holds a patent for the manufacture of its Series Z electronic equipment. The carrying amount of the patent of CU2.25 million (31 December 2011: CU2.4 million) will be fully amortised in 15 years (31 December 2011: 16 years).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

19. Subsidiaries

Details of the Group's 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	
			31/12/12	31/12/11
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

Note: IFRSs do not require disclosures of a list of investments in subsidiaries in the consolidated financial statements. The above information is considered as the best practice. When local laws or regulations require the list of investments in subsidiaries to be disclosed, the above disclosures should be modified to comply with the additional local requirements.

IAS 27.41(e)

During the year, the Group disposed of 10% of its interest in Subone Limited, reducing its continuing interest to 90%. The proceeds on disposal of CU213,000 were received in cash. An amount of CU179,000 (being the proportionate share of the carrying amount of the net assets of Subone Limited) has been transferred to non-controlling interests (see note 31). The difference of CU34,000 between the increase in the non-controlling interests and the consideration received has been credited to retained earnings (see note 30).

IAS 27.41(a)

The Group owns 45% equity shares of Subtwo Limited, and consequently does not control more than half of the voting power of those shares. 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, and hence the Group has control over the financial and operating policies of Subtwo Limited. Therefore, Subtwo Limited is controlled by the Group and is consolidated in these financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

20. Investments in associates

Details of the Group's associates at the end of the reporting period are as follows.

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 31/12/12	31/12/11
A Plus Limited (i)&(ii)	Transport	M Land	35%	35%
B Plus Limited (iii)	Steel manufacturing	A Land	17%	17%
C Plus Limited (iv)	Manufacture of electronic equipment	C Land	45%	45%
D Plus Limited	Transport	R Land	35%	35%

Note: IFRSs do not require disclosures of a list of investments in associates in the consolidated financial statements. The above information is considered as the best practice. When local laws or regulations require the list of investments in associates to be disclosed, the above disclosures should be modified to comply with the additional local requirements.

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

IAS 28.37(e)

(ii) The financial year end date of A Plus Limited is 31 October. This was the reporting date established when that company was incorporated, and a change of reporting date is not permitted in M Land. For the purposes of applying the equity method of accounting, the financial statements of A Plus Limited for the year ended 31 October 2012 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2012.

IAS 28.37(c)

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

IAS 28.37(a)

(iv) C Plus Limited is a listed entity in C Land with its ordinary shares traded on the stock exchange of C Land. As at 31 December 2012, the fair value of the Group's interest in C Plus Limited, which is listed on the stock exchange of C Land, was CU8.0 million (31 December 2011: CU7.8 million).

IAS 28.37(b)

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

	31/12/12	31/12/11
	CU'000	CU'000
Total assets	42,932	38,178
Total liabilities	(14,848)	(12,218)
Net assets	28,084	25,960
Group's share of net assets of associates	7,402	7,270

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Total revenue	12,054	11,904
Total profit for the year	3,953	5,479
Group's share of profits of associates	1,186	1,589
Group's share of other comprehensive income	–	–

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

In the prior year, the Group held a 40% interest in E Plus Limited and accounted for the investment as an associate. In December 2012, the Group disposed of a 30% interest in E Plus Limited to a third party for proceeds of CU1.245 million (received in January 2013). The Group has retained the remaining 10% interest as an available-for-sale investment whose fair value at the date of disposal was CU360,000. 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.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

21. Joint ventures

IAS 31.56

The Group has the following significant interests in joint ventures:

(a) 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 outgoings; and

(b) a 33.3% equity shareholding with equivalent voting power in JV Electronics Limited, a jointly controlled entity established in C Land.

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

IAS 31.56

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

	31/12/12	31/12/11
	CU'000	CU'000
Current assets	1,800	2,334
Non-current assets	7,993	6,854
Current liabilities	936	1,005
Non-current liabilities	4,858	4,521

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Income	2,124	2,005
Expenses	1,787	1,763
Other comprehensive income	–	–

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IFRS 7.7

22. Other financial assets

Source		31/12/12 CU'000	31/12/11 CU'000
IFRS 7.7	*Derivatives designated and effective as hedging instruments carried at fair value*		
	Foreign currency forward contracts	244	220
	Interest rate swaps	284	177
		528	397
IFRS 7.8(a)	*Financial assets carried at fair value through profit or loss (FVTPL)*		
	Non-derivative financial assets designated as at FVTPL	–	–
	Held for trading derivatives that are not designated in hedge accounting relationships	–	–
	Held for trading non-derivative financial assets	1,539	1,639
		1,539	1,639
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
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
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
	Current	8,757	6,949
	Non-current	10,771	9,655
		19,528	16,604

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 (2011: 7.0% per annum). The bills have maturity dates ranging between 3 to 18 months from the end of the reporting period. The counterparties have a minimum A credit rating. None of these assets had been past due or impaired at the end of the reporting period.

(ii) The debentures carry interest at 6% per annum payable monthly, and mature in March 2013. The counterparties have a minimum B credit rating. None of these assets had been past due or impaired at the end of the reporting period.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

(iii) The Group holds listed redeemable notes that carry interest at 7% per annum. The notes are redeemable at par value in 2014. The notes are held with a single counterparty with an AA credit rating. The Group holds no collateral over this balance.

IAS 28.37(d)

(iv) The Group holds 20% of the ordinary share capital of Rocket Corp Limited, a company involved in the refining and distribution of fuel products. The directors of the Company do not consider that the Group is able to exercise significant influence over Rocket Corp Limited as the other 80% of the ordinary share capital is held by one shareholder, who also manages the day-to-day operations of that company.

At 31 December 2012, the Group also continues to hold a 10% interest in E Plus Limited, a former associate (see note 20).

IAS 24.18(b)

(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.

IAS 1.77

23. Other assets

	31/12/12	31/12/11
	CU'000	CU'000
Prepayments	–	–
Others [describe]	–	–
	–	–
Current	–	–
Non-current	–	–
	–	–

IAS 2.36(b)

24. Inventories

	31/12/12	31/12/11
	CU'000	CU'000
Raw materials	9,972	10,322
Work in progress	4,490	4,354
Finished goods	16,751	14,306
	31,213	28,982

IAS 2.36(d)

The cost of inventories recognised as an expense during the year in respect of continuing operations was CU87.9million (31 December 2011: CU91.9million).

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

The cost of inventories recognised as an expense includes CU2.34 million (2011: CU1.86 million) in respect of write-downs of inventory to net realisable value, and has been reduced by CU0.5 million (2011: CU0.4 million) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales prices in certain markets.

IAS 1.61

Inventories of CU1.29 million (31 December 2011: CU0.86 million) are expected to be recovered after more than twelve months.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

25. Trade and other receivables

	31/12/12	31/12/11
	CU'000	CU'000
Trade receivables	17,788	15,476
Allowance for doubtful debts	(798)	(838)
	16,990	14,638
Deferred sales proceeds		
– toy manufacturing operations (see note 45)	960	–
– partial disposal of E Plus Limited (see note 20)	1,245	–
Operating lease receivable	–	–
Others [describe]	54	20
	19,249	14,658

25.1 Trade receivables

IFRS 7.36(c), 37

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

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

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 80% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group. Of the trade receivables balance at the end of the year, CU6.9 million (31 December 2011: CU5.9 million) is due from Company A, the Group's largest customer (see notes 6.7 and 40.9). There are no other customers who represent more than 5% of the total balance of trade receivables.

IFRS 7.37

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is more than 60 days outstanding) are still considered recoverable.

IFRS 7.37(a)

Age of receivables that are past due but not impaired

	31/12/12	31/12/11
	CU'000	CU'000
60-90 days	1,100	700
91-120 days	462	333
Total	1,562	1,033
Average age (days)	84	85

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

IFRS 7.16

Movement in the allowance for doubtful debts

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Balance at beginning of the year	838	628
Impairment losses recognised on receivables	63	430
Amounts written off during the year as uncollectible	–	(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

IFRS 7.33(a),(b)

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

IFRS 7.37(b)

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to CU63,000 (31 December 2011: CU430,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

IFRS 7.37(b)

Age of impaired trade receivables

	31/12/12	31/12/11
	CU'000	CU'000
60-90 days	353	320
91-120 days	191	101
121+ days	654	717
Total	1,198	1,138

25.2 Transfer of financial assets

IFRS 7.14(a), 42D(a), (b), (c), (f)

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).

IFRS 7.42D(e)

At the end of the reporting period, the carrying amount of the trade receivables that have been transferred but have not been derecognised amounted to CU0.946 million and the carrying amount of the associated liability is CU0.923 million.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

26. Finance lease receivables

	31/12/12	31/12/11
	CU'000	CU'000
Current finance lease receivables	198	188
Non-current finance lease receivables	830	717
	1,028	905

26.1 Leasing arrangements

IAS 17.47(f)
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

IAS 17.47(a)

	Minimum lease payments		Present value of minimum l lease payments	
	31/12/12	31/12/11	31/12/12	31/12/11
	CU'000	CU'000	CU'000	CU'000
Not later than one year	282	279	198	188
Later than one year and not later than five years	1,074	909	830	717
	1,356	1,188	1,028	905
IAS 17.47(b) Less: unearned finance income	(328)	(283)	n/a	n/a
Present value of minimum lease payments receivable	1,028	905	1,028	905
IAS 17.47(d) Allowance for uncollectible lease payments	–	–	–	–
	1,028	905	1,028	905

IAS 17.47(c)

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at CU37,000 (31 December 2011: CU42,000).

IFRS 7.7

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 10.5% (31 December 2011: 11%) per annum.

IFRS 7.36(c)

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

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

Source		31/12/12	31/12/11
		CU'000	CU'000
	Contracts in progress at the end of the reporting period		
IAS 11.40(a)	Construction costs incurred plus recognised profits less recognised losses to date	1,517	1,386
	Less: progress billings	(1,313)	(1,171)
		204	215
	Recognised and included in the consolidated financial statements as amounts due:		
IAS 11.42(a)	– from customers under construction contracts	240	230
IAS 11.42(b)	– to customers under construction contracts	(36)	(15)
		204	215

IAS 11.40(b),(c)

At 31 December 2012, retentions held by customers for contract work amounted to CU75,000 (31 December 2011: CU69,000). Advances received from customers for contract work amounted to CU14,000 (31 December 2011: nil).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

Note: Notes 28 to 31 below set out detailed descriptions and reconciliations for each class of share capital and each component of equity, as required by IAS 1.79, IAS 1.106 and IAS 1.106A. IAS 1 permits some flexibility regarding the level of detail presented in the statement of changes in equity and these supporting notes. 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.

IAS 1 also allows that some of the details regarding items of other comprehensive income (income tax and reclassification adjustments) may be disclosed in the notes rather than in the statement of profit or loss and other comprehensive income. Entities will determine the most appropriate presentation for their circumstances – electing to present much of the detail in the notes (as we have done in these model financial statements) ensures that the primary financial statements are not cluttered by unnecessary detail, but it does result in very detailed supporting notes.

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

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

28. Issued capital

Source		31/12/12	31/12/11
		CU'000	CU'000
	Share capital	17,819	23,005
	Share premium	14,620	25,667
		32,439	48,672
	Issued capital comprises:		
IAS 1.79(a)	14,844,000 fully paid ordinary shares (31 December 2011: 20,130,000)	29,469	45,797
IAS 1.79(a)	2,500,000 partly paid ordinary shares (31 December 2011: 2,500,000)	1,775	1,775
IAS 1.79(a)	1,200,000 fully paid 10% convertible non-participating preference shares (31 December 2011: 1,100,000)	1,195	1,100
		32,439	48,672

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

IAS 1.79(a)

28.1 Fully paid ordinary shares

	Number of shares	Share capital	Share premium
	'000	CU'000	CU'000
Balance at 1 January 2011	20,130	20,130	25,667
Movements [describe]	–	–	–
Balance at 31 December 2011	20,130	20,130	25,667
Issue of shares under the Company's employee share option plan (see note 42.1)	314	314	–
Issue of shares for consulting services	3	3	5
Share buy-back	(5,603)	(5,603)	(10,853)
Share buy-back costs	–	–	(277)
Income tax relating to share buy-back costs	–	–	83
Balance at 31 December 2012	14,844	14,844	14,625

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

IFRS 2.48

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

The shares bought back in the current year were cancelled immediately.

IAS 1.79(a)

28.2 Partly paid ordinary shares

	Number of shares	Share capital	Share premium
	'000	CU'000	CU'000
Balance at 1 January 2011	2,500	1,775	–
Movements [describe]	–	–	–
Balance at 31 December 2011	2,500	1,775	–
Movements [describe]	–	–	
Balance at 3 1 December 2012	2,500	1,775	–

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

IAS 1.79(a)

28.3 Convertible non-participating preference shares

	Number of shares	Share capital	Share premium
	'000	CU'000	CU'000
Balance at 1 January 2011	1,100	1,100	–
Movements [describe]	–	–	–
Balance at 31 December 2011	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 2012	1,200	1,200	(5)

Convertible non-participating preference shares, which have a par value of CU1, are entitled to receive a discretionary 10% preference dividend before any dividends are declared to the ordinary shareholders. The convertible non-participating preference shares can be converted into ordinary shares on a one-for-one basis at the option of the holder from 1 November 2015 to 31 October 2018. 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.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

28.4 Share options granted under the Company's employee share option plan

IAS 1.79(a)

At 31 December 2012, executives and senior employees held options over 196,000 ordinary shares of the Company, of which 136,000 will expire on 30 March 2013 and 60,000 will expire on 28 September 2013. At 31 December 2011, 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 2012 and 150,000 were due to expire on 29 September 2012.

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).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

29. Reserves (net of income tax)

	31/12/12	31/12/11
	CU'000	CU'000
General	807	807
Properties revaluation	1,198	1,201
Investments 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	3,376

IAS 1.106(d)

29.1 General reserve

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Balance at beginning of year	807	807
Movements [describe]	–	–
Balance at end of year	807	807

IAS 1.79(b)

The general reserve is used from time to time to transfer profits from retained 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.

IAS 1. 91
IAS 1.106(d)
IAS 1.106A

29.2 Properties revaluation reserve

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
IAS 16.77(f)	Balance at beginning of year	1,201	51
	Increase arising on revaluation of properties	–	1,643
IAS 36.126(c)	Impairment losses	–	–
IAS 36.126(d)	Reversals of impairment losses	–	–
	Deferred tax liability arising on revaluation	–	(493)
	Reversal of deferred tax liability on revaluation	–	–
	Transferred to retained earnings	(3)	–
	Others [describe]	–	–
	Balance at end of year	1,198	1,201

IAS 1.79(b)
IAS 1.82A

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.

IAS 16.77(f)

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IAS 1. 90
IAS 1.106(d)
IAS 1.106A

29.3 Investments revaluation reserve

Source		Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000
	Balance at beginning of year	527	470
IFRS 7.20(a)	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)
IFRS 7.20(a)	Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	–	–
IFRS 7.20(a)	Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	–	–
	Balance at end of year	593	527

IAS 1.79(b)
IAS 1.82A

The investments 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.

IAS 1.106(d)

29.4 Equity-settled employee benefits reserve

	Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000
Balance at beginning of year	338	–
Arising on share-based payments	206	338
Others [describe]	–	–
Balance at end of year	544	338

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. Items included in equity-settled employee benefits reserve will not be reclassified subsequently to profit or loss. Further information about share-based payments to employees is set out in note 42.1.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IAS 1.90
IAS 1.106(d)
IAS 1.106A

29.5 Cash flow hedging reserve

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
	Balance at beginning of year	278	258
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)
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
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]	–	–
	Balance at end of year	317	278

IAS 1.79(b)
IAS 1.82A

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.

IFRS 7.23(d)

Cumulative (gains)/ losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line items:

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Revenue	–	–
Other income	–	–
Finance costs	(120)	(86)
Other expenses	(3)	–
Income tax expense	114	86
Others [describe]	–	–
	(9)	–

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

IAS 1.90
IAS 1.106(d)
IAS 1.106A

29.6 Foreign currency translation reserve

	Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000
IAS 1.82A *Items that may be reclassified subsequently to profit or loss:*		
Balance at beginning of year	225	140
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)
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)	–
Others (describe)	–	–
Balance at end of year	186	225

IAS 1.79(b)
IAS 1.82A

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.

IAS 1.106(d)

29.7 Option premium on convertible notes

	Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000
Balance at beginning of year	–	–
Recognition of option premium on issue of convertible notes	834	–
Related income tax	(242)	–
Balance at end of year	592	–

IAS 1.79(b)

The option premium on convertible notes represents the equity component (conversion rights) of the CU4.5 million 5.5% convertible notes issued during the year (see note 33). Items included in option premium on convertible notes reserve will not be reclassified subsequently to profit or loss.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

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

30. Retained earnings and dividends on equity instruments

	31/12/12	31/12/11
	CU'000	CU'000
Retained earnings	110,904	94,999

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Balance at beginning of year	94,999	73,824
Profit attributable to owners of the Company	23,058	27,654
Difference arising on disposal of interest in Subone Limited (see note 19)	34	–
Payment of dividends	(6,635)	(6,479)
Share buy-back	(555)	–
Related income tax	–	–
Transfer from properties revaluation reserve	3	–
Others [describe]	–	–
Balance at end of year	110,904	94,999

IAS 1.107

On 23 May 2012, a dividend of 32.1 cents per share (total dividend CU6.515 million) was paid to holders of fully paid ordinary shares. In May 2011, the dividend paid was 31.64 cents per share (total dividend CU6.369 million).

Dividends of 10 cents per share were paid on convertible non-participating preference shares during the year (2011: 10 cents per share) amounting to a total dividend of CU0.12 million (2011: CU0.11 million).

IAS 1.137(a)
IAS 10.13

In respect of the current year, the directors propose that a dividend of 26.31 cents per share be paid to shareholders 25 May 2013. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 21 April 2013. The total estimated dividend to be paid is CU3.905 million. The payment of this dividend will not have any tax consequences for the Group.

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

31. Non-controlling interests

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Balance at beginning of year	20,005	17,242
Share of profit for the year	4,000	2,763
Non-controlling interests arising on the acquisition of Subsix Limited (see note 44)	127	–
Additional non-controlling interests arising on disposal of interest in Subone Limited (see note 19)	179	–
Non-controlling interest relating to outstanding vested share options held by the employees of Subsix Limited (i)	5	–
Balance at end of year	24,316	20,005

(i) As at 31 December 2012, 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 2014 and 3,000 will expire on 17 September 2014. 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 IFRS 2 at the acquisition date. Further details of the employee share option plan are provided in note 42.2.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

IFRS 7.8(f)

32. Borrowings

	31/12/12	31/12/11
	CU'000	CU'000
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)	14,982	17,404
Loans from other entities (iii)	575	649
Transferred receivables (vii)	923	–
Finance lease liabilities (viii)	14	89
Others [describe]	–	–
	16,512	18,206
	40,314	55,407
Current	22,446	25,600
Non-current	17,868	29,807
	40,314	55,407

32.1 Summary of borrowing arrangements

IFRS 7.7

(i) Bills of exchange with a variable interest rate were issued in 2005. The current weighted average effective interest rate on the bills is 6.8% per annum (31 December 2011: 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 2011: 8.0% – 8.2% per annum).

(iii) Fixed rate loans with a finance company with remaining maturity periods not exceeding 3 years (31 December 2011: 4 years). The weighted average effective interest rate on the loans is 8.15% per annum (31 December 2011: 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.

(iv) On 17 December 2011, 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 2012 and CU202,000 will be recognised in 2013.

(v) 2,500 perpetual notes with a coupon rate of 6% per annum were issued on 27 August 2012 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 2011: 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).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

32.2 Breach of loan agreement

IFRS 7.18

During the current year, the Group was late in paying interest for the first quarter on one of its loans with a carrying amount of CU5.00 million. The delay arose because of a temporary lack of funds on the date when interest was payable due to a technical problem on settlement. The interest payment outstanding of CU107,500 was repaid in full a week later, including the additional interest and penalty. The lender did not request accelerated repayment of the loan and the terms of the loan were not changed. Management has reviewed the Group's settlement procedures to ensure that such circumstances do not recur.

IFRS 7.7

33. Convertible notes

On 13 September 2012, 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 2013 and 12 September 2015. If the notes have not been converted, they will be redeemed on 13 September 2015 at CU1 each. Interest of 5.5% per annum will be paid quarterly up until the notes are converted or redeemed.

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.

	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 2012 (included in "borrowings" (note 32))	4,144

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

34. Other financial liabilities

	31/12/12	31/12/11
	CU'000	CU'000
Financial guarantee contracts	24	18
Derivatives that are designated and effective as hedging instruments carried at fair value		
Foreign currency forward contracts	87	–
Interest rate swaps	5	–
Currency swaps	–	–
Others [describe]	–	–
	92	–
IFRS 7.8(e) ***Financial liabilities carried at fair value through profit or loss (FVTPL)***		
Non-derivative financial liabilities designated as at FVTPL on initial recognition (i)	14,875	–
Held for trading derivatives not designated in hedge accounting relationships (ii)	51	–
Held for trading non-derivative financial liabilities	–	–
	14,926	–
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 2012 at an issue price of CU5 per share. The shares are redeemable on 31 May 2014 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 IAS 39. The reference shares have fixed interest payments and mature on 31 May 2014.

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 2014. 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 (2011: nil) were paid on redeemable cumulative preference shares and are included in profit or loss in the "other gains and losses" line item.

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

(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.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

35. Provisions

	31/12/12	31/12/11
	CU'000	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

Source		Rectification work (ii)	Warranties (iii)	Onerous leases (iv)	Total
		CU'000	CU'000	CU'000	CU'000
IAS 37.84(a)	Balance at 1 January 2012	–	295	743	1,038
IAS 37.84(b)	Additional provisions recognised	4,170	338	369	4,877
IAS 37.84(c)	Reductions arising from payments/other sacrifices of future economic benefits	(1,112)	(90)	(310)	(1,512)
IAS 37.84(d)	Reductions resulting from re-measurement or settlement without cost	–	(15)	(100)	(115)
IAS 37.84(e)	Unwinding of discount and effect of changes in the discount rate	–	–	28	28
	Others [describe]	–	–	–	–
IAS 37.84(a)	Balance at 31 December 2012	3,058	528	730	4,316

IFRS 3.B64(j)

(i) The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees. On the acquisition of Subsix Limited, the Group recognised an additional contingent liability of CU45,000 in respect of employees' compensation claims outstanding against that company, which was settled in February 2013. The decrease in the carrying amount of the provision for the current year results from benefits being paid in the current year.

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 2013 is CU1.94 million, and for 2014 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.

IAS 37.85(a),(b)

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

IAS 37.85(a),(b)

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

36. Other liabilities

	31/12/12	31/12/11
	CU'000	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

Source		31/12/12	31/12/11
		CU'000	CU'000
	Trade payables	16,373	21,220
IFRS 2.51(b)	Cash-settled share-based payments	–	–
	Others [describe]	–	–
		16,373	21,220

IFRS 7.7

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

38. Obligations under finance leases

38.1 Leasing arrangements

IAS 17.31(e)
IFRS 7.7

The Group leased certain of its manufacturing equipment under finance leases. The average lease term is 5 years (2011: 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.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2011: 3.75% to 6%) per annum.

38.2 Finance lease liabilities

IAS 17.31(b)

	Minimum lease payments		Present value of minimum lease payments	
	31/12/12	31/12/11	31/12/12	31/12/11
	CU'000	CU'000	CU'000	CU'000
Not later than one year	10	58	9	54
Later than one year and not later than five years	6	44	5	35
Later than five years	–	–	–	–
	16	102	14	89
Less: future finance charges	(2)	(13)	–	–
Present value of minimum lease payments	14	89	14	89

	31/12/12	31/12/11
Included in the consolidated financial statements as:		
– current borrowings (note 32)	9	54
– non-current borrowings (note 32)	5	35
	14	89

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

39. Retirement benefit plans

39.1 Defined contribution plans

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

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

IAS 19.46

The total expense recognised in profit or loss of CU160,000 (2011: CU148,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2012, contributions of CU8,000 (2011: CU8,000) due in respect of the 2012 (2011) reporting period had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

39.2 Defined benefit plans

IAS 19.120A(b)

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2012 by Mr. F.G. Ho, Fellow of the Institute of Actuaries of A Land. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

IAS 19.120A(n)

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

	Valuation at	
	31/12/12	31/12/11
	%	%
Discount rate(s)	5.52	5.20
Expected return on plan assets	12.08	10.97
Expected rate(s) of salary increase	5.00	5.00
Expected return on reimbursement rights	–	–
Others [describe]	–	–

IAS 19.120A(g)

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

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Current service cost	1,259	738
Interest on obligation	164	137
Expected return on plan assets	(523)	(440)
Expected return on reimbursement rights	–	–
Actuarial (gains)/losses recognised in the year	(16)	(38)
Past service cost	12	31
Losses/(gains) arising from curtailments or settlements	–	–
Adjustments for restrictions on the defined benefit asset	–	–
	896	428

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IAS 19.120A(g)

[The expense for the year is included in the employee benefits expense in profit or loss. / Of the expense for the year, CU412,000 (2011: CU402,000) has been included in profit or loss as cost of sales and the remainder in administration expenses.]

IAS 19.120A(f)

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.

Source		31/12/12	31/12/11
		CU'000	CU'000
IAS 19.120A(d)	Present value of funded defined benefit obligation	6,156	5,808
	Fair value of plan assets	(4,202)	(4,326)
		1,954	1,482
IAS 19.120A(d)	Present value of unfunded defined benefit obligation	–	–
	Deficit	1,954	1,482
	Net actuarial gains (losses) not recognised	1,095	741
	Past service cost not yet recognised	(188)	(200)
	Restrictions on asset recognised	–	–
	Fair value of reimbursement rights recognised as an asset	–	–
	Others [describe]	–	–
	Net liability arising from defined benefit obligation	2,861	2,023

IAS 19.120A(c)

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

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Opening defined benefit obligation	5,808	6,204
Current service cost	1,259	738
Interest cost	164	137
Contributions from plan participants	–	–
Actuarial (gains)/losses	(150)	135
Past service cost	–	–
Losses/(gains) on curtailments	–	–
Liabilities extinguished on settlements	–	–
Liabilities assumed in a business combination	–	–
Exchange differences on foreign plans	31	75
Benefits paid	(956)	(1,481)
Others [describe]	–	–
Closing defined benefit obligation	6,156	5,808

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IAS 19.120A(e)

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

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Opening fair value of plan assets	4,326	4,010
Expected return on plan assets	523	440
Actuarial gains/(losses)	220	(91)
Exchange differences on foreign plans	89	1,448
Contributions from the employer	–	–
Contributions from plan participants	–	–
Benefits paid	(956)	(1,481)
Assets acquired in a business combination	–	–
Assets distributed on settlements	–	–
Others [describe]	–	–
Closing fair value of plan assets	4,202	4,326

IAS 19.120A(j),(l)

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

	Expected return		Fair value of plan assets	
	31/12/12	31/12/11	31/12/12	31/12/11
	%	%	CU'000	CU'000
Equity instruments	15.01	12.03	1,026	986
Debt instruments	10.49	8.96	1,980	1,850
Property	12.21	12.76	1,196	1,490
Others [describe]	–	–	–	–
Weighted average expected return	12.08	10.97	4,202	4,326

IAS 19.120A(l)

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

IAS 19.120A(m)

The actual return on plan assets was CU0.72 million (2011: CU0.354 million).

IAS 19.120A(k)

The plan assets include ordinary shares of International GAAP Holdings Limited with a fair value of CU0.38 million (31 December 2011: CU0.252 million) and property occupied by a subsidiary of International GAAP Holdings Limited with a fair value of CU0.62 million (31 December 2011: CU0.62 million).

IAS 19.120A(p)

The history of experience adjustments is as follows.

	31/12/12	31/12/11	31/12/10	31/12/09	31/12/08
	CU'000	CU'000	CU'000	CU'000	CU'000
Present value of defined benefit obligation	6,156	5,808	6,204	5,321	4,113
Fair value of plan assets	(4,202)	(4,326)	(4,010)	(4,418)	(3,298)
Deficit	1,954	1,482	2,194	903	815
Experience adjustments on plan liabilities	230	135	210	198	193
Experience adjustments on plan assets	220	(91)	156	163	148

IAS 19.120A(q)

The Group expects to make a contribution of CU0.95 million (2011: CU0.91 million) to the defined benefit plans during the next financial year.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

40. Financial instruments

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

IAS 1.134,135

40.1 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of net debt (borrowings as detailed in notes 32, 33 and 34 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 28 to 31).

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

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 20% – 25% determined as the proportion of net debt to equity. The gearing ratio at 31 December 2012 of 18.38% (see below) was at the lower end of the target range, and has returned to a more typical level of 23% after the end of the reporting period.

40.1.1 Gearing ratio

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

	31/12/12 CU'000	31/12/11 CU'000 (restated)
Debt (i)	55,189	55,407
Cash and bank balances (including cash and bank balances in a disposal group held for sale)	(23,621)	(19,778)
Net debt	31,568	35,629
Equity (ii)	171,896	167,052
Net debt to equity ratio	18.36%	21.33%

(i) Debt is defined as long- and short-term borrowings (excluding derivatives and financial guarantee contracts), as described in notes 32, 33 and 34.

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

40.2 Categories of financial instruments

Source		31/12/12	31/12/11
		CU'000	CU'000
	Financial assets		
	Cash and bank balances (including cash and bank balances in a disposal group held for sale)	23,621	19,778
	Fair value through profit or loss (FVTPL)		
IFRS 7.8(a)	Held for trading	1,539	1,639
IFRS 7.8(a)	Designated as at FVTPL	–	–
	Derivative instruments in designated hedge accounting relationships	528	397
IFRS 7.8(b)	Held-to-maturity investments	5,905	4,015
IFRS 7.8(c)	Loans and receivables (including trade receivables balance in a disposal group held for sale)	23,606	17,746
IFRS 7.8(d)	Available-for-sale financial assets	7,919	7,465
	Financial liabilities		
	Fair value through profit or loss (FVTPL)		
IFRS 7.8(e)	Held for trading	51	–
IFRS 7.8(e)	Designated as at FVTPL	14,875	–
	Derivative instruments in designated hedge accounting relationships	92	–
IFRS 7.8(f)	Amortised cost	56,687	76,627
	Financial guarantee contracts	24	18
	Contingent consideration for a business combination	75	–

40.2.1 Loans and receivables designated as at FVTPL

Source		31/12/12	31/12/11
	Carrying amount of loans and receivables designated as at FVTPL	–	–
IFRS 7.9(c)	Cumulative changes in fair value attributable to changes in credit risk	–	–
IFRS 7.9(c)	Changes in fair value attributable to changes in credit risk recognised during the year	–	–

IFRS 7.9(a) — At the end of the reporting period, there are no significant concentrations of credit risk for loans and receivables designated at FVTPL. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

IFRS 7.9(b), (d) — 40.2.2 Credit derivatives over loans and receivables designated as at FVTPL

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Opening fair value	–	–
Additions during the year	–	–
Realised during the year	–	–
Change in fair value	–	–
Closing fair value	–	–

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40.2.3 Financial liabilities designated as at FVTPL

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
IFRS 7.10(a)	Changes in fair value attributable to changes in credit risk recognised during the year (i)	(20)	–

Source		31/12/12	31/12/11
		CU'000	CU'000
IFRS 7.10(a)	Cumulative changes in fair value attributable to changes in credit risk (i)	(20)	–
IFRS 7.10(b)	Difference between carrying amount and contractual amount at maturity:		
	– cumulative preference shares at fair value (note 34)	14,875	–
	– amount payable at maturity	(15,000)	–
		(125)	–

IFRS 7.11

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

IFRS 7.31

40.3 Financial risk management objectives

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

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

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

40.4 Market risk

IFRS 7.33

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see note 40.6 below) and interest rates (see note 40.7 below). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

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

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

IFRS 7.33(c)

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IFRS 7.41

40.5 Value at Risk (VaR) analysis

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

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

Historical VaR (99%, one-day) by risk type	Average		Minimum		Maximum		Year ended	
	2012	2011	2012	2011	2012	2011	31/12/12	31/12/11
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Foreign exchange	980	1,340	546	943	1,200	1,600	980	1,350
Interest rate	115	60	85	45	150	95	105	55
Diversification	(45)	(40)	–	–	–	–	(55)	(50)
Total VaR exposure	1,050	1,360					1,030	1,355

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in note 40.6 below and for interest rate risk in note 40.7 below.

40.6 Foreign currency risk management

IFRS 7.33, 34

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

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

	Liabilities		Assets	
	31/12/12	31/12/11	31/12/12	31/12/11
	CU'000	CU'000	CU'000	CU'000
Currency of B Land	6,297	7,469	1,574	1,671
Currency of C Land	186	135	–	–
Others	–	–	–	–

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40.6.1 Foreign currency sensitivity analysis

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

IFRS 7. 34(a), 40(b)

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

Source		Currency B impact			Currency C impact	
		2012	2011		2012	2011
		CU'000	CU'000		CU'000	CU'000
IFRS 7.40(a)	Profit or loss	472	579	(i)	19	14 (iii)
IFRS 7.40(a)	Equity	96	122	(ii)	17	19 (iv)

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

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

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

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

IFRS 7.33(c)

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

IFRS 7.42

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

In addition, the change in equity due to a 10% change in the CU against all exchange rates for the translation of new investment hedging instruments would be a decrease of CU13,000 (2011: CU9,000). However, there would be no net effect on equity because there would be an offset in the currency translation of the foreign operation.

40.6.2 Forward foreign exchange contracts

IFRS 7.22, 33, 34

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

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

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

Outstanding contracts	Average exchange rate		Foreign currency		Notional value		Fair value assets (liabilities)	
	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12	31/1211	31/12/12	31/12/11
			FC'000	FC'000	CU'000	CU'000	CU'000	CU'000
Cash flow hedges								
Buy Currency B								
Less than 3 months	0.770	0.768	2,493	2,010	3,238	2,617	152	110
3 to 6 months	0.768	0.750	1,974	1,958	2,570	2,611	92	34
Sell Currency B								
Less than 3 months	0.780	0.769	982	1,028	1,259	1,337	(70)	26
Buy Currency C								
Less than 3 months	86.29	85.53	12,850	20,000	149	234	(5)	50
Net investment hedge								
Sell Currency B								
3 to 6 months	0.763	–	1,000	–	1,297	–	(12)	–
							157	220

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

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

IFRS 7.23(a)

At 31 December 2012, 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 (2011: gains of CU26,000). It is anticipated that the sales will take place during the first 3 months of the next financial year, at which time the amount deferred in equity will be reclassified to profit or loss.

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

IFRS 7.23(a)

At 31 December 2012, 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 (2011: unrealised gains of CU194,000). It is anticipated that the purchases will take place during the first 6 months of the next financial year at which time the amount deferred in equity will be included in the carrying amount of the raw materials. It is anticipated that the raw materials will be converted into inventory and sold within 12 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.

IFRS 7.23(b)

At the start of the third quarter of 2012, the Group reduced its forecasts on sales of electronic equipment to B Land due to increased local competition and higher shipping costs. The Group had previously hedged CU1.079 million of future sales of which CU97,000 are no longer expected to occur, and CU982,000 remain highly probable. Accordingly, the Group has reclassified CU3,000 of gains on foreign currency forward contracts relating to forecast transactions that are no longer expected to occur from the cash flow hedging reserve to profit or loss.

IFRS 7.24(c)

At 31 December 2012, no ineffectiveness has been recognised in profit or loss arising from hedging the net investment in Subfour Limited.

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IFRS 7.33, 34

40.7 Interest rate risk management

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

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

40.7.1 Interest rate sensitivity analysis

IFRS 7.40(b)

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

IFRS 7.40(a)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2012 would decrease/increase by CU43,000 (2011: decrease/increase by CU93,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and
- other comprehensive income for the year ended 31 December 2012 would decrease/increase by CU19,000 (2011: decrease/increase by CU12,000), mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.

IFRS 7.33(c)

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

40.7.2 Interest rate swap contracts

IFRS 7.22, 33, 34

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

IFRS 7.34(a)

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

Cash flow hedges

Outstanding receive floating pay fixed contracts	Average contracted fixed interest rate		Notional principal value		Fair value assets (liabilities)	
	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12	31/12/11
	%	%	CU'000	CU'000	CU'000	CU'000
Less than 1 year	7.45	6.75	1,000	4,000	72	37
1 to 2 years	7.15	7.05	2,000	1,620	55	47
2 to 5 years	6.75	6.50	3,000	1,359	130	93
5 years +	7.05	–	1,000	–	27	–
			7,000	6,979	284	177

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

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

IFRS 7.22, 23(a)

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

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IFRS 7.34(a)

Fair value hedges

Outstanding receive fixed pay floating contracts	Average contracted fixed interest rate		Notional principal value		Fair value assets (liabilities)	
	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12	31/12/11
	%	%	CU'000	CU'000	CU'000	CU'000
Less than 1 year	8.15	–	3,701	–	(5)	–
[describe]	–	–	–	–	–	–
			3,701	–	(5)	–
Held for trading interest rate swaps 1 to 2 years	7.5	–	15,000	–	(51)	–
[describe]	–	–	–	–	–	–
			15,000	–	(51)	–

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

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.

40.8 Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

40.8.1 Equity price sensitivity analysis

IFRS 7.40(b)

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

IFRS 7.40(a)

If equity prices had been 5% higher/lower:

- profit for the year ended 31 December 2012 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired; and
- other comprehensive income for the year ended 31 December 2012 would increase/decrease by CU286,000 (2011: increase/decrease by CU265,000) as a result of the changes in fair value of available-for-sale shares.

IFRS 7.40(c)

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IFRS 7.33, 34,B8

40.9 Credit risk management

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

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

Apart from Company A, the largest customer of the Group (see below and refer to notes 6.7 and 25.1), the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to Company A did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

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

IFRS 7.B10(c)

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on (see note 40.10.1). As at 31 December 2012, an amount of CU24,000 (31 December 2011: CU18,000) has been recognised in the consolidated financial position as financial liabilities (see note 34).

40.9.1 Collateral held as security and other credit enhancements

IFRS 7.36(b)

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with the finance lease receivables is mitigated because the finance lease receivables are secured over the leased storage equipment. The carrying amount of the finance lease receivables amounts to CU1.028 million (31 December 2011: CU0.905 million) and the fair value of the leased assets is estimated to be approximately CU1.00 million (31 December 2011: CU0.9 million). The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

40.10 Liquidity risk management

IFRS 7.33, 39(c)

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 40.10.2 below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

40.10.1 Liquidity and interest risk tables

IFRS 7.34, 35, 39(a)

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

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

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
31 December 2012							
Non-interest bearing	–	3,247	10,126	–	3,000	–	16,373
Finance lease liability	4.50	1	2	7	6	–	16
Variable interest rate instruments	8.18	893	339	3,136	6,890	–	11,258
Fixed interest rate instruments	7.56	1,735	4,825	10,155	29,872	2,898	49,485
Financial guarantee contracts	–	2,000	–	–	–	–	2,000
		7,876	15,292	13,298	39,768	2,898	79,132
31 December 2011							
Non-interest bearing	–	5,038	16,182	–	–	–	21,220
Finance lease liability	5.50	5	10	43	44	–	102
Variable interest rate instruments	8.08	7,701	1,409	7,045	24,921	–	41,076
Fixed interest rate instruments	8.03	1,554	3,129	5,726	15,756	–	26,165
Financial guarantee contracts	–	1,600	–	–	–	–	1,600
		15,898	20,730	12,814	40,721	–	90,163

IFRS7.B10(c)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Notes to the consolidated financial statements
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IFRS 7.34, 35

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

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
31 December 2012							
Non-interest bearing	–	11,216	8,033	–	–	–	19,249
Variable interest rate instruments	5.75	26,979	4,367	3,944	1,346	–	36,636
Fixed interest rate instruments	7.38	–	–	–	3,091	–	3,091
		38,195	12,400	3,944	4,437	–	58,976
31 December 2011							
Non-interest bearing	–	8,493	6,165	–	–	–	14,658
Variable interest rate instruments	4.83	21,418	3,125	5,204	353	–	30,100
Fixed interest rate instruments	7.00	–	–	–	2,600	–	2,600
		29,911	9,290	5,204	2,953	–	47,358

IFRS 7.B10A(b)

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

IFRS 7.39(c)

The Group has access to financing facilities as described in note 40.10.2 below, of which CU9.268 million were unused at the end of the reporting period (2011: CU12.617million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

IFRS 7.39(b)

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

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	CU'000	CU'000	CU'000	CU'000	CU'000
31 December 2012					
Net settled:					
– interest rate swaps	11	50	205	302	121
– foreign exchange forward contracts	(5)	(21)	13	–	–
Gross settled:					
– foreign exchange forward contracts	12	35	–	–	–
– currency swaps	–	–	–	–	–
	18	64	218	302	121
31 December 2011					
Net settled:					
– interest rate swaps	7	18	22	160	82
– foreign exchange forward contracts	10	15	9	–	–
Gross settled:					
– foreign exchange forward contracts	65	132	21	–	–
– currency swaps	–	–	–	–	–
	82	165	52	160	82

40.10.2 Financing facilities

IAS 7.50(a)

	31/12/12	31/12/11
	CU'000	CU'000
Unsecured bank overdraft facility, reviewed annually and payable at call:		
– amount used	520	314
– amount unused	1,540	2,686
	2,060	3,000
Unsecured bill acceptance facility, reviewed annually:		
– amount used	358	916
– amount unused	1,142	1,184
	1,500	2,100
Secured bank overdraft facility:		
– amount used	18	64
– amount unused	982	936
	1,000	1,000
Secured bank loan facilities with various maturity dates through to 2012 and which may be extended by mutual agreement:		
– amount used	14,982	17,404
– amount unused	5,604	7,811
	20,586	25,215

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

40.11 Fair value of financial instruments

40.11.1 Fair value of financial instruments carried at amortised cost

IFRS 7.25, 29(a)

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

	31/12/12		31/12/11	
	Carrying amount	Fair value	Carrying amount	Fair value
	CU'000	CU'000	CU'000	CU'000
Financial assets				
Loans and receivables:	**22,886**	**22,919**	**17,746**	**17,627**
– loans to related parties	3,637	3,808	3,088	3,032
– trade and other receivables	19,249	19,111	14,658	14,595
Held-to-maturity investments:	**5,905**	**5,922**	**4,015**	**4,016**
– bills of exchange	5,405	5,420	4,015	4,016
– debentures	500	502	–	–
Financial lease receivables	**1,028**	**1,102**	**905**	**898**
Financial liabilities				
Financial liabilities held at amortised cost:	**56,673**	**56,731**	**76,538**	**76,213**
– bills of exchange	358	350	916	920
– convertible notes	4,144	4,120	–	–
– perpetual notes	1,905	2,500	–	–
– bank loans	16,443	16,460	17,782	17,800
– loans from related parties	10,376	10,388	29,843	29,900
– loans from other entities	4,276	3,980	4,167	4,050
– interest-free loan from the government	2,798	2,711	2,610	2,546
– trade and other payables	16,373	16,222	21,220	20,997
Financial lease payables	**14**	**12**	**89**	**87**

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

IFRS 7.27

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and
- the fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

IFRS 7.27

Specifically, significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

Finance lease receivables

The fair value of finance lease receivables is estimated to be CU1.102 million (31 December 2011: CU0.898 million) using an 8.5% (31 December 2011: 8.25%) discount rate based on a quoted five-year swap rate and adding a credit margin that reflects the secured nature of the receivables.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

Redeemable cumulative preference shares

The interest rate used to discount cash flows was 7.43% based on the quoted swap rate for a 17 months loan of 7.15% and holding credit risk margin constant.

Convertible notes

The fair value of the liability component of convertible notes is determined assuming redemption on 13 September 2015 and using a 7.95% interest rate based on a quoted swap rate of 6.8% for a 32 months loan and holding the credit risk margin constant.

IFRS 7.27B(e)

Unlisted shares

The consolidated financial statements include holdings in unlisted shares which are measured at fair value (see note 22). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

In determining the fair value, an earnings growth factor of 5.2% (31 December 2011: 4.9%) and a risk adjusted discount factor of 12.2% (31 December 2011: 11.9%) are used.

If these inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the shares would decrease/increase by CU7,000 (31 December 2011: decrease/increase by CU8,000).

40.11.3 Fair value measurements recognised in the consolidated statement of financial position

IFRS 7.27B(a)

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

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

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

				31/12/12
	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Financial assets at FVTPL				
Derivative financial assets	–	528	–	528
Non-derivative financial assets held for trading	–	–	1,539	1,539
Available-for-sale financial assets				
Redeemable notes	2,200	–	–	2,200
Unlisted shares	–	–	5,719	5,719
Total	2,200	528	7,258	9,986
Financial liabilities at FVTPL				
Contingent consideration in a business combination	–	–	(75)	(75)
Other derivative financial liabilities	–	(143)	–	(143)
Financial liabilities designated at fair value through profit or loss	–	(14,875)	–	(14,875)
Total	–	(15,018)	(75)	(15,093)

				31/12/11
	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Financial assets at FVTPL				
Derivative financial assets	–	397	–	397
Non-derivative financial assets held for trading	–	–	1,639	1,639
Available-for-sale financial assets				
Redeemable notes	2,180	–	–	2,180
Unlisted shares	–	–	5,285	5,285
Total	2,180	397	6,924	9,501
Financial liabilities at FVTPL				
Other derivative financial liabilities	–	–	–	–
Financial liabilities designated at fair value through profit or loss	–	–	–	–
Total	–	–	–	–

IFRS 7.27B(b)

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

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

IFRS 7.27B(c)

Reconciliation of Level 3 fair value measurements of financial assets

31 December 2012

	Fair value through profit or loss	Available-for-sale		Total
	Held for trading	Unlisted shares	Others [describe]	
	CU'000	CU'000	CU'000	CU'000
Opening balance	1,639	5,285	–	6,924
Total gains or losses:				
– in profit or loss	202	–	–	202
– in other comprehensive income	–	74	–	74
Reclassification of remaining interest in E Plus Limited from investment in associate to available-for-sale following partial sale of interest (see note 20)	–	360	–	360
Purchases	108	–	–	108
Issues	–	–	–	–
Disposals/settlements	(410)	–	–	(410)
Transfers out of level 3	–	–	–	–
Closing balance	1,539	5,719	–	7,258

31 December 2011

	Fair value through profit or loss	Available-for-sale		Total
	Held for trading	Unlisted shares	Others [describe]	
	CU'000	CU'000	CU'000	CU'000
Opening balance	1,137	5,234	–	6,371
Total gains or losses:				
– in profit or loss	99	–	–	99
– in other comprehensive income	–	51	–	51
Purchases	503	–	–	503
Issues	–	–	–	–
Disposals/settlements	(100)	–	–	(100)
Transfers out of level 3	–	–	–	–
Closing balance	1,639	5,285	–	6,924

The table above only includes financial assets. The only financial liabilities subsequently measured at fair value on Level 3 fair value measurement represent contingent consideration relating to the acquisition of Subsix Limited (see note 44.2). No gain or loss for the year relating to this contingent consideration has been recognised in profit or loss.

IFRS 7.27B(d)

The total gains or losses for the year included a gain of CU72,000 relating to assets held at the end of the reporting period (2011: a gain of CU73,000). Such fair value gains or losses are included in 'other gain and losses' (see note 8).

All gains and losses included in other comprehensive income relate to unlisted shares and redeemable notes held at the end of the reporting period and are reported as changes of 'Investment revaluation reserve' (see note 29.3).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

41. Deferred revenue

Source		31/12/12	31/12/11
		CU'000	CU'000
	Arising from customer loyalty programme (i)	184	147
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 IFRIC 13 *Customer Loyalty Programmes*.

(ii) The deferred revenue arises as a result of the benefit received from an interest-free government loan received in December 2011 (see note 32). The revenue was offset against training costs incurred in 2012 (CU250,000) and will be offset against training costs to be incurred in 2013 (CU140,000).

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

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

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.

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.

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

The following share-based payment arrangements were in existence during the current and prior years:

Options series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
				CU	CU
(1) Granted on 31 March 2011	140,000	31/03/11	30/03/12	1.00	1.15
(2) Granted on 30 September 2011	150,000	30/09/11	29/09/12	1.00	1.18
(3) Granted on 31 March 2012	160,000	31/03/12	30/03/13	1.00	0.98
(4) Granted on 29 September 2012	60,000	29/09/12	28/09/13	2.40	0.82

All options vested on their date of grant and expire within twelve months of their issue, or one month of the resignation of the executive or senior employee, whichever is the earlier.

42.1.2 Fair value of share options granted in the year

IFRS 2.46, 47(a)

The weighted average fair value of the share options granted during the financial year is CU0.94 (2011: CU1.17). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was two and a half times the exercise price.

Inputs into the model	Option series			
	Series 1	Series 2	Series 3	Series 4
Grant date share price	1.32	1.37	1.29	2.53
Exercise price	1.00	1.00	1.00	2.40
Expected volatility	15.20%	15.40%	13.10%	13.50%
Option life	1 year	1 year	1 year	1 year
Dividend yield	13.27%	13.12%	13.00%	13.81%
Risk-free interest rate	5.13%	5.14%	5.50%	5.45%
Others [describe]	–	–	–	–

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

42.1.3 Movements in shares options during the year

IFRS 2.45(b)

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

	2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CU		CU
Balance at beginning of year	290,000	1.00	–	–
Granted during the year	220,000	1.38	290,000	1.00
Forfeited during the year	–	–	–	–
Exercised during the year	(314,000)	1.00	–	–
Expired during the year	–	–	–	–
Balance at end of year	196,000	1.43	290,000	1.00

42.1.4 Share options exercised during the year

IFRS 2.45(c)

The following share options were exercised during year:

Options series	Number exercised	Exercise date	Share price at exercise date
			CU
(1) Granted on 31 March 2011	30,000	05/01/12	2.50
(1) Granted on 31 March 2011	45,000	31/01/12	2.25
(1) Granted on 31 March 2011	65,000	15/03/12	2.75
(2) Granted on 30 September 2011	65,000	03/07/12	2.95
(2) Granted on 30 September 2011	85,000	28/08/12	3.15
(3) Granted on 31 March 2012	24,000	20/12/12	3.50
	314,000		

42.1.5 Share options outstanding at the end of the year

IFRS 2.45(d)

The share options outstanding at the end of the year had a weighted average exercise price of CU1.43 (2011: CU1.00), and a weighted average remaining contractual life of 103 days (2011: 184 days).

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

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

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.

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.

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

Options series	Number	Grant datet	Expiry date	Exercise price	Market-based measure at the acquisition date of Subsix Limited
				CU	CU
(1) Granted on 13 March 2011	2,000	13/03/11	12/03/14	0.2	1.00
(2) Granted on 18 September 2011	3,000	18/09/11	17/09/14	0.2	1.00

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

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

IFRS 2.46, 47(a)

All outstanding vested share options were measured in accordance with IFRS 2 at their market-based measure at the acquisition date. The weighted average market-based measure of the share options determined at the acquisition date of Subsix Limited is CU1.00. Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was three and a half times the exercise price.

Inputs into the model

	Option series	
	Series 1	Series 2
Acquisition date share price	1.12	1.12
Exercise price	0.2	0.2
Expected volatility	8.10%	8.50%
Option life	1.7 years	2.2 years
Dividend yield	3.00%	3.81%
Risk-free interest rate	5.50%	5.45%
Others [describe]	–	–

42.2.2 Movements in share options during the year

No more share options were granted and exercised after the Group obtained control over Subsix Limited. The share options outstanding at the end of the year had an exercise price of CU0.2 and a weighted average remaining contractual life of 551 days.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

43. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

43.1 Trading transactions

IAS 24.18,19

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 31/12/12	Year ended 31/12/11	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000	CU'000	CU'000
International Group Holdings Limited	693	582	439	427
Subsidiaries of International Group Holdings Limited	1,289	981	897	883
Associates of International Group Holdings Limited	398	291	–	–

IAS 24.18,19

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

	Amounts owed by related parties		Amounts owed to related parties	
	31/12/12	31/12/11	31/12/12	31/12/11
	CU'000	CU'000	CU'000	CU'000
International Group Holdings Limited	209	197	231	139
Subsidiaries of International Group Holdings Limited	398	293	149	78
Associates of International Group Holdings Limited	29	142	–	–

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.

IAS 24.18

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.

43.2 Loans to related parties

	31/12/12	31/12/11
	CU'000	CU'000
Loans to key management personnel	3,637	3,088

The Group has provided several of its key management personnel with short-term loans at rates comparable to the average commercial rate of interest.

IFRS 7.7, 34(c), 36(b), (c)

The loans to key management personnel are unsecured.

Notes to the consolidated financial statements
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IFRS 7.7

43.3 Loans from related parties

	31/12/12	31/12/11
	CU'000	CU'000
Loans from Mr. John Banks (the ultimate controlling party of the Company)	10,376	29,843

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.

43.4 Compensation of key management personnel

IAS 24.17

The remuneration of directors and other members of key management personnel during the year was as follows:

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Short-term benefits	1,368	1,027
Post-employment benefits	160	139
Other long-term benefits	115	176
Share-based payments	94	86
Termination benefits	–	–
	1,737	1,428

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43.5 Other related party transactions

IAS 24.18,19

In addition to the above, International Group Holdings Limited performed certain administrative services for the Company, for which a management fee of CU0.18 million (2011: CU0.16 million) was charged and paid, being an appropriate allocation of costs incurred by relevant administrative departments.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

44. Business combinations

IFRS 3. B64(a) to (d)

44.1 Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
			(%)	CU'000
2012				
Subsix Limited	Manufacture of leisure goods	15/07/12	80	505
Subseven Limited	Manufacture of leisure goods	30/11/12	100	687
				1,192

Subsix Limited and Subseven Limited were acquired so as to continue the expansion of the Group's activities on leisure goods.

IFRS 3.B66

Note: The disclosures illustrated are also required for business combinations after the end of the reporting period but before the financial statements are authorised for issue unless the initial accounting for the acquisition is incomplete at the time the financial statements are authorised for issue. In such circumstances, the entity is required to describe which disclosures could not be made and the reasons why they could not be made.

IFRS 3.B64(f)

44.2 Consideration transferred

	Subsix Limited	Subseven Limited
	CU'000	CU'000
Cash	430	247
Transfer of land and buildings at fair value at date of acquisition	–	400
Contingent consideration arrangement (i)	75	–
Plus: effect of settlement of legal claim against Subseven Limited (ii)	–	40
Total (IAS 7.40(a))	505	687

IFRS 3.B64(g)

(i) 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 2013 and 2014 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.

IFRS 3.B64(l)

(ii) Prior to the acquisition of Subseven Limited, the Group was pursuing a legal claim against that company in respect of damage to goods in transit to a customer. Although the Group was confident of recovery, this amount has not previously been recognised as an asset. In line with the requirements of IFRS 3, the Group has recognised the effective settlement of this legal claim on the acquisition of Subseven Limited by recognising CU40,000 (being the estimated fair value of the claim) as a gain in profit or loss within the 'other gains and losses' line item. This has resulted in a corresponding increase in the consideration transferred.

IFRS 3.B64(m)

Acquisition-related costs amounting to CU145,000 (Subsix Limited: CU65,000; Subseven Limited: CU80,000) have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year, within the 'other expenses' line item.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

IFRS 3.B64(i)
IAS 7.40(d)

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			
Cash and cash equivalents	200	–	200
Trade and other receivables	87	105	192
Inventories	–	57	57
Non-current assets			
Plant and equipment	143	369	512
Current liabilities			
Trade and other payables	(18)	(35)	(53)
Contingent liabilities (see note 35)	(45)	–	(45)
Non-current liabilities			
Deferred tax liabilities	(17)	–	(17)
	350	496	846

IFRS 3.B67(a)

The initial accounting for the acquisition of Subsix Limited has only been provisionally determined at the end of the reporting period. For tax purposes, the tax values of Subsix's assets are required to be reset based on market values of the assets. At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely tax values.

IFRS 3.B64(h)

The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value of CU87,000 (Subsix Limited) and CU105,000 (Subseven Limited) had gross contractual amounts of CU104,000 and CU120,000 respectively. The best estimate at acquisition date of the contractual cash flows not expected to be collected are CU10,000 (Subsix Limited) and CU8,000 (Subseven Limited).

44.4 Non-controlling interests

IFRS 3.B64(o)

The non-controlling 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:

- assumed discount rate of 18%;
- assumed long-term sustainable growth rates of 3% to 5%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in Subsix Limited.

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 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.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

44.5 Goodwill arising on acquisition

	Subsix Limited	Subseven Limited	Total
	CU'000	CU'000	CU'000
Consideration transferred	505	687	1,192
Plus: non-controlling interests (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

IFRS 3.B64(e)

Goodwill arose in the acquisition of Subsix Limited and Subseven Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Subsix Limited and Subseven Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

IFRS 3.B64(k)

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

44.6 Net cash outflow on acquisition of subsidiaries

Source		Year ended 31/12/12
		CU'000
IAS 7.40(b)	Consideration paid in cash	677
IAS 7.40(c)	Less: cash and cash equivalent balances acquired	(200)
		477

44.7 Impact of acquisitions on the results of the Group

IFRS 3.B64(q)

Included in the profit for the year is CU35,000 attributable to the additional business generated by Subsix Limited, and CU13,000 attributable to Subseven Limited. Revenue for the year includes CU2.3 million in respect of Subsix Limited and CU2.8million in respect of Subseven Limited.

IFRS 3.B64(q)

Had these business combinations been effected at 1 January 2012, the revenue of the Group from continuing operations would have been CU145 million, and the profit for the year from continuing operations would have been CU19.7 million. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had Subsix Limited and Subseven Limited been acquired at the beginning of the current year, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements;
- calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination; and
- excluded takeover defence costs of the acquiree as a one-off pre-acquisition transaction.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

45. Disposal of a subsidiary

On 30 November 2012, the Group disposed of Subzero Limited which carried out its entire toy manufacturing operations.

45.1 Consideration received

Source		Year ended 31/12/12
		CU'000
IAS 7.40(b)	Consideration received in cash and cash equivalents	7,854
	Deferred sales proceeds (see note 25)	960
IAS 7.40(a)	Total consideration received	8,814

45.2 Analysis of asset and liabilities over which control was lost

Source		Year ended 31/12/12
IAS 7.40(d)		CU'000
	Current assets	
	Cash and cash equivalents	288
	Trade receivables	1,034
	Inventories	2,716
	Non-current assets	
	Property, plant and equipment	5,662
	Goodwill	3,080
	Current liabilities	
	Payables	(973)
	Non-current liabilities	
	Borrowings	(4,342)
	Deferred tax liabilities	(471)
	Net assets disposed of	6,994

45.3 Gain on disposal of a subsidiary

Source		Year ended 31/12/12
		CU'000
	Consideration received	8,814
	Net assets disposed of	(6,994)
	Non-controlling interests	–
	Cumulative gain/loss on available-for-sale financial assets reclassified from equity on loss of control of subsidiary	–
	Cumulative exchange gain in respect of the net assets of the subsidiary and related hedging instruments reclassified from equity to profit or loss on loss of control of subsidiary	120
IAS 27.41(f)	Gain on disposal	1,940

IAS 27.41(f) The gain on disposal is included in the profit for the year from discontinued operations (see note 11).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

45.4 Net cash inflow on disposal of a subsidiary

Source		Year ended 31/12/12
		CU'000
	Consideration received in cash and cash equivalents	7,854
IAS 7.40(c)	Less: cash and cash equivalent balances disposed of	(288)
		7,566

IAS 7.45

46. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. 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:

	31/12/12	31/12/11
	CU'000	CU'000
Cash and bank balances	23,446	19,778
Bank overdrafts	(538)	(378)
	22,908	19,400
Cash and bank balances included in a disposal group held for sale	175	–
	23,083	19,400

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 – see notes 20 and 45) had not been received in cash at the end of the reporting period;
- share issue proceeds of CU8,000 were received in the form of consulting services, as described in note 28.1; and
- the Group acquired CU40,000 of equipment under a finance lease (2011: nil).

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

48. Operating lease arrangements

48.1 The Group as lessee

48.1.1 Leasing arrangements

IAS 17.35(d)
IFRS 7.7

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

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
IAS 17.35(c)	Minimum lease payments	2,008	2,092
IAS 17.35(c)	Contingent rentals	–	–
IAS 17.35(c)	Sub-lease payments received	–	–
		2,008	2,092

IAS 17.35(a)

48.1.3 Non-cancellable operating lease commitments

	31/12/12	31/12/11
	CU'000	CU'000
Not later than 1 year	1,734	1,908
Later than 1 year and not later than 5 years	3,568	4,336
Later than 5 years	4,618	5,526
	9,920	11,770

48.1.4 Liabilities recognised in respect of non-cancellable operating leases

	31/12/12	31/12/11
	CU'000	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

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.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

IAS 17.56(a)

48.2.2 Non-cancellable operating lease receivables

	31/12/12	31/12/11
	CU'000	CU'000
Not later than 1 year	18	18
Later than 1 year and not longer than 5 years	54	72
Later than 5 years	–	–
	72	90

49. Commitments for expenditure

		31/12/12	31/12/11
		CU'000	CU'000
IAS 16.74(c)	Commitments for the acquisition of property, plant and equipment	4,856	6,010

IAS 40.75(h) In addition, the Group has entered into a contract for the management and maintenance of its investment property for the next 5 years, which will give rise to an annual expense of CU3,500.

IAS 31.55 The Group's share of the capital commitments of its jointly controlled entity, JV Electronics Limited, is as follows:

	31/12/12	31/12/11
	CU'000	CU'000
Commitments for the acquisition of property, plant and equipment	983	192

50. Contingent liabilities and contingent assets

		31/12/12	31/12/11
		CU'000	CU'000
	50.1 Contingent liabilities		
IAS 37.86(a)	Court proceedings (i)	–	–
IAS 31.54(a)	Contingent liabilities incurred by the Group arising from interests in joint ventures (ii)	110	116
IAS 28.40(a)	Group's share of associates' contingent liabilities (iii)	150	14

IAS 37.86(b)

(i) An entity in the Group is a defendant in a legal action involving the alleged failure of the entity to supply goods in accordance with the terms of contract. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including for costs) will be incurred. The legal claim is expected to be settled in the course of the next eighteen months.

(ii) A number of contingent liabilities have arisen as a result of the Group's interests in joint ventures. The amount disclosed represents the aggregate amount of such contingent liabilities for which the Group as an investor is liable. The extent to which an outflow of funds will be required is dependent on the future operations of the joint ventures being more or less favourable than currently expected. The Group is not contingently liable for the liabilities of other venturers in its joint ventures.

(iii) The amount disclosed represents the Group's share of contingent liabilities of associates. The extent to which an outflow of funds will be required is dependent on the future operations of the associates being more or less favourable than currently expected.

Notes to the consolidated financial statements for the year ended 31 December 2012 – continued

50.2 Contingent assets

Source		31/12/12	31/12/11
		CU'000	CU'000
IAS 37.89	Faulty goods claim (iv)	140	–

(iv) 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

IAS 10.21

On 18 January 2013, the premises of Subfive Limited were seriously damaged by fire. Insurance claims are in process, but the cost of refurbishment is currently expected to exceed the amount that will be reimbursed by CU8.3 million.

52. Approval of financial statements

IAS 10.17

The financial statements were approved by the board of directors and authorised for issue on 15 March 2013.

Notes to the consolidated financial statements
for the year ended 31 December 2012 – continued

ISA 700 (Revised) – Global Version
INDEPENDENT AUDITOR's REPORT

(APPROPRIATE ADDRESSEE)

We have audited the accompanying consolidated financial statements of International GAAP Holdings Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, the [consolidated statement of profit or loss and] consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of International GAAP Holdings Limited and its subsidiaries as at 31 December 2012 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

15 March 2013

Note: The audit of the financial statements may be conducted in accordance with International Standards on Auditing (ISA) and/or applicable local auditing standards, making reference to local laws, auditing standards or regulations. The format of the report above is as specified by ISA 700 (Revised), The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements.

When local auditing standards or regulations apply, the report format will be affected by those local rules.

Deloitte IFRS resources

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www.iasplus.com	Updated daily, iasplus.com is your one-stop shop for information related to IFRSs.
Deloitte's IFRS e-Learning modules	e-Learning IFRS training materials, available without charge at **www.iasplus.com**.
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IFRS Project Insights	Provides a summary, by project, of the current status of the project, a high-level summary of key decisions reached to date, key considerations for entities, and forthcoming deadlines.
iGAAP 2012	6th edition (November 2011). A comprehensive guide to the requirements of IFRSs now incorporating detailed guiidance on financial instruments.
IFRSs in your pocket	Published in several languages, this pocket-sized guide includes summaries of all IASB Standards and Interpretations, updates on agenda projects, and other IASB-related information.
IFRS Compliance, Presentation and Disclosure Checklist	Checklist incorporating all of the compliance, presentation and disclosure requirements of IFRSs.

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