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# International Financial Reporting Standards
## Model financial statements 2011 with early application

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- daily news about financial reporting globally.
- summaries of all Standards, Interpretations and proposals.
- many IFRS-related publications available for download.
- model IFRS financial statements and checklists.
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- e-learning modules for each IAS and IFRS – at no charge.
- information about adoptions of IFRSs around the world.
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# International GAAP Holdings Limited
# Model financial statements for the year ended 31 December 2011
# (A comprehensive version)

This publication contains three sections:

- Section 1 – Overview of new and revised International Financial Reporting Standards (IFRSs);
- Section 2 – Model financial statements of International GAAP Holdings Limited for the year ended 31 December 2011 (with no early application of any new and revised IFRSs); and
- Section 3 – Examples on early application of a number of new and revised standards that are not yet mandatorily effective on 1 January 2011.

Section 2 and Section 3 are intended to illustrate the presentation and disclosure requirements of IFRSs. They also contain additional disclosures that are considered to be best practice, particularly where such disclosures are included in illustrative examples provided with a specific Standard.

Section 2 has illustrated the presentation and disclosure requirements of a number of new and revised IFRSs that are mandatorily effective for the year ended 31 December 2011 (see note 2 to the model financial statements for details). Section 2 has not illustrated the impact of new and revised IFRSs that are not yet mandatorily effective on 1 January 2011 (e.g. IFRS 9 *Financial Instruments*).

Section 3 has illustrated the presentation and disclosure requirements of a number of IFRSs that have recently been issued by the International Accounting Standards Board but are not yet effective on 1 January 2011. Specifically, Section 3 contains a number of appendices, including:

- Appendix 1 – Early application of IFRS 9 *Financial Instruments*;
- Appendix 2 – Early application of a package of five new and revised standards issued in May 2011 on consolidation, joint arrangements, associates and disclosures (IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities,* IAS 27 *Separate Financial Statements* (as revised in 2011) and IAS 28 I*nvestments in Associates and Joint Ventures* (as revised in 2011);
- Appendix 3 – Early application of the amendments to IAS 1 titled *Presentation of Items of Other Comprehensive Income*;
- Appendix 4 – Early application of the amendments to IAS 12 titled *Deferred Tax: Recovery of Underlying Assets*; and
- Appendix 5 – Early application of IAS 19 *Employee Benefits* (as revised in 2011).

In preparing Section 2 and Section 3, it is assumed that International GAAP Holdings Limited has 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 Compliance, Presentation and Disclosure Checklist for details of the particular disclosure requirements applicable for first-time adopters. This checklist can be downloaded from Deloitte's web site www.iasplus.com.

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 in certain regimes – but these financial statements illustrate the presentation and disclosures required when an entity adopts the revaluation model under IAS 16 *Property, Plant and Equipment*). In addition, local laws or securities regulations may specify disclosures in addition to those required by IFRSs (e.g. in relation to directors' remuneration). Preparers of financial statements will consequently need to adapt the model financial statements to comply with such additional local requirements.

The model financial statements do not include separate financial statements for the parent, which may be required by local laws or regulations, or may be prepared voluntarily. When an entity presents separate financial statements that comply with IFRSs, the requirements of IAS 27 *Consolidated and Separate Financial Statements*, or IAS 27 *Separate Financial Statements* (as revised in 2011) will apply. Separate statements of comprehensive income, financial position, changes in equity and cash flows for the parent will generally be required, together with supporting notes.

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

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

## Contents


Page

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

Section 2 – Model financial statements of International GAAP Holdings Limited for the year ended 31 December 2011 (no early adoption of any new and revised IFRSs) 14

Section 3 – Examples of early application of a number of new and revised Standards

- Appendix 1 – IFRS 9 *Financial Instruments (as revised in 2010)* 146
- Appendix 2 – A package of five new and revised standards on consolidation, joint arrangements, associates and disclosures (issued in May 2011) 196
- Appendix 3 – Amendments to IAS 1 titled *Presentation of Items of Other Comprehensive Income* 232
- Appendix 4 – Amendments to IAS 12 titled *Deferred Tax – Recovery of Underlying Assets* 244
- Appendix 5 – IAS 19 *Employee Benefits* (as revised in 2011) 258

## 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 2011; and
- an overview of new and revised IFRSs that are not yet mandatorily effective but allow early application for the year ended 31 December 2011. For this purpose, the discussion below reflects a cut-off date of 30 September 2011. The potential impact of the application of any new and revised IFRSs issued by the IASB after 30 September 2011 but before the financial statements are issued should also be considered and disclosed.

### New and revised IFRSs that are mandatorily effective for the year ended 31 December 2011

| Revised Standard | Effective for annual periods beginning on or after | Application |
|---|---|---|
| IAS 24 (as revised in 2009) *Related Party Disclosures* | 1 January 2011 | Retrospective application |

| Amendments to Standards | Effective for annual periods beginning on or after | Application |
|---|---|---|
| Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* | 1 July 2010 | Retrospective application, with specific transitional provisions |
| Amendments to IAS 32 *Classification of Rights Issues* | 1 February 2010 | Retrospective application |
| Improvements to IFRSs (issued in 2010) | 1 July 2010 or 1 January 2011, as appropriate | Retrospective or prospective application, as appropriate |

| New Interpretation | Effective for annual periods beginning on or after | Application |
|---|---|---|
| IFRIC – Int 19 *Extinguishing Financial Liabilities with Equity Instruments* | 1 July 2010 | Retrospective application (from the beginning of the earliest comparative period presented) |

| Amendments to Interpretation | Effective for annual periods beginning on or after | Application |
|---|---|---|
| Amendments to IFRIC – Int 14 *Prepayments of a Minimum Funding Requirement* | 1 January 2011 | Retrospective application (from the beginning of the earliest comparative period presented) |

*IAS 24 (as revised in 2009) Related Party Disclosures*
*(Effective for annual periods beginning on or after 1 January 2011)*

The revised version of IAS 24 simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarifies the definition of a related party.

The previous version of IAS 24 contained no specific exemption for government-related entities. Many entities, particularly in an environment where government control is pervasive, found it problematic in practice to identify all government-related entities, and to quantify all related party transactions and balances with those entities.

As a result, the revised version of IAS 24 provides a partial exemption from the disclosure requirements of IAS 24 for government-related entities. Specifically, a reporting entity is exempt from the general disclosure requirements of IAS 24 in relation to related party transactions and outstanding balances (including commitments) with:

- a government that has control, joint control or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The revised version of IAS 24 also simplifies the definition of a related party, clarifies the intended meaning of related party and eliminates a number of inconsistencies. Some important changes and/or clarifications in relation to the definition of a related party are as follows:

- two entities that are both subject to control or joint control by the same party, are related to each other;
- if one party controls or jointly controls an entity and at the same time has significant influence over another entity, the entities are related to each other; and
- if two entities are both subject to significant influence by the same entity, such a relationship on its own is not sufficient to conclude that the entities are related to each other.

Retrospective application is required.

*Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
*(Effective for annual periods beginning on or after 1 July 2010)*

The amendments to IFRS 7 titled *Improving Disclosures about Financial Instruments* were issued in 2009. These amendments expanded the disclosures required, for each class of financial instruments, in respect of fair value measurements recognised in the statement of financial position, introduced a three-level fair value hierarchy and clarified the scope of items to be included in the maturity analyses required under IFRS 7. The transitional provisions set out in the amendments to IFRS 7 provided relief in the first year of application from providing comparative information for the disclosures required by the amendments. However, no consequential amendments were made to IFRS 1 *First-time Adoption of International Financial Reporting Standards* to accommodate the transitional relief at that time.

Therefore, in 2010, the amendment to IFRS 1 titled *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* was issued to relieve first-time adopters of IFRSs from providing comparative period disclosures required by the amendments to IFRS 7 issued in 2009.

*Amendments to IAS 32 Classification of Rights Issues*
*(Effective for annual periods beginning on or after 1 February 2010)*

The amendments to IAS 32 address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments to IAS 32, rights, options and warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

Before the amendments to IAS 32, rights, options or warrants to acquire a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

*Improvements to IFRSs (issued in 2010)*
*(Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate)*

The Improvements include amendments to seven IFRSs that are summarised below.

| Standard | Subject of amendment | Details |
|---|---|---|
| IFRS 1 | Accounting policy changes in the year of adoption (effective for annual periods beginning on or after 1 January 2011) | Amendment to clarify that if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34 *Interim Financial Reporting* but before its first IFRS financial statements are issued, it should explain those changes and update the reconciliations between previous GAAP and IFRSs. The requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* do not apply to such changes. |
| | Revaluation basis as deemed cost (effective for annual periods beginning on or after 1 January 2011) | Clarification that a first-time adopter is permitted to use an event-driven fair value as 'deemed cost' at the measurement date for measurement events that occurred after the date of transition to IFRSs but during the period covered by the first IFRS financial statements. Any resulting adjustment should be recognised directly in equity at the measurement date. |
| | Use of deemed cost for operations subject to rate regulation (effective for annual periods beginning on or after 1 January 2011) | Amendment to specify that a first time adopter may elect to use the previous GAAP carrying amount of items of property, plant and equipment or intangibles that are, or were, used in operations subject to rate regulations. This election is available on an item by item basis. |
| IFRS 3 (as revised in 2008) | Measurement of non-controlling interests (effective for annual periods beginning on or after 1 July 2010) | Amendment to specify that the option to measure non-controlling interests either at fair value or at the proportionate share of the acquiree's net identifiable assets at the acquisition date under IFRS 3 *Business Combinations* (as revised in 2008) applies only to non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests should be measured at their acquisition date fair value, unless there is another measurement basis required by other IFRSs. |
| | Un-replaced and voluntary replaced share-based payment awards (effective for annual periods beginning on or after 1 July 2010) | Amendment to specify that the current requirement to measure awards of the acquirer that replace acquiree share-based payment transactions in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure') applies also to share-based payment transactions of the acquiree that are not replaced.<br><br>Amendment to specify that the current requirement to allocate the market-based measure of replacement awards between the consideration transferred for the business combination and post-combination remuneration applies to all replacement awards regardless of whether the acquirer is obliged to replace the awards or does so voluntarily. |
| | Transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3 (as revised in 2008) (effective for annual periods beginning on or after 1 July 2010) | Amendment to clarify that IAS 32 *Financial Instruments: Presentation,* IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* do not apply to contingent consideration that arose from business combinations whose acquisition dates preceded the application of IFRS 3 (as revised in 2008). |

| Standard | Subject to amendment | Details |
|---|---|---|
| IFRS 7 | Clarification of disclosures<br>(effective for annual periods beginning on or after 1 January 2011) | Amendment to encourage qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments.<br>Amendment to clarify the required level of disclosure around credit risk and collateral held and to provide relief from disclosure of renegotiated loans. |
| IAS 1 | Clarification of presentation of items of other comprehensive income in the statement of changes in equity<br>(effective for annual periods beginning on or after 1 January 2011) | Amendment to clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. |
| IAS 27<br>(as revised in 2008) | Transitional requirements for consequential amendments as a result of IAS 27 *Consolidated and Separate Financial Statements* (as revised in 2008) to IAS 21, IAS 28 and IAS 31<br>(effective for annual periods beginning on or after 1 July 2010) | Amendment to clarify that the amendments made to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures* as a result of IAS 27 (as revised in 2008) should be applied prospectively (with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which should be applied retrospectively). |
| IAS 34 | Significant events and transactions<br>(effective for annual periods beginning on or after 1 January 2011) | Amendment to emphasise the principle in IAS 34 that the disclosures about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report.<br>Amendment to clarify how to apply this principle in respect of financial instruments and their fair values. |
| IFRIC-Int 13 | Fair value of award credit<br>(effective for annual periods beginning on or after 1 January 2011) | Amendment to clarify that the 'fair value' of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale, and any expected forfeitures. |

### *IFRIC – Int 19 Extinguishing Financial Liabilities with Equity Instruments (Effective for annual periods beginning on or after 1 July 2010)*

IFRIC – Int 19 addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as "debt for equity swaps"). IFRIC-Int 19 concludes that equity instruments issued to extinguish an obligation constitute "consideration paid' in the context of paragraph 41 of IAS 39. The equity instruments issued should be measured at the fair value at the date of extinguishment of the liabilities, unless that fair value of the equity instruments is not readily determinable, in which case the equity instruments should be measured at the fair value of the liabilities extinguished.

When the application of the Interpretation results in a change in accounting policy, entities should apply the change in accordance with IAS 8 from the beginning of the earliest comparative period presented.

### *Amendments to IFRIC – Int 14 Prepayments of a Minimum Funding Requirement (Effective for annual periods beginning on or after 1 January 2011)*

IFRIC – Int 14 has been amended to remedy an unintended consequence of IFRIC – Int 14 where entities in some circumstances are not permitted to recognise prepayments of minimum funding contributions, as an asset.

IFRIC – Int 14 (as originally issued) did not consider that a plan surplus may result from a prepayment of future minimum funding contributions and therefore, unintentionally reduced the economic benefits available in accordance with paragraph 58 of IAS 19 arising from voluntary prepayments of minimum funding contributions. If an entity is subject to minimum funding requirements for contributions relating to future benefits, paragraph 20 of IFRIC – Int 14 (as originally issued) limited the economic benefits available in the form of reductions in future contributions to the present value of:

(a) the estimated future service cost in each year; less

(b) the estimated minimum funding contributions required in respect of the future accrual of benefits in that year.

Under the amended paragraph 20 of IFRIC – Int 14, if there is a minimum funding requirement for contributions relating to future service, the economic benefits available as a reduction in future contributions (and, therefore, the surplus that should be recognised as an asset) is comprised of:

(a) any amount that reduces future minimum funding requirement contributions for future services because the entity made a prepayment (i.e. any amount that the entity has paid before being required to do so); and

(b) the estimated future service cost in each period less the estimated minimum funding requirement contributions that would be required for future service in that period if there were no prepayment of those contributions as described in (a).

Further, IFRIC – Int 14 clarifies that while the amount calculated under (b) above may be negative for a given period (i.e. the estimated minimum funding requirement contribution for that period exceeds the estimated future service cost for that same period), the total amount calculated under (b) above can never be less than zero. Accordingly, the economic benefits available as a reduction in future contributions will correspond, as a minimum, to the amount of the prepayment, if any.

### *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 2011. 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 are in issue but are not yet effective.*

*The list below reflects a cut-off date of 30 September 2011. The potential impact of the application of any new and revised IFRSs issued by the IASB after 30 September 2011 but before the financial statements are issued should also be considered and disclosed.*

| New standard on financial instruments | Effective for annual periods beginning on or after | Application |
|---|---|---|
| IFRS 9 *Financial Instruments* (as revised in 2010) | 1 January 2013 | Retrospective application, with specific transitional provisions. |

| New and revised standards 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.<br>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.<br>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 | Earlier application is encouraged with specific transitional provisions.<br>Entities are encouraged to provide information required by IFRS 12 earlier than annual periods beginning on or after 1 January 2013. |
| IAS 27 *(as revised in 2011) – Separate Financial Statements* | 1 January 2013 | Retrospective application.<br>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 *(as revised in 2011) – Investments in Associates and Joint Ventures* | 1 January 2013 | Retrospective application.<br>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 standard on fair value measurement | Effective for annual periods beginning on or after | Application |
|---|---|---|
| IFRS 13 *Fair Value Measurement* | 1 January 2013 | Prospective application.<br>The disclosure requirements of IFRS 13 need not be applied in comparative information provided for periods before initial application of IFRS 13. |

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

| Amendments to Standards | 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 1 *Presentation of Items of Other Comprehensive Income* | 1 July 2012 | Retrospective application. |
| Amendments to IAS 12 *Deferred Tax – Recovery of Underlying Assets* | 1 January 2012 | Retrospective application. |

### *New standard on financial instruments*
### *IFRS 9 Financial Instruments (as revised in 2010)*
### *(Effective for annual periods beginning on or after 1 January 2013)*

IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 is effective from 1 January 2013, with early application permitted. IFRS 9 contains a number of transitional provisions.

Under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 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 IFRS 9 are to be measured in the statement of financial position at fair value, with the gains and losses recognised in profit or loss. Only 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 at 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. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

*Note: In August 2011, the IASB issued an exposure draft titled Mandatory Effective Date of IFRS 9. The exposure draft proposes to change the effective date of IFRS 9 from 1 January 2013 to 1 January 2015. The IASB has not yet finalised the proposal at the cut-off date of this publication.*

### *New and revised standards 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 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*.

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 explained below:

- Under IFRS 10, there is only one single 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 capture 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 have the potential to 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 by 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 for reasons other than contractual arrangements and potential voting rights (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 acting on behalf of its principal.

  - 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*

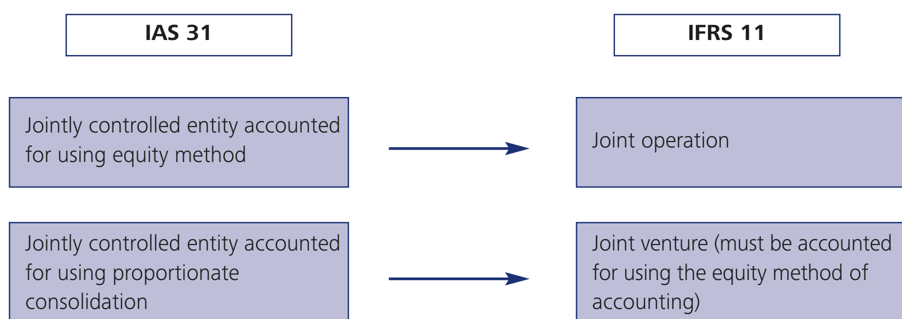
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.

IFRS 11 deals with how a joint arrangement of which two or more parties have *joint control* should be classified. 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 happen:




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 entities 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 their financial statements.

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

***New standard 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 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 (as revised in 2011) Employee Benefits***
***(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.

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

***Other amendments***

*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. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

*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 retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. 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 might 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.

Retrospective application is required.

*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 principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, 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 through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

Retrospective application is required.

# Section 2 – Model financial statements of International GAAP Holdings Limited for the year ended 31 December 2011

**(No early application of any new and revised IFRSs)**

The model financial statements of International GAAP Holdings Limited for the year ended 31 December 2011 are intended to illustrate the presentation and disclosure requirements of International Financial Reporting Standards (IFRSs). They also contain additional disclosures that are considered to be best practice, particularly where such disclosures are included in illustrative examples provided with a specific Standard.

The model financial statements of International GAAP Holdings Limited have illustrated the impact of a number of new and revised Standards and Interpretations that are mandatorily effective on 1 January 2011 (see note 2 to the model financial statements for details). The model financial statements have not illustrated the impact of new and revised Standards and Interpretations that are not yet mandatorily effective on 1 January 2011 (e.g. IFRS 9 *Financial Instruments*).

In addition, 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 Compliance, Presentation and Disclosure Checklist for details of the particular disclosure requirements applicable for first-time adopters. Deloitte's Compliance, Presentation and Disclosure Checklist can be downloaded from Deloitte's web site www.iasplus.com.

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

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

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

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

## Contents


| | Page |
|---|---|
| Consolidated statement of comprehensive income | |
| Alt 1 – Single statement presentation, with expenses analysed by function | 14 |
| Alt 2 – Presentation as two statements, with expenses analysed by nature | 16 |
| Consolidated statement of financial position | 18 |
| Consolidated statement of changes in equity | 20 |
| Consolidated statement of cash flows | |
| Alt 1 – Direct method of reporting cash flows from operating activities | 22 |
| Alt 2 – Indirect method of reporting cash flows from operating activities | 23 |
| Notes to the consolidated financial statements | 25 |
| Auditor's report | 135 |

## Index to the notes to the consolidated financial statements


| | | Page |
|---|---|---|
| 1 | General information | 25 |
| 2 | Application of new and revised International Financial Reporting Standards | 25 |
| 3 | Significant accounting policies | 30 |
| 4 | Critical accounting judgements and key sources of estimation uncertainty | 47 |
| 5 | Revenue | 49 |
| 6 | Segment information | 49 |
| 7 | Investment income | 54 |
| 8 | Other gains and losses | 55 |
| 9 | Finance costs | 56 |
| 10 | Income taxes relating to continuing operations | 57 |
| 11 | Discontinued operations | 61 |
| 12 | Assets classified as held for sale | 62 |
| 13 | Profit for the year from continuing operations | 64 |
| 14 | Earnings per share | 66 |
| 15 | Property, plant and equipment | 69 |
| 16 | Investment property | 72 |
| 17 | Goodwill | 73 |
| 18 | Other intangible assets | 76 |
| 19 | Subsidiaries | 78 |
| 20 | Investments in associates | 79 |
| 21 | Joint ventures | 81 |
| 22 | Other financial assets | 82 |
| 23 | Other assets | 83 |
| 24 | Inventories | 83 |
| 25 | Trade and other receivables | 84 |
| 26 | Finance lease receivables | 86 |
| 27 | Amounts due from (to) customers under construction contracts | 87 |
| 28 | Issued capital | 88 |
| 29 | Reserves (net of income tax) | 91 |
| 30 | Retained earnings and dividends on equity instruments | 95 |
| 31 | Non-controlling interests | 95 |
| 32 | Borrowings | 96 |
| 33 | Convertible notes | 97 |
| 34 | Other financial liabilities | 98 |
| 35 | Provisions | 99 |
| 36 | Other liabilities | 100 |
| 37 | Trade and other payables | 100 |
| 38 | Obligations under finance leases | 101 |
| 39 | Retirement benefit plans | 102 |
| 40 | Financial instruments | 105 |
| 41 | Deferred revenue | 121 |
| 42 | Share-based payments | 122 |
| 43 | Related party transactions | 125 |
| 44 | Business combinations | 127 |
| 45 | Disposal of subsidiary | 130 |
| 46 | Cash and cash equivalents | 131 |
| 47 | Non-cash transactions | 131 |
| 48 | Operating lease arrangements | 132 |
| 49 | Commitments for expenditure | 133 |
| 50 | Contingent liabilities and contingent assets | 134 |
| 51 | Events after the reporting period | 134 |
| 52 | Approval of financial statements | 134 |

| Source | International GAAP Holdings Limited | | | |
|---|---|---|---|---|
| IAS 1.10(b), 51(b),(c) | **Consolidated statement of comprehensive income for the year ended 31 December 2011** | | | **[Alt 1]** |
| IAS 1.113 | | Notes | Year ended 31/12/11 | Year ended 31/12/10 |
| IAS 1.51(d),(e) | | | CU'000 | CU'000 |
| | **Continuing operations** | | | |
| IAS 1.82(a) | Revenue | 5 | 140,918 | 151,840 |
| IAS 1.99 | Cost of sales | | (87,897) | (91,840) |
| IAS 1.85 | Gross profit | | 53,021 | 60,000 |
| IAS 1.85 | Investment 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 | Other [describe] | | – | – |
| IAS 1.85 | Profit before tax | | 30,303 | 32,131 |
| IAS 1.82(d) | Income tax expense | 10 | (11,564) | (11,799) |
| IAS 1.85 | Profit for the year from continuing operations | 13 | 18,739 | 20,332 |
| | **Discontinued operations** | | | |
| IAS 1.82(e) | Profit for the year from discontinued operations | 11 | 8,310 | 9,995 |
| IAS 1.82(f) | **Profit for the year** | | 27,049 | 30,327 |
| | **Other comprehensive income, net of income tax** | | | |
| IAS 1.82(g) | Exchange differences on translating foreign operations | | (39) | 85 |
| IAS 1.82(g) | Net gain on available-for-sale financial assets | | 66 | 57 |
| IAS 1.82(g) | Net gain on hedging instruments entered into for cash flow hedges | | 39 | 20 |
| IAS 1.82(g) | Gain on revaluation of properties | | – | 1,150 |
| IAS 1.82(h) | Share of other comprehensive income of associates | | – | – |
| IAS 1.85 | Other comprehensive income for the year, net of tax | | 66 | 1,312 |
| IAS 1.82(i) | **Total comprehensive income for the year** | | 27,115 | 31,639 |
| | Profit attributable to: | | | |
| IAS 1.83(a) | Owners of the Company | | 23,049 | 27,564 |
| IAS 1.83(a) | Non-controlling interests | | 4,000 | 2,763 |
| | | | 27,049 | 30,327 |
| | Total comprehensive income attributable to: | | | |
| IAS 1.83(b) | Owners of the Company | | 23,115 | 28,876 |
| IAS 1.83(b) | Non-controlling interests | | 4,000 | 2,763 |
| | | | 27,115 | 31,639 |

**Consolidated statement of comprehensive income**
**for the year ended 31 December 2011 – continued** **[Alt 1] continued**

| Source | | Note | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|---|
| | **Earnings per share** | 14 | | |
| | From continuing and discontinued operations | | | |
| IAS 33.66 | Basic (cents per share) | | 132.2 | 137.0 |
| IAS 33.66 | Diluted (cents per share) | | 115.5 | 130.5 |
| | From continuing operations | | | |
| IAS 33.66 | Basic (cents per share) | | 84.5 | 87.3 |
| IAS 33.66 | Diluted (cents per share) | | 74.0 | 83.2 |

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

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

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

IAS 1.90

- *The individual components may be presented net of tax in the statement of comprehensive income (as illustrated on the previous page), or they may be presented gross with a single line deduction for tax (see Alt 2). Whichever option is selected, the income tax relating to each component of comprehensive income must be disclosed, either in the statement of comprehensive income or in the notes (see note 29).*

IAS 1.93

- *For reclassification adjustments, an aggregated presentation may be adopted, with separate disclosure of the current year gain or loss and reclassification adjustments in the notes (see previous page and note 29). Alternatively, using a disaggregated presentation, the current year gain or loss and reclassification adjustments are shown separately in the statement of comprehensive income (see Alt 2).*

*Alt 1 aggregates expenses according to their function.*

| Source | International GAAP Holdings Limited |
|---|---|

IAS 1.10(b), 81(b), 51(b),(c)

## Consolidated income statement for the year ended 31 December 2011

[Alt 2]

| Source | | Notes | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|---|
| IAS 1.113 / IAS 1.51(d),(e) | | | CU'000 | CU'000 |
| | **Continuing operations** | | | |
| IAS 1.82(a) | Revenue | 5 | 140,918 | 151,840 |
| IAS 1.85 | Investment 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 | Other [describe] | | – | – |
| IAS 1.85 | Profit before tax | | 30,303 | 32,131 |
| IAS 1.82(d) | Income tax expense | 10 | (11,564) | (11,799) |
| IAS 1.85 | Profit for the year from continuing operations | 13 | 18,739 | 20,332 |
| | **Discontinued operations** | | | |
| IAS 1.82(e) | Profit for the year from discontinued operations | 11 | 8,310 | 9,995 |
| IAS 1.82(f) | **Profit for the year** | | 27,049 | 30,327 |
| | Attributable to: | | | |
| IAS 1.83(a) | Owners of the Company | | 23,049 | 27,564 |
| IAS 1.83(a) | Non-controlling interests | | 4,000 | 2,763 |
| | | | 27,049 | 30,327 |
| | **Earnings per share** | 14 | | |
| | From continuing and discontinued operations | | | |
| IAS 33.66, 67A | Basic (cents per share) | | 132.2 | 137.0 |
| IAS 33.66, 67A | Diluted (cents per share) | | 115.5 | 130.5 |
| | From continuing operations | | | |
| IAS 33.66, 67A | Basic (cents per share) | | 84.5 | 87.3 |
| IAS 33.66, 67A | Diluted (cents per share) | | 74.0 | 83.2 |

*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 comprehensive income. Note that where the two-statement approach is adopted (above and on the next page), as required by IAS 1.12, the income statement must be displayed immediately before the statement of comprehensive income.*

| Source | International GAAP Holdings Limited | | |
|---|---|---|---|
| IAS 1.10(b), 81(b), 51(b),(c) | **Consolidated statement of comprehensive income for the year ended 31 December 2011** | | **[Alt 2]** |
| IAS 1.113 | | Year ended 31/12/11 | Year ended 31/12/10 |
| IAS 1.51(d),(e) | | CU'000 | CU'000 |
| IAS 1.82(f) | **Profit for the year** | 27,049 | 30,327 |
| | **Other comprehensive income** | | |
| IAS 1.82(g) | 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 |
| IAS 1.82(g) | Available-for-sale financial assets | | |
| | Net 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 |
| IAS 1.82(g) | Cash flow hedges | | |
| | Gains arising during the year | 436 | 316 |
| | Reclassification adjustments for amounts recognised in profit or loss | (123) | (86) |
| | Adjustments for amounts transferred to the initial carrying amounts of hedged items | (257) | (201) |
| | | 56 | 29 |
| IAS 1.82(g) | Gain on revaluation of properties | – | 1,643 |
| IAS 1.82(h) | Share of other comprehensive income of associates | – | – |
| | Income tax relating to components of other comprehensive income | (27) | (562) |
| IAS 1.82(i) | **Total comprehensive income for the year** | 27,115 | 31,639 |
| | Total comprehensive income attributable to: | | |
| IAS 1.83(b) | Owners of the Company | 23,115 | 28,876 |
| IAS 1.83(b) | Non-controlling interests | 4,000 | 2,763 |
| | | 27,115 | 31,639 |

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

## Consolidated statement of financial position at 31 December 2011

| Source | | Notes | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|---|
| IAS 1.113, IAS 1.51(d), (e) | | | CU'000 | CU'000 | CU'000 |
| | **Assets** | | | | |
| IAS 1.60 | *Non-current assets* | | | | |
| IAS 1.54(a) | Property, plant and equipment | 15 | 109,783 | 135,721 | 161,058 |
| IAS 1.54(b) | Investment property | 16 | 1,968 | 1,941 | 170 |
| IAS 1.55 | Goodwill | 17 | 20,285 | 24,060 | 23,920 |
| IAS 1.54(c) | Other intangible assets | 18 | 9,739 | 11,325 | 12,523 |
| IAS 1.54(e) | Investments in associates | 20 | 7,402 | 7,270 | 5,706 |
| IAS 1.54(o) | Deferred tax assets | 10 | 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 | 213,809 |
| 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 | 9,082 |
| | | | 83,228 | 70,845 | 58,808 |
| IAS 1.54(j) | Assets classified as held for sale | 12 | 22,336 | – | – |
| | Total current assets | | 105,564 | 70,845 | 58,808 |
| | *Total assets* | | 268,425 | 263,498 | 272,617 |

*Note: IAS 1.10(f) requires that an entity should present a statement of financial position as at the beginning of the earliest comparative 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. However, IAS 1 does not provide further clarification as to when an entity is required to present an additional statement of financial position.*

*IAS 1.31 states that an entity need not provide a specific disclosure required by an IFRS if the information is not material. In determining whether it is necessary to present an additional statement of financial position, entities should consider the materiality of the information that would be contained in the additional statement of financial position and whether this would affect economic decisions made by a user of the financial statements. Specifically, it would be useful to consider factors such as the nature of the change, the alternative disclosures provided and whether the change in accounting policy actually affected the financial position at the beginning of the comparative period. Specific views from regulators should be considered in the assessment.*

*In this model, the application of new and revised standards does not result in any retrospective restatement of items in the financial statements (see note 2). However, this model does include the additional statement of financial position and the related notes for illustrative purposes only in order to show the level of detail to be disclosed when entities, after considering the specific facts and circumstances and exercising judgement, conclude that the additional statement of financial position and the related notes should be presented.*

| Source | International GAAP Holdings Limited | | | | |
|---|---|---|---|---|---|

## Consolidated statement of financial position at 31 December 2011 – continued

| Source | | Notes | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|---|
| | | | CU'000 | CU'000 | CU'000 |
| | **Equity and liabilities** | | | | |
| | *Capital and reserves* | | | | |
| IAS 1.55 | Issued capital | 28 | 32,439 | 48,672 | 48,672 |
| IAS 1.55 | Reserves | 29 | 4,237 | 3,376 | 1,726 |
| IAS 1.55 | Retained earnings | 30 | 110,805 | 94,909 | 73,824 |
| | | | 147,481 | 146,957 | 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 | | 147,481 | 146,957 | 124,222 |
| IAS 1.54(q) | Non-controlling interests | 31 | 24,316 | 20,005 | 17,242 |
| | Total equity | | 171,797 | 166,962 | 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 | 6,729 | 5,657 | 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 | | 44,992 | 40,153 | 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 | | 96,628 | 96,536 | 131,153 |
| | **Total equity and liabilities** | | 268,425 | 263,498 | 272,617 |

| Source | International GAAP Holdings Limited |
|---|---|

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

## Consolidated statement of changes in equity for the year ended 31 December 2011

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 2010** | 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 2010** | 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 | 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 2011** | 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 | – | 73,824 | 124,222 | 17,242 | 141,464 |
| – | – | – | – | – | 27,564 | 27,564 | 2,763 | 30,327 |
| 57 | – | 20 | 85 | – | – | 1,312 | – | 1,312 |
| 57 | – | 20 | 85 | – | 27,564 | 28,876 | 2,763 | 31,639 |
| – | 338 | – | – | – | – | 338 | – | 338 |
| – | – | – | – | – | (6,479) | (6,479) | – | (6,479) |
| 527 | 338 | 278 | 225 | – | 94,909 | 146,957 | 20,005 | 166,962 |
| – | – | – | – | – | 23,049 | 23,049 | 4,000 | 27,049 |
| 66 | – | 39 | (39) | – | – | 66 | – | 66 |
| 66 | – | 39 | (39) | – | 23,049 | 23,115 | 4,000 | 27,115 |
| – | – | – | – | – | (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 | 110,805 | 147,481 | 24,316 | 171,797 |

| Source | International GAAP Holdings Limited | | | |
|---|---|---|---|---|
| IAS 1.10(d), 51(b),(c) | **Consolidated statement of cash flows for the year ended 31 December 2011** | | | **[Alt 1]** |
| IAS 1.113 | | Notes | Year ended 31/12/11 | Year ended 31/12/10 |
| 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) | (1,532) |
| | 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) | 7,352 |
| 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 | 19,023 |
| | Cash and cash equivalents at the beginning of the year | | 19,400 | 561 |
| IAS 7.28 | Effects of exchange rate changes on the balance of cash held in foreign currencies | | (80) | (184) |
| | Cash and cash equivalents at the end of the year | 46 | 23,083 | 19,400 |

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

| Source | International GAAP Holdings Limited | | |
|---|---|---|---|
| IAS 1.10(d), 51(b),(c) | **Consolidated statement of cash flows for the year ended 31 December 2011** | | **[Alt 2]** |
| IAS 1.113 | | Year ended 31/12/11 | Year ended 31/12/10 |
| | | CU'000 | CU'000 |
| IAS 1.51(d),(e) IAS 7.10 | **Cash flows from operating activities** | | |
| IAS 7.18(b) | Profit for the year | 27,049 | 30,327 |
| | Adjustments for: | | |
| | Income tax expense recognised in profit or loss | 14,724 | 14,797 |
| | 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 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 2011 – continued** **[Alt 2] continued**

| Source | | Notes | Year ended 31/12/11 CU'000 | Year ended 31/12/10 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) | (1,532) |
| | 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) | 7,352 |
| 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 | 19,023 |
| | Cash and cash equivalents at the beginning of the year | | 19,400 | 561 |
| IAS 7.28 | Effects of exchange rate changes on the balance of cash held in foreign currencies | | (80) | (184) |
| | Cash and cash equivalents at the end of the year | 46 | 23,083 | 19,400 |

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

| Source | |
| --- | --- |
| IAS 1.10(e), 51(b),(c) | **Notes to the consolidated financial statements for the year ended 31 December 2011** |
| | **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 New and revised IFRSs affecting amounts reported in the current year (and/or prior years)* |
| IAS 8.28 | The following new and revised IFRSs have been applied in the current year and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs applied in these financial statements that have had no material effect on the financial statements are set out in section 2.2. |
| | New and revised IFRSs affecting presentation and disclosure only |

| Source | Standard | Description |
| --- | --- | --- |
| IAS 1.139F | Amendments to IAS 1 *Presentation of Financial Statements (as part of Improvements to IFRSs ) issued in 2010* | The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the notes to the consolidated financial statements, with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change (see the consolidated statement of changes in equity, notes 29, 30 and 31). |
| IAS 24.28 | IAS 24 *Related Party Disclosures (as revised in 2009)* | IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.<br><br>The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures set out in note 43 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively. |

| Source | |
| --- | --- |
| | New and revised IFRSs affecting the reported financial performance and/or financial position |
| IAS 8.28(a) IAS 8.28(c) | Amendments to IFRS 3 *Business Combinations*<br>As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure'). |
| IAS 8.28(f)(i) | Such amendments to IFRS 3 have affected the accounting for the acquisition of Subsix Limited in the current year. All outstanding share options held by the employees of Subsix Limited had vested before the date of the acquisition and were not replaced by the Group. As required by the amendments, all outstanding vested share options held by the employees of Subsix Limited have been measured at their market-based measure in accordance with IFRS 2 at the acquisition date and included as part of non-controlling interests. The market-based measure of these outstanding options at the acquisition date is CU5,000. The application of the amendments has resulted in an additional amount of CU1,000 (being the difference between the market-based measure of CU5,000 and the grant-date measure of CU4,000) being recognised in the non-controlling interests in Subsix Limited, with the corresponding adjustment being made against goodwill. The application of the amendments has had no impact on profit or loss of the Group for the current and prior periods. However, the result of the Group in future periods may be affected by future impairment losses on the increased goodwill. |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

*2.2 New and revised IFRSs applied with no material effect on the consolidated financial statements*

IAS 8.28(a)
IAS 8.28(c)

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IAS 32 *Classification of Rights Issues*

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

*Improvements to IFRSs* issued in 2010

Except for the amendments to IFRS 3 and IAS 1 described earlier in section 2.1, the application of *Improvements to IFRSs* issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

*2.3 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* 30 September 2011*. The potential impact of the application of any new and revised IFRSs issued by the IASB after* 30 September 2011 *but before the financial statements are issued should also be considered and disclosed.*

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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:

| | |
| --- | --- |
| Amendments to IFRS 7 | *Disclosures – Transfers of Financial Assets*[1] |
| IFRS 9 | *Financial Instruments*[2] |
| IFRS 10 | *Consolidated Financial Statements*[2] |
| IFRS 11 | *Joint Arrangements*[2] |
| IFRS 12 | *Disclosure of Interests in Other Entities*[2] |
| IFRS 13 | *Fair Value Measurement*[2] |
| Amendments to IAS 1 | *Presentation of Items of Other Comprehensive Income*[3] |
| Amendments to IAS 12 | *Deferred Tax – Recovery of Underlying Assets*[4] |
| IAS 19 (as revised in 2011) | *Employee Benefits*[2] |
| IAS 27 (as revised in 2011) | *Separate Financial Statements*[2] |
| IAS 28 (as revised in 2011) | *Investments in Associates and Joint Ventures*[2] |

[1] Effective for annual periods beginning on or after 1 July 2011.

[2] Effective for annual periods beginning on or after 1 January 2013.

[3] Effective for annual periods beginning on or after 1 July 2012.

[4] Effective for annual periods beginning on or after 1 January 2012.

*Note: In August 2011, the IASB issued an exposure draft titled* Mandatory Effective Date *of IFRS 9. The exposure draft proposes to change the effective date of IFRS 9 from 1 January 2013 to 1 January 2015. The IASB has not yet finalised the proposal up to the cut-off date of this publication.*

IAS 8.30(a)
IAS 8.30(b)

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 when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously affected (see note 25.2). However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IAS 8.30(a)
IAS 8.30(b)

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires 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 values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for 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 at fair value through profit or loss, 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 at fair value through profit or loss was presented in profit or loss.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of IFRS 9 may have 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 that effect until a detailed review has been completed.

IAS 8.30(a)
IAS 8.30(b)

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 and SIC-12 *Consolidation – Special Purpose Entities*. 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 returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

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 of which two or more parties have joint control should be classified. 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 proportionate accounting.

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.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in C Plus Limited that is currently classified as the Group's associate may become the Group's subsidiary based on the new definition of control and the related guidance in IFRS 10). In addition, the application of IFRS 11 may result in changes in the accounting of the Group's jointly controlled entity that is currently accounted for using proportionate consolidation. Under IFRS 11, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

IAS 8.30(a)
IAS 8.30(b)

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 IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

| | |
| --- | --- |
| IAS 8.30(a)<br>IAS 8.30(b) | 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 will 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 to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods. |
| IAS 8.30(a)<br>IAS 8.30(b) | The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, 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 through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. |
| | The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact. |
| IAS 8.30(a)<br>IAS 8.30(b) | 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. |
| | The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact. |
| IAS 8.30(a)<br>IAS 8.30(b) | [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 2011 – 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*

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.

IAS 1.17(b)

The principal accounting policies are set out below.

### *3.3 Basis of consolidation*

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

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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). 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 *Financial Instruments: Recognition and Measurement* 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 *Income Taxes* and IAS 19 *Employee Benefits* 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 a*t 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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

*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 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 in the consolidated [statement of comprehensive income/income statement]. 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 *Non-current Assets Held for Sale and Discontinued Operations*. 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.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

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.

*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 *Non-current Assets Held for Sale and Discontinued Operations*. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination (see 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 2011 – 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 2011 – 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 2011 – 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 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 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the 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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

*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.

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

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

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

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 *Share-based Payment* ("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 as reported in the consolidated [statement of comprehensive income/income statement] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – 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.

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.

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2011 – continued**

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.

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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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).

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2011 – continued**

3.23.2 Restructurings

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

3.23.3 Warranties

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

3.23.4 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the 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 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

IFRS 7.21

***3.24 Financial instruments***

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

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.

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

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

- 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 *Financial Instruments: Recognition and Measurement* 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 in the consolidated [statement of comprehensive income/income statement]. 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.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be 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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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

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 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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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 the Group 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.

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 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

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 in the consolidated [statement of comprehensive income/income statement]. 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 the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

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

*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 their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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 the line of the consolidated [statement of comprehensive income/income statement] relating to the hedged item.

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

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 of the consolidated [statement of comprehensive income/income statement] 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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

## 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 2011, 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 2013. 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 *Revenue* and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Group's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate provision for the rectification costs.

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 2010: CU4.015 million). Details of these assets are set out in note 22.

IAS 1.125, 129

### *4.2 Key sources of estimation uncertainty*

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

4.2.1 Recoverability of internally generated intangible asset

During the year, the directors reconsidered the recoverability of the Group's internally generated intangible asset arising from its e-business development, which is included in the consolidated statement of financial position at 31 December 2011 at CU0.5 million (31 December 2010: CU0.5 million).

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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 2011 was CU20.3 million (31 December 2010: CU24.1 million) after an impairment loss of CU235,000 was recognised during 2011 (2010: 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 |
|---|---|
| 2011 | 879 |
| 2012 | 607 |
| 2013 | 144 |
| 2014 | 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 2011 – 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 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 |
| IAS 18.35(b) | Revenue from the sale of goods | 119,232 | 128,852 |
| IAS 18.35(b) | Revenue from the rendering of services | 16,388 | 18,215 |
| IAS 11.39(a) | Construction contract revenue | 5,298 | 4,773 |
| | | 140,918 | 151,840 |

IFRS 7.23(d)

A portion of the Group's revenue from the sale of goods denominated in foreign currencies is cash flow hedged. The amounts disclosed above for revenue from the sale of goods include the reclassification of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue (2011: CU – million, 2010: CU – million).

See note 6.5 for an analysis of revenue by major products and services.

## 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 types of goods or services delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows.

Electronic equipment – direct sales
– wholesalers
– internet sales

Leisure goods – wholesalers
– retail outlets

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

Computer software – Installation of computer software for specialised business applications.

Construction – Construction of residential properties.

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 2011 – 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.

| | | Segment revenue | | Segment profit | |
|---|---|---|---|---|---|
| | | Year ended 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 |
| | | 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 |
| Total for continuing operations (IFRS 8.28(a)) | | 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) |
| Profit before tax (continuing operations) (IFRS 8.28(b)) | | | | 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 (2010: nil).

IFRS 8.27

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

*6.3 Segment assets and liabilities*

| Source | | | 31/12/11 CU'000 | 31/12/10 CU'000 | 01/01/10 CU'000 |
|---|---|---|---|---|---|
| IFRS 8.23, 28(c) | **Segment assets** | | | | |
| | Electronic equipment | – direct sales | 51,100 | 47,378 | 55,345 |
| | | – wholesalers | 48,596 | 36,061 | 43,210 |
| | | – internet sales | 42,648 | 32,817 | 35,120 |
| | Leisure goods | – wholesalers | 29,851 | 33,942 | 31,926 |
| | | – retail outlets | 16,300 | 18,749 | 18,640 |
| | Computer software | | 16,732 | 14,873 | 12,661 |
| | Construction | | 11,724 | 15,610 | 14,011 |
| | Total segment assets | | 216,951 | 199,430 | 210,913 |
| | Assets relating to toy and bicycle operations (now discontinued) | | 22,336 | 38,170 | 40,696 |
| | Unallocated | | 29,138 | 25,898 | 21,008 |
| | Consolidated total assets | | 268,425 | 263,498 | 272,617 |
| IFRS 8.23, 28(d) | **Segment liabilities** | | | | |
| | Electronic equipment | – direct sales | 8,667 | 8,158 | 15,609 |
| | | – wholesalers | 4,935 | 3,422 | 10,123 |
| | | – internet sales | 3,783 | 3,784 | 8,862 |
| | Leisure goods | – wholesalers | 3,152 | 3,262 | 5,125 |
| | | – retail outlets | 2,278 | 2,581 | 5,125 |
| | Computer software | | 1,266 | 1,565 | 3,567 |
| | Construction | | 1,433 | 1,832 | 5,655 |
| | Total segment liabilities | | 25,514 | 24,604 | 54,066 |
| | Liabilities relating to toy and bicycle operations (now discontinued) | | 3,684 | 4,982 | 8,338 |
| | Unallocated | | 67,430 | 66,950 | 68,749 |
| | Consolidated total liabilities | | 96,628 | 96,536 | 131,153 |

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 2011 – continued**

*6.4 Other segment information*

IFRS 8.23(e), 24(b)

| | | Depreciation and amortisation | | Additions to non-current assets | |
|---|---|---|---|---|---|
| | | Year ended 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 |
| | | CU'000 | CU'000 | CU'000 | CU'000 |
| Electronic equipment | – direct sales | 2,097 | 2,039 | 4,695 | 4,012 |
| | – 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 | 13,792 |

IFRS 8.23(i)

In addition to the depreciation and amortisation reported above, impairment losses of CU1.204 million (2010: nil) and CU235,000 (2010: 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 (2010: 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 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Electronic equipment | 85,266 | 91,874 |
| Sports shoes and equipment | 21,003 | 22,850 |
| Outdoor play equipment | 12,963 | 14,128 |
| 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 2011 – 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 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 |
| | 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 (2010: CU39.6 million) (see note 6.2 above) are revenues of approximately CU25.6 million (2010: 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 2011 and 2010.

| Source | International GAAP Holdings Limited |
|---|---|

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

### 7. Investment income

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | 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 |
| | Contingent rental income | – | – |
| | Other [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 |
| | Other (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 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | 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 2011 – continued

### 8. Other gains and losses

| Source | | Year ended 31/12/11 CU'000 | Year ended 31/12/10 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 available-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 (2010: 99,000), including interest of CU46,000 received during the year (2010: 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 2011 – continued**

## 9. Finance costs

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | 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 fair value through profit or loss | 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 (2010: 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 2011 – continued

### 10. Income taxes relating to continuing operations

*10.1 Income tax recognised in profit or loss*

| Source | | Year ended 31/12/11 CU'000 | Year ended 31/12/10 CU'000 |
|---|---|---|---|
| IAS 12.79 | *Current tax* | | |
| | Current tax expense in respect of the current year | 10,071 | 11,347 |
| | Adjustments recognised in the current year in relation to the current tax of prior years | – | – |
| | Other [describe] | – | – |
| | | 10,071 | 11,347 |
| | *Deferred tax* | | |
| | Deferred tax expense recognised in the current year | 1,643 | 538 |
| | 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 | | |
| | Other [describe] | – | – |
| | | 1,493 | 452 |
| | Total income tax expense recognised in the current year relating to continuing operations | 11,564 | 11,799 |

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

| Source | | Year ended 31/12/11 CU'000 | Year ended 31/12/10 CU'000 |
|---|---|---|---|
| | Profit before tax from continuing operations | 30,303 | 32,131 |
| | Income tax expense calculated at 30% (2010: 30%) | 9,091 | 9,639 |
| | Effect of income that is exempt from taxation | (30) | – |
| | Effect of expenses that are not deductible in determining taxable profit | 2,562 | 2,221 |
| | Effect of concessions (research and development and other allowances) | (75) | (66) |
| | Impairment losses on goodwill that are not deductible | 5 | – |
| | Effect of 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]) | – | – |
| | Other [describe] | – | – |
| | | 11,564 | 11,799 |
| | 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) | 11,564 | 11,799 |

IAS 12.81(c) The tax rate used for the 2011 and 2010 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 2011 – continued**

IAS 12.81(a)

*10.2 Income tax recognised directly in equity*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| ***Current tax*** | | |
| Share issue costs | (1) | – |
| Share buy-back costs | (8) | – |
| Other [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 | – | – |
| Other [describe] | – | – |
| | 167 | – |
| Total income tax recognised directly in equity | 158 | – |

IAS 12.81(ab)

*10.3 Income tax recognised in other comprehensive income*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | 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 |
| Other [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 2011 – continued**

*10.4 Current tax assets and liabilities*

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| *Current tax assets* | | | |
| Benefit of tax losses to be carried back to recover taxes paid in prior periods | – | – | – |
| Tax refund receivable | 125 | 60 | 81 |
| Other [describe] | – | – | – |
| | 125 | 60 | 81 |
| *Current tax liabilities* | | | |
| Income tax payable | 5,270 | 5,868 | 4,910 |
| Other [describe] | – | – | – |
| | 5,270 | 5,868 | 4,910 |

*10.5 Deferred tax balances*

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

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Deferred tax assets | 2,083 | 1,964 | 1,843 |
| Deferred tax liabilities | (6,729) | (5,657) | (4,436) |
| | (4,646) | (3,693) | (2,593) |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IAS 12.81(a),(g)

| 2011 | Opening balance | Recognised in profit or loss | Recognised in other compre-hensive income | Recognised directly in equity | Reclassified from equity to profit or loss | Acquisitions/ disposals | Other {Describe} | 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) |
| Investment property | (90) | (9) | – | – | – | – | – | (99) |
| 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 |
| Other [describe] | (181) | (32) | – | – | – | – | – | (213) |
| | (3,695) | (1,643) | (177) | (167) | 150 | 454 | 430 | (4,648) |
| Tax losses | – | – | – | – | – | – | – | – |
| Other | 2 | – | – | – | – | – | – | 2 |
| | 2 | – | – | – | – | – | – | 2 |
| | (3,693) | (1,643) | (177) | (167) | 150 | 454 | 430 | (4,646) |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

IAS 12.81(a),(g)

| **2010** | Opening balance | Recognised in profit or loss | Recognised in other compre-hensive income | Recognised directly in equity | Reclassified from equity to profit or loss | Acquisitions/ disposals | Other {Describe} | 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) |
| Investment property | – | (90) | – | – | – | – | – | (90) |
| 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 |
| Other [describe] | (97) | (84) | – | – | – | – | – | (181) |
| | (2,593) | (540) | (648) | – | 86 | – | – | (3,695) |
| Tax losses | – | – | – | – | – | – | – | – |
| Other | – | 2 | – | – | – | – | – | 2 |
| | – | 2 | – | – | – | – | – | 2 |
| | (2,593) | (538) | (648) | – | 86 | – | – | (3,693) |

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

IAS 12.81(e)

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | 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 2013.

### *10.7 Unrecognised taxable temporary differences associated with investments and interests*

IAS 12.81(f)

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Taxable temporary differences in relation to investments in subsidiaries, branches and associates and interests in joint ventures for which deferred tax liabilities have not been recognised are attributable to the following: | | |
| – domestic subsidiaries | 120 | 125 |
| – foreign subsidiaries | – | – |
| – associates and jointly controlled entities | – | – |
| – other [describe] | – | – |
| | 120 | 125 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

## 11. Discontinued operations

### *11.1 Disposal of toy manufacturing operations*

IFRS 5.30
IFRS 5.41

On 28 September 2011, 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 2011, 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 2011, 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 2012. 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 consolidated [statement of comprehensive income/income statement] are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | 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 |

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 |
| 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 2011 as a disposal group held for sale (see note 12).

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

## 12. Assets classified as held for sale

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | 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 2011.

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 2012. The major classes of assets and liabilities of the bicycle business at the end of the reporting period are as follows:

| | | 31/12/11 |
|---|---|---|
| | | CU'000 |
| | Goodwill | 1,147 |
| | Property, plant and equipment | 16,944 |
| IAS 2.36(c) | Inventories | 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 2011 – 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 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Owners of the Company | 14,739 | 17,569 |
| Non-controlling interests | 4,000 | 2,763 |
| | 18,739 | 20,332 |

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

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 |
| IFRS 7.20(e) | *13.1 Impairment losses on financial assets* | | |
| | Impairment loss recognised 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 recognised on trade receivables | (103) | – |
| | *13.2 Depreciation and amortisation expense* | | |
| | Depreciation of property, plant and equipment | 9,601 | 12,322 |
| IAS 38.118(d) | Amortisation of intangible assets (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 come 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 2011 – continued**

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | 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] (2010: nil). The amount represents the estimated cost of work to be carried out in accordance with an agreed schedule of works up to 2013. 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 2012 and 2013 (see note 35).

**Notes to the consolidated financial statements for the year ended 31 December 2011 – 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 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | Cents per share | Cents per share |
| | **Basic earnings per share** | | |
| | From continuing operations | 84.5 | 87.3 |
| IAS 33.68 | From discontinued operations | 47.7 | 49.7 |
| | Total basic earnings per share | 132.2 | 137.0 |
| | **Diluted earnings per share** | | |
| | From continuing operations | 74.0 | 83.2 |
| IAS 33.68 | From discontinued operations | 41.5 | 47.3 |
| | Total diluted earnings per share | 115.5 | 130.5 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – 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 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Profit for the year attributable to owners of the Company | 23,049 | 27,564 |
| Other [describe] | – | – |
| Earnings used in the calculation of basic earnings per share | 23,049 | 27,564 |
| Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations | (8,310) | (9,995) |
| Other [describe] | – | – |
| Earnings used in the calculation of basic earnings per share from continuing operations | 14,739 | 17,569 |

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | '000 | '000 |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 17,432 | 20,130 |

IAS 33.70(b)

*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 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Earnings used in the calculation of basic earnings per share | 23,049 | 27,564 |
| Interest on convertible notes (after tax at 30%) | 77 | – |
| Earnings used in the calculation of diluted earnings per share | 23,126 | 27,564 |
| Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations | (8,310) | (9,995) |
| Other [describe] | – | – |
| Earnings used in the calculation of diluted earnings per share from continuing operations | 14,816 | 17,569 |

IAS 33.70(b)

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

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | '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 | – |
| – other [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 2011 – continued**

IAS 33.70(c)

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

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'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 2011 and 2010, 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 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 |
| | CU'000 | CU'000 | Cents per share | Cents per share | Cents per share | Cents per share |
| Changes in accounting policies relating to: | | | | | | |
| – Others (please specify) | – | – | – | – | – | – |
| | – | – | – | – | – | – |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

## 15. Property, plant and equipment

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| *Carrying amounts of:* | | | |
| Freehold land | 13,868 | 16,658 | 15,610 |
| Buildings | 8,132 | 11,204 | 11,108 |
| Plant and equipment | 87,755 | 107,697 | 134,088 |
| Equipment under finance lease (IAS 17.31(a)) | 28 | 162 | 252 |
| | 109,783 | 135,721 | 161,058 |

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 |
| *Cost or valuation* | | | | | |
| Balance at 1 January 2010 | 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 | – | – | – | – | – |
| Reclassified as held for sale | – | – | – | – | – |
| Revaluation increase | 1,608 | 37 | – | – | 1,645 |
| Effect of foreign currency exchange differences | (560) | – | (288) | – | (848) |
| Other [describe] | – | – | – | – | – |
| Balance at 31 December 2010 | 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 combinations | – | – | 512 | – | 512 |
| Reclassified as held for sale | (1,260) | (1,357) | (22,045) | – | (24,662) |
| Revaluation increase/(decrease) | – | – | – | – | – |
| Effect of foreign currency exchange differences | 309 | – | 1,673 | – | 1,982 |
| Other [describe] | – | – | – | – | – |
| Balance at 31 December 2011 | 13,868 | 11,147 | 123,168 | 46 | 148,229 |

**Notes to the consolidated financial statements
for the year ended 31 December 2011 – 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 2010 | – | (1,551) | (25,019) | (378) | (26,948) |
| Eliminated on disposals of assets | – | – | 4,610 | – | 4,610 |
| Eliminated on revaluation | – | (2) | – | – | (2) |
| Eliminated on reclassification as held for sale | – | – | – | – | – |
| Impairment losses recognised in profit or loss | – | – | – | – | – |
| Reversals of impairment losses recognised in profit or loss | – | – | – | – | – |
| Depreciation expense | – | (947) | (14,717) | (130) | (15,794) |
| Effect of foreign currency exchange differences | – | – | 448 | – | 448 |
| Other [describe] | – | – | – | – | – |
| Balance at 31 December 2010 | – | (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) |
| Other [describe] | – | – | – | – | – |
| Balance at 31 December 2011 | – | (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 2010 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 the line item [other expenses/cost of sales] in the consolidated [statement of comprehensive income/income statement].

IAS 16.73(c)

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2011 – continued**

*15.2 Freehold land and buildings carried at revalued amounts*

IAS 16.77(a) to (d)

An independent valuation of the Group's land and buildings was performed by Messrs R & P Trent to determine the fair value of the land and buildings as at 31 December 2011 and 31 December 2010. The valuation, which conforms to International Valuation Standards, 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.

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | 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 2010: 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 2010: CU162,000).

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

**16. Investment property**

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| *Fair value* | | | |
| Completed investment property | 1,968 | 1,941 | 170 |

IAS 40.76

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Balance at beginning of year | 1,941 | 170 |
| Additions | 10 | 1,532 |
| 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 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 2011 and 31 December 2010 has been arrived at on the basis of a valuation carried out at that date by Messrs R & P Trent, independent valuers not related to the Group. Messrs R & P Trent are members of the Institute of Valuers of A Land, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to [market evidence of transaction prices for similar properties/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 2011 – continued**

**17. Goodwill**

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Cost | 20,520 | 24,060 | 23,920 |
| Accumulated impairment losses | (235) | – | – |
| | 20,285 | 24,060 | 23,920 |

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | 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 |
| | Other [describe] | – | – |
| | Balance at end of year | 20,520 | 24,060 |
| | *Accumulated impairment losses* | | |
| | Balance at beginning of year | – | – |
| IAS 36.126(a) | Impairment losses recognised in the year | (235) | – |
| | Derecognised on disposal of a subsidiary | – | – |
| | Classified as held for sale | – | – |
| | Effect of foreign currency exchange differences | – | – |
| | Balance at end of year | (235) | – |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – 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:

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | 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 (2010: 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% (2010: 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 (2010: 8% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 11% (2010: 11%) per annum growth rate. This growth rate exceeds by 0.5 percentage points the long-term average growth rate for the international electronic equipment market. However, among other factors, the internet sales cash-generating unit benefits from the protection of a 20-year patent on the Series Z electronic equipment, granted in 2006, which is still acknowledged as one of the top models in the market. The directors believe that an 11% per annum growth rate is reasonable in the light of that patent, and of other products being developed, and their intention to focus the Group's operations in this market. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the 'electronic equipment – internet sales' carrying amount to exceed its recoverable amount.

Construction operations – Murphy Construction

IAS 36.130

The goodwill associated with Murphy Construction arose when that business was acquired by the Group in 2005. 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 the 'other expenses' line item in the consolidated [statement of comprehensive income/income statement].

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – 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 (2010: 8% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 8% (2010: 8%) per annum growth rate. This growth rate does not exceed the long-term average growth rate for the construction market in A Land. The directors believe that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the construction operations carrying amount to exceed its recoverable amount.

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

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

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

### 18. Other intangible assets

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| *Carrying amounts of:* | | | |
| Capitalised development | 1,194 | 1,906 | 2,230 |
| Patents | 4,369 | 4,660 | 4,951 |
| Trademarks | 706 | 942 | 1,178 |
| Licenses | 3,470 | 3,817 | 4,164 |
| | 9,739 | 11,325 | 12,523 |

| 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 2010 | 3,230 | 5,825 | 4,711 | 6,940 | 20,706 |
| | Additions | – | – | – | – | – |
| | Additions from internal developments | 358 | – | – | – | 358 |
| | Acquisitions through business combinations | – | – | – | – | – |
| | Disposals or classified as held for sale | – | – | – | – | – |
| | Effect of foreign currency exchange differences | – | – | – | – | – |
| | Other [describe] | – | – | – | – | – |
| | Balance at 31 December 2010 | 3,588 | 5,825 | 4,711 | 6,940 | 21,064 |
| | Additions | – | – | – | – | – |
| | Additions from internal developments | 6 | – | – | – | 6 |
| | Acquisitions through business combinations | – | – | – | – | – |
| | Disposals or classified as held for sale | – | – | – | – | – |
| | Effect of foreign currency exchange differences | – | – | – | – | – |
| | Other [describe] | – | – | – | – | – |
| | Balance at 31 December 2011 | 3,594 | 5,825 | 4,711 | 6,940 | 21,070 |
| | *Accumulated amortisation and impairment* | | | | | |
| | Balance at 1 January 2010 | (1,000) | (874) | (3,533) | (2,776) | (8,183) |
| | Amortisation expense | (682) | (291) | (236) | (347) | (1,556) |
| | Disposals or classified as held for sale | – | – | – | – | – |
| IAS 36.130(b) | Impairment losses recognised in profit or loss | – | – | – | – | – |
| IAS 36.130(b) | Reversals of impairment losses recognised in profit or loss | – | – | – | – | – |
| | Effect of foreign currency exchange differences | – | – | – | – | – |
| | Other [describe] | – | – | – | – | – |
| | Balance at 31 December 2010 | (1,682) | (1,165) | (3,769) | (3,123) | (9,739) |
| | Amortisation expense | (718) | (291) | (236) | (347) | (1,592) |
| | Disposals or classified as held for sale | – | – | – | – | – |
| IAS 36.130(b) | Impairment losses recognised in profit or loss | – | – | – | – | – |
| IAS 36.130(b) | Reversals of impairment losses recognised in profit or loss | – | – | – | – | – |
| | Effect of foreign currency exchange differences | – | – | – | – | – |
| | Other [describe] | – | – | – | – | – |
| | Balance at 31 December 2011 | (2,400) | (1,456) | (4,005) | (3,470) | (11,331) |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – 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 2010: CU2.4 million) will be fully amortised in 15 years (31 December 2010: 16 years).

## Notes to the consolidated financial statements for the year ended 31 December 2011 – 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 | |
|---|---|---|---|---|
| | | | 31/12/11 | 31/12/10 |
| Subzero Limited | Manufacture of toys | A Land | Nil | 100% |
| Subone Limited | Manufacture of electronic equipment | A Land | 90% | 100% |
| Subtwo Limited | Manufacture of leisure goods | A Land | 45% | 45% |
| Subthree Limited | Construction of residential properties | A Land | 100% | 100% |
| Subfour Limited | Manufacture of leisure goods | B Land | 70% | 70% |
| Subfive Limited | Manufacture of electronic equipment | C Land | 100% | 100% |
| Subsix Limited | 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 2011 – 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 | |
|---|---|---|---|---|
| | | | 31/12/11 | 31/12/10 |
| A Plus Limited (i)&(ii) | Transport | M Land | 35% | 35% |
| B Plus Limited (iii) | Steel manufacturing | A Land | 17% | 17% |
| C Plus Limited | Manufacture of electronic equipment | A 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)
IAS 28.37(a)

(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 2011 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2011. As at 31 December 2011, the fair value of the Group's interest in A Plus Limited, which is listed on the stock exchange of M Land, was CU8.0 million (31 December 2010: CU7.8 million).

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(b)

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

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | 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 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | 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 2011 – 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 2011, the Group disposed of a 30% interest in E Plus Limited to a third party for proceeds of CU1.245 million (received in January 2012). 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 2011 – continued

### 21. Joint ventures

IAS 31.56

The Group has the following significant interests in joint ventures:

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

(b) a 33.3 per cent 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.

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | 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 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | 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 2011 – continued**

IFRS 7.7

## 22. Other financial assets

| Source | | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 | CU'000 |
| IFRS 7.7 | *Derivatives designated and effective as hedging instruments carried at fair value* | | | |
| | Foreign currency forward contracts | 244 | 220 | 308 |
| | Interest rate swaps | 284 | 177 | 128 |
| | | 528 | 397 | 436 |
| IFRS 7.8(a) | *Financial assets 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 | 1,137 |
| | | 1,539 | 1,639 | 1,137 |
| IFRS 7.8(b) | *Held-to-maturity investments carried at amortised cost* | | | |
| | Bills of exchange (i) | 5,405 | 4,015 | 4,066 |
| | Debentures (ii) | 500 | – | – |
| | | 5,905 | 4,015 | 4,066 |
| IFRS 7.8(d) | *Available-for-sale investments carried at fair value* | | | |
| | Redeemable notes (iii) | 2,200 | 2,180 | 2,150 |
| | Shares (iv) | 5,719 | 5,285 | 5,234 |
| | | 7,919 | 7,465 | 7,384 |
| IFRS 7.8(c) | *Loans carried at amortised cost* | | | |
| | Loans to related parties (v) | 3,637 | 3,088 | 355 |
| | Loans to other entities | – | – | – |
| | | 3,637 | 3,088 | 355 |
| | | 19,528 | 16,604 | 13,378 |
| | Current | 8,757 | 6,949 | 5,528 |
| | Non-current | 10,771 | 9,655 | 7,850 |
| | | 19,528 | 16,604 | 13,378 |

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 (2010: 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 2012. 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 2011 – continued**

(iii) The Group holds listed redeemable notes that carry interest at 7% per annum. The notes are redeemable at par value in 2013. 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 2011, 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

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Prepayments | – | – | – |
| Other [describe] | – | – | – |
| | – | – | – |
| Current | – | – | – |
| Non-current | – | – | – |
| | – | – | – |

IAS 2.36(b)

## 24. Inventories

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Raw materials | 9,972 | 10,322 | 8,619 |
| Work in progress | 4,490 | 4,354 | 4,270 |
| Finished goods | 16,751 | 14,306 | 16,799 |
| | 31,213 | 28,982 | 29,688 |

IAS 2.36(d)

The cost of inventories recognised as an expense during the year in respect of continuing operations was CU87.9million (31 December 2010: CU91.9million).

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

The cost of inventories recognised as an expense includes CU2.34 million (2010: CU1.86 million) in respect of write-downs of inventory to net realisable value, and has been reduced by CU0.5 million (2010: 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 2010: 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 2011 – continued**

## 25. Trade and other receivables

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Trade receivables | 17,788 | 15,476 | 14,178 |
| Allowance for doubtful debts | (798) | (838) | (628) |
| | 16,990 | 14,638 | 13,550 |
| Deferred sales proceeds | | | |
| – toy manufacturing operations (see note 45) | 960 | – | – |
| – partial disposal of E Plus Limited (see note 20) | 1,245 | – | – |
| Operating lease receivable | – | – | – |
| Other [describe] | 54 | 20 | – |
| | 19,249 | 14,658 | 13,550 |

### *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 2010: 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

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | 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 2011 – continued**

IFRS 7.16

Movement in the allowance for doubtful debts

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | 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 2010: 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

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | 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 7.13, 14(a)

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

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

## 26. Finance lease receivables

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Current finance lease receivables | 198 | 188 | 182 |
| Non-current finance lease receivables | 830 | 717 | 739 |
| | 1,028 | 905 | 921 |

### *26.1 Leasing arrangements*

IAS 17.47(f)
IFRS 7.7

The Group 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 lease payments | |
|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 |
| | CU'000 | CU'000 | CU'000 | CU'000 |
| Not later than one year | 282 | 279 | 198 | 188 |
| Later than one year and not later than five years | 1,074 | 909 | 830 | 717 |
| | 1,356 | 1,188 | 1,028 | 905 |
| Less: unearned finance income (IAS 17.47(b)) | (328) | (283) | n/a | n/a |
| Present value of minimum lease payments receivable | 1,028 | 905 | 1,028 | 905 |
| Allowance for uncollectible lease payments (IAS 17.47(d)) | – | – | – | – |
| | 1,028 | 905 | 1,028 | 905 |

IAS 17.47(c)

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at CU37,000 (31 December 2010: 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 2010: 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 2011 – continued**

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

| Source | | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | 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 | 1,291 |
| | Less: progress billings | (1,313) | (1,171) | (839) |
| | | 204 | 215 | 452 |
| | Recognised and included in the consolidated financial statements as amounts due: | | | |
| IAS 11.42(a) | – from customers under construction contracts | 240 | 230 | 697 |
| IAS 11.42(b) | – to customers under construction contracts | (36) | (15) | (245) |
| | | 204 | 215 | 452 |

IAS 11.40(b),(c)

At 31 December 2011, retentions held by customers for contract work amounted to CU75,000 (31 December 2010: CU69,000). Advances received from customers for contract work amounted to CU14,000 (31 December 2010: nil).

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – 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. As part of Improvements to IFRSs issued in 2010, the amendments to IAS 1 clarify that an analysis of other comprehensive income by item for each component of equity can 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 components of other comprehensive income (income tax and reclassification adjustments) may be disclosed in the notes rather than in the statement of comprehensive income. Entities will determine the most appropriate presentation for their circumstances – electing to present much of the detail in the notes (as we have done in these model financial statements) ensures that the primary financial statements are not cluttered by unnecessary detail, but it does result in very detailed supporting notes.*

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

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

## 28. Issued capital

| Source | | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 | CU'000 |
| | Share capital | 17,819 | 23,005 | 23,005 |
| | Share premium | 14,620 | 25,667 | 25,667 |
| | | 32,439 | 48,672 | 48,672 |
| | ***Issued capital comprises:*** | | | |
| IAS 1.79(a) | 14,844,000 fully paid ordinary shares (31 December 2010 and 1 January 2010: 20,130,000) | 29,469 | 45,797 | 45,797 |
| IAS 1.79(a) | 2,500,000 partly paid ordinary shares (31 December 2010 and 1 January 2010: 2,500,000) | 1,775 | 1,775 | 1,775 |
| IAS 1.79(a) | 1,200,000 fully paid 10% convertible non-participating preference shares (31 December 2010 and 1 January 2010: 1,100,000) | 1,195 | 1,100 | 1,100 |
| | | 32,439 | 48,672 | 48,672 |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – 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 2010 | 20,130 | 20,130 | 25,667 |
| Movements [describe] | – | – | – |
| Balance at 31 December 2010 | 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 2011 | 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 2010 | 2,500 | 1,775 | – |
| Movements [describe] | – | – | – |
| Balance at 31 December 2010 | 2,500 | 1,775 | – |
| Movements [describe] | – | – | |
| Balance at 31 December 2011 | 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 2010 | 1,100 | 1,100 | – |
| Movements [describe] | – | – | – |
| Balance at 31 December 2010 | 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 2011 | 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 and are due for conversion on 1 November 2014. 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 2011 – continued**

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

IAS 1.79(a)

At 31 December 2011, executives and senior employees held options over 196,000 ordinary shares of the Company, of which 136,000 will expire on 30 March 2012 and 60,000 will expire on 28 September 2012. At 31 December 2010, 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 2011 and 150,000 were due to expire on 29 September 2011.

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 2011 – continued**

## 29. Reserves (net of income tax)

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| General | 807 | 807 | 807 |
| Properties revaluation | 1,198 | 1,201 | 51 |
| Investments revaluation | 593 | 527 | 470 |
| Equity-settled employee benefits | 544 | 338 | – |
| Cash flow hedging | 317 | 278 | 258 |
| Foreign currency translation | 186 | 225 | 140 |
| Option premium on convertible notes | 592 | – | – |
| Other [describe] | – | – | – |
| | 4,237 | 3,376 | 1,726 |

IAS 1.106(d)
IAS 1.106A

### *29.1 General reserve*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Balance at beginning of year | 807 | 807 |
| Movements [describe] | – | – |
| Balance at end of year | 807 | 807 |

IAS 1.79(b)
IAS 1.106(d)

The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

IAS 1.106A

### *29.2 Properties revaluation reserve*

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 |
| IAS 16.77(f) | Balance at beginning of year | 1,201 | 51 |
| | Increase arising on revaluation of properties | – | 1,643 |
| IAS 36.126(c) | Impairment losses | – | – |
| IAS 36.126(d) | Reversals of impairment losses | – | – |
| | Deferred tax liability arising on revaluation | – | (493) |
| | Reversal of deferred tax liability on revaluation | – | – |
| | Transferred to retained earnings | (3) | – |
| | Other [describe] | – | – |
| | Balance at end of year | 1,198 | 1,201 |

IAS 1.79(b)

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

IAS 16.77(f)

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

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

IAS 1.106(d)
IAS 1.106A

*29.3 Investments revaluation reserve*

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | 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)

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)
IAS 1.106A

*29.4 Equity-settled employee benefits reserve*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Balance at beginning of year | 338 | – |
| Arising on share-based payments | 206 | 338 |
| Other [describe] | – | – |
| Balance at end of year | 544 | 338 |

IAS 1.79(b)

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

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

IAS 1.106(d)
IAS 1.106A

*29.5 Cash flow hedging reserve*

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | 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 |
| | Other [describe] | – | – |
| | Balance at end of year | 317 | 278 |

IAS 1.79(b)

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

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Revenue | – | – |
| Other income | – | – |
| Finance costs | (120) | (86) |
| Other expenses | (3) | – |
| Income tax expense | 114 | 86 |
| Other [describe] | – | – |
| | (9) | – |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IAS 1.106(d)
IAS 1.106A

*29.6 Foreign currency translation reserve*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| 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) | – |
| Other [describe] | – | – |
| Balance at end of year | 186 | 225 |

IAS 1.79(b)

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

IAS 1.106(d)
IAS 1.106A

*29.7 Option premium on convertible notes*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Balance at beginning of year | – | – |
| Recognition of option premium on issue of convertible notes | 834 | – |
| Related income tax | (242) | – |
| Balance at end of year | 592 | – |

IAS 1.79(b)

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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

## 30. Retained earnings and dividends on equity instruments

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Retained earnings | 110,805 | 94,909 | 73,824 |

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Balance at beginning of year | 94,909 | 73,824 |
| Profit attributable to owners of the Company | 23,049 | 27,564 |
| 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 | – |
| Other [describe] | – | – |
| Balance at end of year | 110,805 | 94,909 |

IAS 1.107

On 23 May 2011, a dividend of 32.1 cents per share (total dividend CU6.515 million) was paid to holders of fully paid ordinary shares. In May 2010, 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 (2010: 10 cents per share) amounting to a total dividend of CU0.12 million (2010: CU0.11 million).

IAS 1.137(a)
IAS 10.13

In respect of the current year, the directors propose that a dividend of 26.31 cents per share will be paid to shareholders on 25 May 2012. 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 2012. 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 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | 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 2011, 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 2013 and 3,000 will expire on 17 September 2013. 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 Share-based Payment 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 2011 – continued**

IFRS 7.8(f)

## 32. Borrowings

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| *Unsecured – at amortised cost* | | | |
| Bank overdrafts | 520 | 314 | 6,397 |
| Bills of exchange (i) | 358 | 916 | 1,490 |
| Loans from: | | | |
| – related parties (ii) (see note 43.3) | 10,376 | 29,843 | 47,151 |
| – other entities (iii) | 3,701 | 3,518 | – |
| – government (iv) | 2,798 | 2,610 | – |
| Convertible notes (note 33) | 4,144 | – | – |
| Perpetual notes (v) | 1,905 | – | – |
| Other [describe] | – | – | – |
| | 23,802 | 37,201 | 55,038 |
| *Secured – at amortised cost* | | | |
| Bank overdrafts | 18 | 64 | 2,124 |
| Bank loans (vi) | 14,982 | 17,404 | – |
| Loans from other entities (iii) | 575 | 649 | 1,809 |
| Transferred receivables (vii) | 923 | – | – |
| Finance lease liabilities (viii) | 14 | 89 | 432 |
| Other [describe] | – | – | – |
| | 16,512 | 18,206 | 4,365 |
| | 40,314 | 55,407 | 59,403 |
| Current | 22,446 | 25,600 | 33,618 |
| Non-current | 17,868 | 29,807 | 25,785 |
| | 40,314 | 55,407 | 59,403 |

### *32.1 Summary of borrowing arrangements*

IFRS 7.7

(i) Bills of exchange with a variable interest rate were issued in 2004. The current weighted average effective interest rate on the bills is 6.8% per annum (31 December 2010: 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 2010: 8.0% – 8.2% per annum).

(iii) Fixed rate loans with a finance company with remaining maturity periods not exceeding 3 years (31 December 2010: 4 years). The weighted average effective interest rate on the loans is 8.15% per annum (31 December 2010: 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 2010, 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 2011 and CU202,000 will be recognised in 2012.

(v) 2,500 perpetual notes with a coupon rate of 6% per annum were issued on 27 August 2011 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 2010: 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 2011 – 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 2011, 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 2012 and 12 September 2014. If the notes have not been converted, they will be redeemed on 13 September 2014 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 2011 (included in "borrowings" (note 32)) | 4,144 |

## Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

### 34. Other financial liabilities

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Financial guarantee contracts | 24 | 18 | – |
| *Derivatives that are designated and effective as hedging instruments carried at fair value* | | | |
| Foreign currency forward contracts | 87 | – | – |
| Interest rate swaps | 5 | – | – |
| Currency swaps | – | – | – |
| Other [describe] | – | – | – |
| | 92 | – | – |
| *Financial liabilities carried at fair value through profit or loss (FVTPL)* | | | |
| Non-derivative financial liabilities designated as at FVTPL 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 | – | – |
| Other (contingent consideration) (iii) | 75 | – | – |
| | 15,117 | 18 | – |
| Current | 116 | 18 | – |
| Non-current | 15,001 | – | – |
| | 15,117 | 18 | – |

IFRS 7.8(e)

(i) 3,000,000 redeemable cumulative preference shares with a coupon rate of 7% per annum were issued on 1 June 2011 at an issue price of CU5 per share. The shares are redeemable on 31 May 2013 at CU5 per share. The shares are unsecured borrowings of the Group and are designated as at FVTPL (see below).

The Group has designated its redeemable cumulative preference shares as financial liabilities at fair value through profit or loss (FVTPL) as permitted by IAS 39 *Financial Instruments: Recognition and Measurement*. The preference shares have fixed interest payments and mature on 31 May 2013. 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 2013. 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 (2010: nil) were paid on redeemable cumulative preference shares and are included in the "other gains and losses" line item in the consolidated [statement of comprehensive income/income statement].

(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 2011 – continued**

## 35. Provisions

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Employee benefits (i) | 1,334 | 4,388 | 4,027 |
| Other provisions (see below) | 4,316 | 1,038 | 2,310 |
| | 5,650 | 5,426 | 6,337 |
| Current | 3,356 | 3,195 | 2,235 |
| Non-current | 2,294 | 2,231 | 4,102 |
| | 5,650 | 5,426 | 6,337 |

### Other provisions

| Source | | Rectification work (ii) | Warranties (iii) | Onerous leases (iv) | Total |
|---|---|---|---|---|---|
| | | CU'000 | CU'000 | CU'000 | CU'000 |
| IAS 37.84(a) | Balance at 1 January 2011 | – | 295 | 743 | 1,038 |
| IAS 37.84(b) | Additional provisions recognised | 4,170 | 338 | 369 | 4,877 |
| IAS 37.84(c) | Reductions arising from payments/other sacrifices of future economic benefits | (1,112) | (90) | (310) | (1,512) |
| IAS 37.84(d) | Reductions resulting from re-measurement or settlement without cost | – | (15) | (100) | (115) |
| IAS 37.84(e) | Unwinding of discount and effect of changes in the discount rate | – | – | 28 | 28 |
| | Other [describe] | – | – | – | – |
| IAS 37.84(a) | Balance at 31 December 2011 | 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 2012. 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 2012 is CU1.94 million, and for 2013 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 2011 – continued**

### 36. Other liabilities

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Lease incentives (note 48.1) | 270 | 360 | – |
| Other [describe] | – | 5 | – |
| | 270 | 365 | – |
| Current | 90 | 95 | – |
| Non-current | 180 | 270 | – |
| | 270 | 365 | – |

### 37. Trade and other payables

| Source | | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 | CU'000 |
| | Trade payables | 16,373 | 21,220 | 52,750 |
| IFRS 2.51(b) | Cash-settled share-based payments | – | – | – |
| | Other [describe] | – | – | – |
| | | 16,373 | 21,220 | 52,750 |

IFRS 7.7

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

**Notes to the consolidated financial statements for the year ended 31 December 2011 – 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 (2010: 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% (2010: 3.75% to 6%) per annum.

### *38.2 Finance lease liabilities*

IAS 17.31(b)

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 |
| | 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 |

| | 31/12/11 | 31/12/10 |
|---|---|---|
| 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 2011 – continued**

## 39. Retirement benefit plans

### *39.1 Defined contribution plans*

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

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

IAS 19.46

The total expense recognised in the consolidated [statement of comprehensive income/income statement] of CU160,000 (2010: CU148,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2011, contributions of CU8,000 (2010: CU8,000) due in respect of the 2011 (2010) 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 2011 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 | |
|---|---|---|
| | 31/12/11 | 31/12/10 |
| | % | % |
| Discount rate(s) | 5.52 | 5.20 |
| Expected return on plan assets | 12.08 | 10.97 |
| Expected rate(s) of salary increase | 5.00 | 5.00 |
| Expected return on reimbursement rights | – | – |
| Other [describe] | – | – |

IAS 19.120A(g)

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

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | 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 2011 – continued**

IAS 19.120A(g)

[The expense for the year is included in the employee benefits expense in the consolidated [income statement/statement of comprehensive income]./Of the expense for the year, CU412,000 (2010: CU402,000) has been included in the consolidated income statement 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 | | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 | CU'000 |
| IAS 19.120A(d) | Present value of funded defined benefit obligation | 6,156 | 5,808 | 6,204 |
| | Fair value of plan assets | (4,202) | (4,326) | (4,010) |
| | | 1,954 | 1,482 | 2,194 |
| IAS 19.120A(d) | Present value of unfunded defined benefit obligation | – | – | – |
| | Deficit | 1,954 | 1,482 | 2,194 |
| | Net actuarial gains not recognised | 1,095 | 741 | 1,005 |
| | Past service cost not yet recognised | (188) | (200) | (231) |
| | Restrictions on asset recognised | – | – | – |
| | Fair value of reimbursement rights recognised as an asset | – | – | – |
| | Other [describe] | – | – | – |
| | Net liability arising from defined benefit obligation | 2,861 | 2,023 | 2,968 |

IAS 19.120A(c)

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

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | 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) |
| Other [describe] | – | – |
| Closing defined benefit obligation | 6,156 | 5,808 |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

IAS 19.120A(e)

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

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | 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 | – | – |
| Other [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 | |
|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 |
| | % | % | 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 |
| Other [describe] | – | – | – | – |
| Weighted average expected return | 12.08 | 10.97 | 4,202 | 4,326 |

IAS 19.120A(l)

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

IAS 19.120A(m)

The actual return on plan assets was CU0.72 million (2010: 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 2010: CU0.252 million) and property occupied by a subsidiary of International GAAP Holdings Limited with a fair value of CU0.62 million (31 December 2010: CU0.62 million).

IAS 19.120A(p)

The history of experience adjustments is as follows.

| | 31/12/11 | 31/12/10 | 31/12/09 | 31/12/08 | 31/12/07 |
|---|---|---|---|---|---|
| | 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 (2010: 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 2011 – 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 2010.

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 2011 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.

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| 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) | 171,797 | 166,962 |
| Net debt to equity ratio | 18.38% | 21.34% |

(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 2011 – continued**

*40.2 Categories of financial instruments*

| Source | | 31/12/11 CU'000 | 31/12/10 CU'000 | 01/01/10 CU'000 |
|---|---|---|---|---|
| | ***Financial assets*** | | | |
| | Cash and bank balances (including cash and bank balances in a disposal group held for sale) | 23,621 | 19,778 | 9,082 |
| | Fair value through profit or loss (FVTPL) | | | |
| IFRS 7.8(a) | Held for trading | 1,539 | 1,639 | 1,137 |
| IFRS 7.8(a) | Designated as at FVTPL | – | – | – |
| | Derivative instruments in designated hedge accounting relationships | 528 | 397 | 436 |
| IFRS 7.8(b) | Held-to-maturity investments | 5,905 | 4,015 | 4,066 |
| IFRS 7.8(c) | Loans and receivables (including trade receivables balance in a disposal group held for sale) | 23,606 | 17,746 | 13,905 |
| IFRS 7.8(d) | Available-for-sale financial assets | 7,919 | 7,465 | 7,384 |
| | ***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(g) | Amortised cost | 56,687 | 76,627 | 112,153 |
| | Financial guarantee contracts | 24 | 18 | – |
| | Contingent consideration for a business combination | 75 | – | – |

40.2.1 Loans and receivables designated as at FVTPL

| Source | | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | 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 31/12/11 CU'000 | Year ended 31/12/10 CU'000 |
|---|---|---|
| Opening fair value | – | – |
| Additions during the year | – | – |
| Realised during the year | – | – |
| Change in fair value | – | – |
| Closing fair value | – | – |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

40.2.3 Financial liabilities designated as at FVTPL

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | 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 | | 31/12/11 | 31/12/10 |
|---|---|---|---|
| | | 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 2011 – 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 | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 31/12/11 | 31/12/10 |
| | 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 | |
|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 |
| | CU'000 | CU'000 | CU'000 | CU'000 |
| Currency of B Land | 6,297 | 7,469 | 1,574 | 1,671 |
| Currency of C Land | 186 | 135 | – | – |
| Other | – | – | – | – |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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 | | |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2010 | | 2011 | 2010 | |
| | | 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 (2010: 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.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

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) | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 | 31/12/11 | 31/1210 | 31/12/11 | 31/12/10 |
| | | | 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 2011, 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 (2010: 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 2011, 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 (2010: 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 2011, 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 2011, no ineffectiveness has been recognised in profit or loss arising from hedging the net investment in Subfour Limited.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

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 2011 would decrease/increase by CU43,000 (2010: 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 2011 would decrease/increase by CU19,000 (2010: 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) | |
|---|---|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 |
| | % | % | 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.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

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) | |
|---|---|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 |
| | % | % | 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 2011 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 2011 would increase/decrease by CU286,000 (2010: 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 2011 – 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 2011, an amount of CU24,000 (31 December 2010: 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 2010: CU0.905 million) and the fair value of the leased assets is estimated to be approximately CU1.00 million (31 December 2010: CU0.9 million). The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

*Note: IFRS 7.36(b) (amended as part of* Improvements to IFRSs *issued in 2010) specifies that entities should give a description of collateral held as security and of other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk. The amendments are effective for annual periods beginning on or after 1 January 2011.*

***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 2011 – 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 includes 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 2011*** | | | | | | | |
| 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 2010*** | | | | | | | |
| 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 rat 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.

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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

| | 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 2011* | | | | | | | |
| 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 2010* | | | | | | | |
| 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 (2010: 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 2011 – 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 2011* | | | | | |
| 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 2010* | | | | | |
| 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)

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | 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 2011 – 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.

| | 31/12/11 | | 31/12/10 | |
|---|---|---|---|---|
| | 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.
- 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 2010: CU0.898 million) using an 8.5% (31 December 2010: 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 2011 – 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 2014 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 2010: 4.9%) and a risk adjusted discount factor of 12.2% (31 December 2010: 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 2010: 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).
- 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 2011 – continued**

| | 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 | – | 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) |

| | 31/12/10 | | | |
|---|---|---|---|---|
| | 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 2011 – continued**

IFRS 7.27B(c)

Reconciliation of Level 3 fair value measurements of financial assets

*31 December 2011*

| | Fair value through profit or loss | Available-for-sale | | Total |
|---|---|---|---|---|
| | Held for trading | Unlisted shares | Other [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 2010*

| | Fair value through profit or loss | Available-for-sale | | Total |
|---|---|---|---|---|
| | Held for trading | Unlisted shares | Other [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 related to acquisition of Subsix Limited (see note 44.2). No gain or loss for the year related to this contingent consideration has been recognised in the consolidated [statement of comprehensive income/income statement].

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 (2010: 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 2011 – continued**

### 41. Deferred revenue

| Source | | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 | CU'000 |
| | Arising from customer loyalty programme (i) | 184 | 147 | 104 |
| IAS 20.39(b) | Arising from government grant (ii) | 140 | 390 | – |
| | | 324 | 537 | 104 |
| | Current | 265 | 372 | 63 |
| | Non-current | 59 | 165 | 41 |
| | | 324 | 537 | 104 |

(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 2010 (see note 32). The revenue was offset against training costs incurred in 2011 (CU250,000) and will be offset against training costs to be incurred in 2012 (CU140,000).

## Notes to the consolidated financial statements for the year ended 31 December 2011 – 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 2010 | 140,000 | 31/03/10 | 30/03/11 | 1.00 | 1.15 |
| (2) Granted on 30 September 2010 | 150,000 | 30/09/10 | 29/09/11 | 1.00 | 1.18 |
| (3) Granted on 31 March 2011 | 160,000 | 31/03/11 | 30/03/12 | 2.40 | 0.98 |
| (4) Granted on 29 September 2011 | 60,000 | 29/09/11 | 28/09/12 | 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 (2010: 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 | 2.69 | 2.53 |
| Exercise price | 1.00 | 1.00 | 2.40 | 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% |
| Other [describe] | – | – | – | – |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – 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:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | 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 | 2.40 | 290,000 | 1.00 |
| Forfeited during the year | – | – | – | – |
| Exercised during the year | (314,000) | 1.10 | – | – |
| Expired during the year | – | – | – | – |
| Balance at end of year | 196,000 | 2.40 | 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 2010 | 30,000 | 05/01/11 | 2.50 |
| (1) Granted on 31 March 2010 | 45,000 | 31/01/11 | 2.25 |
| (1) Granted on 31 March 2010 | 65,000 | 15/03/11 | 2.75 |
| (2) Granted on 30 September 2010 | 65,000 | 03/07/11 | 2.95 |
| (2) Granted on 30 September 2010 | 85,000 | 28/08/11 | 3.15 |
| (3) Granted on 31 March 2011 | 24,000 | 20/12/11 | 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 an exercise price of CU2.40 (2010: CU1.00), and a weighted average remaining contractual life of 103 days (2010: 184 days).

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – 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 date | Expiry date | Exercise price | Market-based measure at the acquisition date of Subsix Limited |
|---|---|---|---|---|---|
| | | | | CU | CU |
| (1) Granted on 13 March 2010 | 2,000 | 13/03/10 | 12/03/13 | 0.2 | 1.00 |
| (2) Granted on 18 September 2010 | 3,000 | 18/09/10 | 17/09/13 | 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 Share-based Payment 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 behavioral 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% |
| Other [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 2011 – 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 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 |
| | 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 | | |
|---|---|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 01/01/10 | 31/12/11 | 31/12/10 | 01/01/10 |
| | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 |
| International Group Holdings Limited | 209 | 197 | 255 | 231 | 139 | 179 |
| Subsidiaries of International Group Holdings Limited | 398 | 293 | 184 | 149 | 78 | 115 |
| 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*

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Loans to key management personnel | 3,637 | 3,088 | 355 |

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 for the year ended 31 December 2011 – continued**

IFRS 7.7

*43.3 Loans from related parties*

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Loans from Mr. John Banks (the ultimate controlling party of the Company) | 10,376 | 29,843 | 47,151 |

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 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | 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 (2010: 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 2011 – 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 |
| *2011* | | | | |
| Subsix Limited | Manufacture of leisure goods | 15/07/11 | 80 | 505 |
| Subseven Limited | Manufacture of leisure goods | 30/11/11 | 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 2012 and 2013 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 the consolidated [statement of comprehensive income/income statement] within the 'other gains and losses' line item. This has resulted in a corresponding increase in the consideration transferred.

IFRS 3.B64(m)

Acquisition-related costs amounting to CU145,000 (Subsix Limited: CU65,000; Subseven Limited: CU80,000) have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the 'other expenses' line item in the consolidated [statement of comprehensive income/income statement].

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – 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 *Share-based Payment* 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 2011 – 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 31/12/11 |
|---|---|---|
| | | 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 2011, 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 2011 – continued**

## 45. Disposal of subsidiary

On 30 November 2011, the Group disposed of Subzero Limited which carried out its entire toy manufacturing operations.

### *45.1 Consideration received*

| Source | | Year ended 31/12/11 CU'000 | Year ended 31/12/10 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 31/12/11 CU'000 | Year ended 31/12/10 CU'000 |
|---|---|---|---|
| IAS 7.40(d) | | | |
| | Current assets | | |
| | Cash and cash equivalents | 288 | – |
| | Trade receivables | 1,034 | – |
| | Inventories | 2,716 | – |
| | Non-current assets | | |
| | Property, plant and equipment | 5,662 | – |
| | Goodwill | 3,080 | – |
| | Current liabilities | | |
| | Payables | (973) | – |
| | Non-current liabilities | | |
| | Borrowings | (4,342) | – |
| | Deferred tax liabilities | (471) | – |
| | Net assets disposed of | 6,994 | – |

### *45.3 Gain on disposal of subsidiary*

| Source | | Year ended 31/12/11 CU'000 | Year ended 31/12/10 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 in the consolidated [statement of comprehensive income/income statement] (see note 11).

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

*45.4 Net cash inflow on disposal of subsidiary*

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 |
| | Consideration received in cash and cash equivalents | 7,854 | – |
| IAS 7.40(c) | Less: cash and cash equivalent balances disposed of | (288) | – |
| | | 7,566 | – |

## 46. Cash and cash equivalents

IAS 7.45

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:

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Cash and bank balances | 23,446 | 19,778 | 9,082 |
| Bank overdrafts | (538) | (378) | (8,521) |
| | 22,908 | 19,400 | 561 |
| Cash and bank balances included in a disposal group held for sale | 175 | – | – |
| | 23,083 | 19,400 | 561 |

IAS 7.43

## 47. Non-cash transactions

During the 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 (2010: nil).

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – 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 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | 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

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | 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

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | 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 2011 – continued

IAS 17.56(a)

48.2.2 Non-cancellable operating lease receivables

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | 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

| | | 31/12/11 | 31/12/10 |
|---|---|---|---|
| | | 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:

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Commitments for the acquisition of property, plant and equipment | 983 | 192 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

## 50. Contingent liabilities and contingent assets

| Source | | 31/12/11 | 31/12/10 |
|---|---|---|---|
| | | 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.

*50.2 Contingent assets*

| Source | | 31/12/11 | 31/12/10 |
|---|---|---|---|
| | | 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 2012, 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 2012.

## 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 2011, and the [consolidated income statement,] consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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.

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 give a true and fair view of the financial position of International GAAP Holdings Limited and its subsidiaries as at 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

15 March 2012

*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.*

## Section 3 – Appendix 1: Early application of IFRS 9 *Financial Instruments* (as issued in November 2009 and revised in October 2010)

In November 2009, the IASB issued IFRS 9 *Financial Instruments* (IFRS 9). IFRS 9 issued in November 2009 introduces new classification and measurement requirements for financial assets that replace the classification and measurement requirements previously included in IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39).

In October 2010, the IASB issued a revised version of IFRS 9 in which the IASB added requirements for classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with early application permitted. IFRS 9 requires retrospective application (subject to some transitional provisions). However, entities that apply IFRS 9 in advance of its effective date for reporting periods beginning before 1 January 2012 can choose not to restate the comparative period in accordance with paragraph 7.2.14 of IFRS 9.

This appendix gives you examples of the application of the requirements of IFRS 9.

Key assumptions used in the preparation of this appendix are as follows:

- International GAAP Holdings Limited is assumed to have early applied IFRS 9 in the current year in advance of its effective date and has chosen to restate the comparative periods. Amounts for prior periods are restated in accordance with the relevant transitional provisions. Therefore, a statement of financial position as at the beginning of the earliest comparative period in accordance with IAS 1.10(f) is included.
- 1 January 2011 is considered to be the date of initial application of IFRS 9 in accordance with paragraph 7.2.2 of IFRS 9 (as revised in 2010). The requirements of IFRS 9 do not apply to financial instruments that have already been derecognised at 1 January 2011 in accordance with paragraph 7.2.1 of IFRS 9 (as revised in 2010).
- This appendix does not include a full set of financial statements; only the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and certain notes affected by the application of IFRS 9 are included. Regarding the statement of comprehensive income, one single statement presentation method is used and expenses are aggregated according to their function. In addition, regarding the statement of cash flows, indirect method is used to report cash flows from operating activities.

However, if an entity chooses to apply the exemption given in the transitional provision for early application of IFRS 9 and hence not to restate comparative information in the year of the initial application, the following points are relevant:

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with IAS 39 and disclosures made in accordance with IFRS 7 *Financial Instruments: Disclosures* will be retained.
- The entity should disclose accounting policies for both periods: one applying IFRS 9 (current period) and other applying IAS 39 (prior period).
- Any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognised in the opening retained earnings (or other component of equity, as appropriate).
- The entity is not required to present a statement of financial position as at the beginning of the earliest comparative period since the entity chooses not to restate comparative information. The additional statement of financial position may be required due to the application of other new and revised IFRSs.

*Note: In August 2011, the IASB issued an exposure draft titled* Mandatory Effective Date of IFRS 9*. The exposure draft proposes to change the effective date of IFRS 9 from 1 January 2013 to 1 January 2015. The IASB has not yet finalised the proposal at the cut-off date of this publication.*

## Contents


| | Page |
|---|---|
| Consolidated statement of comprehensive income | 138 |
| Consolidated statement of financial position | 140 |
| Consolidated statement of changes in equity | 142 |
| Consolidated statement of cash flows | 144 |
| Notes to the consolidated financial statements, including: | |
| 2 Application of new and revised International Financial Reporting Standards | 146 |
| 3 Significant accounting policies | 148 |
| 7 Investment income | 156 |
| 8 Other gains and losses | 157 |
| 14 Earnings per share | 158 |
| 22 Other financial assets | 159 |
| 25 Trade and other receivables | 162 |
| 32 Borrowings | 164 |
| 33 Convertible notes | 166 |
| 34 Other financial liabilities | 167 |
| 37 Trade and other payables | 168 |
| 40 Financial instruments | 169 |

| Source | International GAAP Holdings Limited |
|---|---|

## Consolidated statement of comprehensive income for the year ended 31 December 2011

| Source | | Notes | Year ended 31/12/11 CU'000 | Year ended 31/12/10 CU'000 (restated) |
|---|---|---|---|---|
| | **Continuing operations** | | | |
| | Revenue | | 140,918 | 151,840 |
| | Cost of sales | | (87,897) | (91,840) |
| | Gross profit | | 53,021 | 60,000 |
| | Investment income | 7 | 3,454 | 2,253 |
| | Other gains and losses | 8 | 801 | 1,133 |
| IAS 1.82(aa) | Net gain/(loss) from the derecognition of financial assets measured at amortised cost | | – | – |
| IAS 1.82(ca) | Net gain/(loss) on reclassification of financial assets from amortised cost to fair value through profit or loss | | – | – |
| | Distribution expenses | | (5,087) | (4,600) |
| | Marketing expenses | | (3,305) | (2,254) |
| | Administration expenses | | (13,129) | (17,325) |
| | Other expenses | | (2,801) | (2,612) |
| | Finance costs | | (4,418) | (6,023) |
| | Share of profits of associates | | 1,186 | 1,589 |
| | Gain recognised on disposal of interest in former associate | | 581 | – |
| | Other [describe] | | – | – |
| | Profit before tax | | 30,303 | 32,161 |
| | Income tax expense | | (11,570) | (11,808) |
| | Profit for the year from continuing operations | | 18,733 | 20,353 |
| | **Discontinued operations** | | | |
| | Profit for the year from discontinued operations | | 8,310 | 9,995 |
| | **Profit for the year** | | 27,043 | 30,348 |
| | **Other comprehensive income, net of income tax** | | | |
| | Exchange differences on translating foreign operations | | (39) | 85 |
| IAS 1.82(g) | Net gain/(loss) on investments in equity instruments designated as at fair value through other comprehensive income | | 52 | 36 |
| | Net gain/(loss) on hedging instruments entered into for cash flow hedges | | 39 | 20 |
| IAS 1.82(g) | Gain/(loss) on changes in fair value of financial liabilities attributable to changes in the liabilities' credit risk in relation to financial liabilities designated as at fair value through profit or loss | 34 | 20 | – |
| | Gain on revaluation of properties | | – | 1,150 |
| | Share of other comprehensive income of associates | | – | – |
| | Other comprehensive income for the year, net of tax | | 72 | 1,291 |
| | Total comprehensive income for the year | | 27,115 | 31,639 |
| | Profit attributable to: | | | |
| | Owners of the Company | | 23,043 | 27,585 |
| | Non-controlling interests | | 4,000 | 2,763 |
| | | | 27,043 | 30,348 |
| | Total comprehensive income attributable to: | | | |
| | Owners of the Company | | 23,115 | 28,876 |
| | Non-controlling interests | | 4,000 | 2,763 |
| | | | 27,115 | 31,639 |

**Consolidated statement of comprehensive income for the year ended 31 December 2011 – continued**

| | Note | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 (restated) |
| **Earnings per share** | 14 | | |
| From continuing and discontinued operations | | | |
| Basic (CU cents per share) | | 132.1 | 137.1 |
| Diluted (CU cents per share) | | 115.5 | 130.6 |
| From continuing operations | | | |
| Basic (CU cents per share) | | 84.4 | 87.4 |
| Diluted (CU cents per share) | | 74.0 | 83.3 |

*Note: The above illustrates the presentation of comprehensive income in one statement. The expenses above are aggregated according to their function.*

**Consolidated statement of financial position at 31 December 2011**

| | Notes | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 (restated) | CU'000 (restated) |
| **Assets** | | | | |
| *Non-current assets* | | | | |
| Property, plant and equipment | | 109,783 | 135,721 | 161,058 |
| Investment property | | 1,968 | 1,941 | 170 |
| Goodwill | | 20,285 | 24,060 | 23,920 |
| Other intangible assets | | 9,739 | 11,325 | 12,523 |
| Investments in associates | | 7,402 | 7,270 | 5,706 |
| Deferred tax assets | | 2,083 | 1,964 | 1,843 |
| Finance lease receivables | | 830 | 717 | 739 |
| Other financial assets | 22 | 10,771 | 9,655 | 7,850 |
| Other assets | | – | – | – |
| Total non-current assets | | 162,861 | 192,653 | 213,809 |
| *Current assets* | | | | |
| Inventories | | 31,213 | 28,982 | 29,688 |
| Trade and other receivables | 25 | 19,249 | 14,658 | 13,550 |
| Finance lease receivables | | 198 | 188 | 182 |
| Amounts due from customers under construction contracts | | 240 | 230 | 697 |
| Other financial assets | 22 | 8,757 | 6,949 | 5,528 |
| Current tax assets | | 125 | 60 | 81 |
| Other assets | | – | – | – |
| Cash and bank balances | | 23,446 | 19,778 | 9,082 |
| | | 83,228 | 70,845 | 58,808 |
| Assets classified as held for sale | | 22,336 | – | – |
| Total current assets | | 105,564 | 70,845 | 58,808 |
| Total assets | | 268,425 | 263,498 | 272,617 |

*Note: IAS 1.10(f) requires that an entity should present a statement of financial position as at the beginning of the earliest comparative 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. In this appendix, the application of IFRS 9 has resulted in retrospective restatement of items in the financial statements (see note 2). Therefore, this appendix includes the additional statement of financial position.*

## Consolidated statement of financial position at 31 December 2011 – continued

| | Notes | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 (restated) | CU'000 (restated) |
| **Equity and liabilities** | | | | |
| *Capital and reserves* | | | | |
| Issued capital | | 32,439 | 48,672 | 48,672 |
| Reserves | | 4,131 | 3,264 | 1,635 |
| Retained earnings | | 110,911 | 95,021 | 73,915 |
| | | 147,481 | 146,957 | 124,222 |
| Amounts recognised directly in equity relating to assets classified as held for sale | | – | – | – |
| Equity attributable to owners of the Company | | 147,481 | 146,957 | 124,222 |
| Non-controlling interests | | 24,316 | 20,005 | 17,242 |
| Total equity | | 171,797 | 166,962 | 141,464 |
| *Non-current liabilities* | | | | |
| Borrowings | 32 | 17,868 | 29,807 | 25,785 |
| Other financial liabilities | 34 | 15,001 | – | – |
| Retirement benefit obligation | | 2,861 | 2,023 | 2,968 |
| Deferred tax liabilities | | 6,729 | 5,657 | 4,436 |
| Provisions | | 2,294 | 2,231 | 4,102 |
| Deferred revenue | | 59 | 165 | 41 |
| Other liabilities | | 180 | 270 | – |
| Total non-current liabilities | | 44,992 | 40,153 | 37,332 |
| *Current liabilities* | | | | |
| Trade and other payables | 37 | 16,373 | 21,220 | 52,750 |
| Amounts due to customers under construction contracts | | 36 | 15 | 245 |
| Borrowings | 32 | 22,446 | 25,600 | 33,618 |
| Other financial liabilities | 34 | 116 | 18 | – |
| Current tax liabilities | | 5,270 | 5,868 | 4,910 |
| Provisions | | 3,356 | 3,195 | 2,235 |
| Deferred revenue | | 265 | 372 | 63 |
| Other liabilities | | 90 | 95 | – |
| | | 47,952 | 56,383 | 93,821 |
| Liabilities directly associated with assets classified as held for sale | | 3,684 | – | – |
| Total current liabilities | | 51,636 | 56,383 | 93,821 |
| Total liabilities | | 96,628 | 96,536 | 131,153 |
| Total equity and liabilities | | 268,425 | 263,498 | 272,617 |

## Consolidated statement of changes in equity for the year ended 31 December 2011

| | Share capital | Share premium | General reserve | Properties revaluation reserve |
|---|---|---|---|---|
| | CU'000 | CU'000 | CU'000 | CU'000 |
| **Balance at 1 January 2010** | 23,005 | 25,667 | 807 | 51 |
| Adjustments (note 2) | – | – | – | – |
| As restated | 23,005 | 25,667 | 807 | 510 |
| Profit for the year | – | – | – | – |
| Other comprehensive income for the year, net of income tax | – | – | – | 1,15 |
| Total comprehensive income for the year | – | – | – | 1,150 |
| Recognition of share-based payments | – | – | – | – |
| Payment of dividends | – | – | – | – |
| **Balance at 31 December 2010 (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 | – | – | – | – |
| Additional non-controlling interests relating to outstanding share-based payment transactions of Subsix Limited | – | – | – | – |
| Disposal of partial interest in Subone Limited | – | – | – | – |
| Recognition of share-based payments | – | – | – | – |
| Issue of ordinary shares under employee share option plan | 314 | – | – | – |
| Issue of ordinary shares for consulting services performed | 3 | 5 | – | – |
| Issue of convertible non-participating preference shares | 100 | – | – | – |
| Issue of convertible notes | – | – | – | – |
| Share issue costs | – | (6) | – | – |
| Buy-back of ordinary shares | (5,603) | (10,853) | – | – |
| Share buy-back costs | – | (277) | – | – |
| Transfer to retained earnings | – | – | – | (3) |
| Income tax relating to transactions with owners | 84 | – | – | – |
| **Balance at 31 December 2011** | 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 | Credit risk of financial liabilities designated as at fair value through profit or loss | 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 | CU'000 |
| 470 | – | 258 | 140 | – | – | 73,824 | 124,222 | 17,242 | 141,464 |
| (91) | – | – | – | – | – | 91 | – | – | – |
| 379 | – | 258 | 140 | – | – | 73,915 | 124,222 | 17,242 | 141,464 |
| – | – | – | – | – | – | 27,585 | 27,585 | 2,763 | 30,348 |
| 36 | – | 20 | 85 | – | – | – | 1,291 | – | 1,291 |
| 36 | – | 20 | 85 | – | – | 27,585 | 28,876 | 2,763 | 31,639 |
| – | 338 | – | – | – | – | – | 338 | – | 338 |
| – | – | – | – | – | – | (6,479) | (6,479) | – | (6,479) |
| 415 | 338 | 278 | 225 | – | – | 95,021 | 146,957 | 20,005 | 166,962 |
| – | – | – | – | – | – | 23,043 | 23,043 | 4,000 | 27,043 |
| 52 | – | 39 | (39) | – | 20 | – | 72 | – | 72 |
| 52 | – | 39 | (39) | – | 20 | 23,043 | 23,115 | 4,000 | 27,115 |
| – | – | – | – | – | – | (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) |
| 467 | 544 | 317 | 186 | 592 | 20 | 110,911 | 147,481 | 24,316 | 171,797 |

## Consolidated statement of cash flows for the year ended 31 December 2011

| | Notes | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 (restated) |
| **Cash flows from operating activities** | | | |
| Profit for the year | | 27,043 | 30,348 |
| Adjustments for: | | | |
| Income tax expense recognised in profit or loss | | 14,730 | 14,806 |
| 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 | | (3,454) | (2,253) |
| 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 | | (105) | – |
| Net (gain)/loss arising on held for trading financial liabilities | | 51 | – |
| Net (gain)/loss arising on financial assets mandatorily measured at fair value through profit or loss | | (330) | (200) |
| Net (gain)/loss from the derecognition of financial assets measured at amortised cost | | – | – |
| Net (gain)/loss on reclassification of financial assets from a mortised cost to fair value through profit or loss | | – | – |
| Hedge ineffectiveness on cash flow hedges | | (89) | (68) |
| 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 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 |
| Interest paid | | (4,493) | (6,106) |
| Income taxes paid | | (13,848) | (13,340) |
| Net cash generated by operating activities | | 29,829 | 13,561 |

## Consolidated statement of cash flows for the year ended 31 December 2011 – continued

| | Notes | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 (restated) |
| **Cash flows from investing activities** | | | |
| Payments to acquire financial assets | | (1,890) | – |
| Proceeds on sale of financial assets | | – | 51 |
| Interest received | | 2,315 | 1,054 |
| Royalties and other investment income received | | 1,137 | 1,143 |
| Dividends received from associates | | 30 | 25 |
| 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) | (1,532) |
| Proceeds from disposal of investment property | | – | 58 |
| Payments for intangible assets | | (6) | (358) |
| Net cash outflow on acquisition of subsidiaries | | (477) | – |
| Net cash inflow on disposal of subsidiary | | 7,566 | – |
| Net cash inflow on disposal of associate | | – | 120 |
| Net cash (used in)/generated by investing activities | | (3,198) | 7,352 |
| **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 |
| Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control | | 213 | – |
| Dividends paid on redeemable cumulative preference shares | | (613) | – |
| 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 | 19,023 |
| Cash and cash equivalents at the beginning of the year | | 19,400 | 561 |
| 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 | | 23,083 | 19,400 |

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011**

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

### *2.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years)*

*Note: The note below gives examples of the application of IFRS 9. Regarding impact of other new and revised Standards, please refer to Section 2 of this publication and other appendices.*

New and revised IFRSs affecting the reported financial performance and/or financial position

IAS 8.28

Impact of application of IFRS 9 *Financial Instruments*

IFRS 9.7.2.3
IFRS 9.7.2.2(b)

In the current year, the Group has applied IFRS 9 *Financial Instruments* (IFRS 9) (as issued in November 2009 and revised in October 2010) and the related consequential amendments in advance of their effective dates. The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities) is 1 January 2011. The Group has applied IFRS 9 in accordance with the transitional provisions set out in IFRS 9; the Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 January 2011 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2011. Comparative amounts in relation to instruments that have not been derecognised as at 1 January 2011 have been restated, where appropriate.

*Financial assets*

IFRS 9 introduces new classification and measurement requirements for financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*. Specifically, IFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

As required by IFRS 9, debt instruments are measured at amortised cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met, the debt instruments are classified as at fair value through profit or loss (FVTPL).

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the current year, the Group has not elected to designate any debt instruments that meet the amortised cost criteria as at FVTPL.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

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

As at 1 January 2011, the directors have reviewed and assessed the Group's existing financial assets. The initial application of IFRS 9 has had an impact on the following financial assets of the Group:

- the Group's redeemable notes that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at fair value through profit or loss because they do not meet the criteria to be classified as amortised cost; and

- the Group's investments in equity instruments (not held for trading) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at fair value through other comprehensive income.

## Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

The impact of the application of IFRS 9 is that the cumulative fair value gains in relation to the Group's redeemable notes as at 1 January 2010 of CU130,000 (along with the cumulative deferred tax charge of CU39,000) have been reclassified from the investments revaluation reserve to retained earnings.

In 2010, the fair value gains in relation to the Group's redeemable notes of CU30,000 (along with the deferred tax charge of CU9,000) have been reclassified from other comprehensive income to profit or loss. Therefore, the profit reported for 2010 has been increased by CU21,000 as a result of the change in accounting policy. As at 31 December 2010, the Group's investments revaluation reserve has been decreased by CU112,000 and the Group's retained earnings has been increased by the same amount.

In 2011, the fair value gains in relation to the Group's redeemable notes of CU20,000 (along with the deferred tax charge of CU6,000) have been reclassified from other comprehensive income to profit or loss. Therefore, the profit reported for 2011 has been increased by CU14,000 as a result of the change in accounting policy. As at 31 December 2011, the Group's investments revaluation reserve has been decreased by CU126,000 and the Group's retained earnings has been increased by the same amount.

The reclassification of the Group's investments in equity instruments that are not held for trading (see above) has had no impact on the Group's profit or loss for both years.

Please refer to note 22 for the Group's financial assets in more detail.

*Financial liabilities*

IFRS 9 also contains requirements for the classification and measurement of financial liabilities. One major change in the classification and measurement of financial liabilities relates to the accounting for 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 at fair value through profit or loss, 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 the 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 at fair value through profit or loss was presented in profit or loss.

This change in accounting policy has affected the Group's accounting for changes in the fair value of redeemable cumulative preference shares issued by the Group in the current year that were designated by the Group as financial liabilities at fair value through profit or loss on initial recognition. Specifically, the gain arising on change in the fair value of the redeemable cumulative preference shares attributable to changes in the credit risk of the liabilities of CU20,000 has been presented in other comprehensive income in the current year. The remaining amount of change in the fair value of the liabilities (including changes in fair value of the embedded derivatives) of CU105,000 has been presented in profit or loss.

Therefore, the application of IFRS 9 has resulted in the profit reported for 2011 being decreased by CU20,000. Profit and other comprehensive income reported for 2010 have not been affected as the Group did not have financial liabilities designated as at fair value through profit or loss in the prior year.

Please refer to note 34 for the Group's financial liabilities in more detail.

**Notes to the consolidated financial statements
for the year ended 31 December 2011 – continued**

**3. Significant accounting policies**

*Note: The note below only illustrates accounting policies regarding financial instruments that are within the scope of IFRS 9.*

IFRS 7.21

***3.24 Financial instruments***

*Note: IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with early application permitted. In general, IFRS 9 requires retrospective application. However, entities that apply IFRS 9 in advance of its effective date for reporting periods beginning before 1 January 2012 can choose not to restate the comparative periods.*

*This appendix assumes that the Group chooses not to apply the limited exemption (i.e. the Group restates the comparative periods. When entities choose to apply the limited exemption, they will need to disclose accounting policies for both periods: one applying IFRS 9 (current period) and one applying IAS 39 (prior periods).*

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

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***

IFRS 7.B5(c)

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.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3.25.1 Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

All other financial assets are subsequently measured at fair value.

3.25.2 Amortised cost and 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 measured subsequently at amortised cost. Interest income is recognised in profit or loss and is included in the "investment income" line item.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

3.25.3 Financial assets at fair value through other comprehensive income (FVTOCI)

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

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9 (see note 22).

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

3.25.4 Financial assets at fair value through profit or loss (FVTPL)

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

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instrument as at FVTPL.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

IFRS 7.B5(e)

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

Interest income on debt instruments as at FVTPL is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue and is included in the net gain or loss described above.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

3.25.5 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other gains and losses' line item in the consolidated [statement of comprehensive income/income statement].

3.25.6 Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for 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 assets, the estimated future cash flows of the asset have been affected.

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

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

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

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

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.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

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 the Group 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. A 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.

A 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]]. Where 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.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

3.26.4 Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

*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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with IFRS 9.

IFRS 7.B5(e)

Financial liabilities at FVTPL are stated at fair value. Any gains or losses arising on remeasurement of held-for-trading financial liabilities are recognised in profit or loss. Such gains or losses that are recognised in profit or loss incorporate any interest paid on the financial liabilities and are included in the 'other gains and losses' line item in the consolidated [statement of comprehensive income/income statement].

However, for non-held-for-trading financial liabilities that are designated as at 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 recognised 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. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Fair value is determined in the manner described in note 40.

## Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

*3.26.4.2 Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'finance costs' line item.

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 the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

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

*3.26.4.4 Commitments to provide a loan at a below-market interest rate*

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

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

*3.26.4.5 Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the 'other gains and losses' line item (note 8) in the consolidated [statement of comprehensive income/income statement].

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

*3.26.4.6 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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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 and interest rate 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 that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

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 the line of the consolidated [statement of comprehensive income/income statement] relating to the hedged item.

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

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 of the consolidated [statement of comprehensive income/income statement] 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.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. 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.

## Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

### 7. Investment income

| Source | | Year ended 31/12/11 CU'000 | Year ended 31/12/10 CU'000 (restated) |
|---|---|---|---|
| | **Continuing operations** | | |
| | Rental income: | | |
| | Finance lease contingent rental income | – | – |
| | Operating lease rental income: | | |
| | Investment properties | 18 | 14 |
| | Contingent rental income | – | – |
| | Other [describe] | – | – |
| | | 18 | 14 |
| | Interest income: | | |
| | Bank deposits | 1,650 | 541 |
| IFRS 7.20(b) | Financial assets measured at amortised cost (see note 22) | 511 | 415 |
| IFRS 7.20(d) | Impaired financial assets measured at amortised cost | – | – |
| | | 2,161 | 956 |
| | Royalties | 79 | 28 |
| IFRS 7.B5(e) | Dividends from equity investments designated as at FVTOCI (see note 22) | 156 | 154 |
| | Other (aggregate of immaterial items) | 1,040 | 1,101 |
| | | 3,454 | 2,253 |

IFRS 7.11A(d) — All dividends from equity investments designated as at FVTOCI recognised for both years relate to investments held at the end of each reporting period. No equity investments were derecognised in the current and prior year.

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

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

**8. Other gains and losses**

| Source | | Year ended 31/12/11 CU'000 | Year ended 31/12/10 CU'000 (restated) |
|---|---|---|---|
| | **Continuing operations** | | |
| | Gain/(loss) on disposal of property, plant and equipment | 6 | 67 |
| | Gain/(loss) on disposal of investments | – | – |
| | 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)(i) | Net gain/(loss) arising on financial assets designated as at FVTPL | – | – |
| IFRS 7.20(a)(i) | Net gain/(loss) arising on financial assets mandatorily measured at FVTPL (i) | 376 | 227 |
| IFRS 7.20(a)(i) | Net gain/(loss) arising on financial liabilities designated as at FVTPL (ii) | (508) | – |
| IFRS 7.20(a)(i) | Net gain/(loss) arising on held for trading financial liabilities (iii) | (51) | – |
| | 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 | – | – |
| | | 801 | 1,133 |

(i) The net gain on these financial assets comprises fair value gains and losses on redeemable notes and held-for-trading financial assets of CU176,000 (2010: CU102,000), and interest income earned from these assets of CU200,000 (2010: CU125,000) (see note 22).

(ii) The net loss on these financial liabilities designated as at FVTPL includes a gain of CU105,000 resulting from the decrease in fair value of the liabilities other than changes in the fair value of the liabilities attributable to the liabilities' credit risk, offset by dividends of CU613,000 paid during the year (see note 34).

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

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

## 14. Earnings per share

*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 2011 and 2010, 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 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 |
| | CU'000 | CU'000 | Cents per share | Cents per share | Cents per share | Cents per share |
| Changes in accounting policies relating to: | | | | | | |
| – Change in the classification of redeemable notes | 14 | 21 | 0.08 | 0.10 | 0.07 | 0.10 |
| – Changes in the fair value of financial liabilities attributable to their credit risk | (20) | – | (0.11) | – | (0.10) | – |
| – Others (please specify) | – | – | – | – | – | – |
| | (6) | 21 | (0.03) | 0.10 | (0.03) | 0.10 |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

IFRS 7.7

## 22. Other financial assets

| Source | | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 (restated) | CU'000 (restated) |
| IFRS 7.7 | *Derivatives designated and effective as hedging instruments carried at fair value* | | | |
| | Foreign currency forward contracts | 244 | 220 | 308 |
| | Interest rate swaps | 284 | 177 | 128 |
| | | 528 | 397 | 436 |
| IFRS 7.8(a) | *Financial assets designated as at fair value through profit or loss (FVTPL)* | | | |
| | [Describe details] | – | – | – |
| | | – | – | – |
| IFRS 7.8(a) | *Financial assets mandatorily measured at fair value through profit or loss (FVTPL)* | | | |
| | Redeemable notes (i) | 2,200 | 2,180 | 2,150 |
| | Held for trading derivatives that are not designated in hedge accounting relationships | – | – | – |
| | Held for trading non-derivative financial assets | 1,539 | 1,639 | 1,137 |
| | | 3,739 | 3,819 | 3,287 |
| IFRS 7.8(f) | *Financial assets measured at amortised cost* | | | |
| | Bills of exchange (ii) | 5,405 | 4,015 | 4,066 |
| | Debentures (iii) | 500 | – | – |
| | Loans to related parties (iv) | 3,637 | 3,088 | 355 |
| | Loans to other entities | – | – | – |
| | | 9,542 | 7,103 | 4,421 |
| IFRS 7.8(h) | *Financial assets designated and measured at fair value through other comprehensive income (FVTOCI)* | | | |
| IFRS 7.11A(c) | Shares (v) | 5,719 | 5,285 | 5,234 |
| | | 5,719 | 5,285 | 5,234 |
| | | 19,528 | 16,604 | 13,378 |
| | Current | 8,757 | 6,949 | 5,528 |
| | Non-current | 10,771 | 9,655 | 7,850 |
| | | 19,528 | 16,604 | 13,378 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IFRS 7.7

(i) The Group holds listed redeemable notes that carry interest at 7% per annum. The notes are redeemable at par value in 2013. The notes are held with a single counterparty with an AA credit rating. The Group holds no collateral over this balance. The Group does not have an objective to hold the redeemable notes and receive the contractual cash flows over the entire life of the instrument and hence the redeemable notes are measured at FVTPL.

(ii) 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 (2010: 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.

(iii) The debentures carry interest at 6% per annum payable monthly, and mature in March 2012. 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.

(iv) The Group has provided several of its key management personnel with short-term loans at rates comparable to the commercial rates of interest. Further information about these loans is set out in note 43.

IAS 28.37(d)

(v) 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 Group 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. The fair value of the investment in Rocket Corp Limited as at 31 December 2011 amounts to CU5.359 million (31 December 2010: CU5.285 million and 1 January 2010: CU5.234 million).

IFRS 7.11A(c)

At 31 December 2011, the Group also continues to hold a 10% interest in E Plus Limited, a former associate (see note 20). The fair value of the investment in E Plus Limited as at 31 December 2011 amounts to CU360,000.

IFRS 7.11A(a), (b)

These investments in equity instruments are not held for trading. Instead, they are held for medium or long-term strategic purpose. Upon the application of IFRS 9, the Group has chosen to designate these investments in equity instruments as at FVTOCI as the directors believe that this provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value immediately in profit or loss.

## Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

IFRS 7.44I
IFRS 7.44J

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2011.

| | Original measurement category under IAS 39 | New measurement category under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|
| | | | CU'000 | CU'000 |
| Foreign currency forward contracts | Derivatives designated as hedging instruments | Derivatives designated as hedging instruments | 220 | 220 |
| Interest rate swaps | Derivatives designated as hedging instruments | Derivatives designated as hedging instruments | 177 | 177 |
| Financial assets designated as at FVTPL | Financial assets at FVTPL | Financial assets at FVTPL | – | – |
| Held for trading non-derivative financial assets | Financial assets at FVTPL | Financial assets at FVTPL | 1,639 | 1,639 |
| Bills of exchange | Held-to-maturity investments | Financial assets at amortised cost | 4,015 | 4,015 |
| Redeemable notes (see note (i) above) | Available-for-sale investments | Financial assets at FVTPL | 2,180 | 2,180 |
| Investments in equity instruments (unlisted shares) (see note (v) above) | Available-for-sale investments | Financial assets at FVTOCI | 5,285 | 5,285 |
| Loans to related parties | Loans and receivables | Financial assets at amortised cost | 3,088 | 3,088 |
| Loans to other entities | Loans and receivables | Financial assets at amortised cost | – | – |
| Trade and other receivables (see note 25) | Loans and receivables | Financial assets at amortised cost | 14,658 | 14,658 |
| Cash and bank balances (including cash and bank balances in a disposal group held for sale) (see note 46) | Loans and receivables | Financial assets at amortised cost | 19,778 | 19,778 |

IFRS 7.44I(c)

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

## 25. Trade and other receivables

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Trade receivables | 17,788 | 15,476 | 14,178 |
| Allowance for doubtful debts | (798) | (838) | (628) |
| | 16,990 | 14,638 | 13,550 |
| Deferred sales proceeds | | | |
| – toy manufacturing operations (note 45) | 960 | – | – |
| – partial disposal of E Plus Limited (note 20) | 1,245 | – | – |
| Operating lease receivable | – | – | – |
| Other [describe] | 54 | 20 | – |
| | 19,249 | 14,658 | 13,550 |

### *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 2010: 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

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| 60-90 days | 1,100 | 700 |
| 90-120 days | 462 | 333 |
| Total | 1,562 | 1,033 |
| Average age (days) | 84 | 85 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IFRS 7.16

Movement in the allowance for doubtful debts

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | 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 2010: CU430,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivable and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

IFRS 7.37(b)

Age of impaired trade receivables

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| 60-90 days | 353 | 320 |
| 90-120 days | 191 | 101 |
| 120+ days | 654 | 717 |
| Total | 1,198 | 1,138 |

*25.2 Transfer of financial assets*

IFRS 7.13, 14(a)

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IFRS 7.8(g)

## 32. Borrowings

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| *Unsecured – at amortised cost* | | | |
| Bank overdrafts | 520 | 314 | 6,397 |
| Bills of exchange (i) | 358 | 916 | 1,490 |
| Loans from: | | | |
| – related parties (ii) (see note 43.3) | 10,376 | 29,843 | 47,151 |
| – other entities (iii) | 3,701 | 3,518 | – |
| – government (iv) | 2,798 | 2,610 | – |
| Convertible notes (note 33) | 4,144 | – | – |
| Perpetual notes (v) | 1,905 | – | – |
| Other [describe] | – | – | – |
| | 23,802 | 37,201 | 55,038 |
| *Secured – at amortised cost* | | | |
| Bank overdrafts | 18 | 64 | 2,124 |
| Bank loans (vi) | 14,982 | 17,404 | – |
| Loans from other entities | 575 | 649 | 1,809 |
| Transferred receivables (vii) | 923 | – | – |
| Finance lease liabilities (viii) (see note 38.2) | 14 | 89 | 432 |
| Other [describe] | – | – | – |
| | 16,512 | 18,206 | 4,365 |
| | 40,314 | 55,407 | 59,403 |
| Current | 22,446 | 25,600 | 33,618 |
| Non-current | 17,868 | 29,807 | 25,785 |
| | 40,314 | 55,407 | 59,403 |

### *32.1 Summary of borrowing arrangements*

IFRS 7.7

(i) Bills of exchange with a variable interest rate were issued in 2004. The current weighted average effective interest rate on the bills is 6.8% per annum (31 December 2010: 6.8%).

(ii) Amounts repayable to related parties of the Group. Interest of 8.0% – 8.2% per annum is charged on the outstanding loan balances (31 December 2010: 8.0% – 8.2%).

(iii) Fixed rate loans with a finance company with remaining maturity periods not exceeding 3 years (31 December 2010: 4 years). The weighted average effective interest rate on the loans is 8.15% per annum (31 December 2010: 8.10%). The Group hedges a portion of the loans for interest rate risk via an interest rate swap exchanging fixed rate interest for variable rate interest. The outstanding balance is adjusted for fair value movements in the hedged risk, being movements in the inter-bank rate in A Land.

(iv) On 17 December 2010, 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 expense of CU188,000 was recognised on this loan in 2011 and CU202,000 will be recognised in 2012.

(v) 2,500 perpetual notes with a coupon rate of 6% were issued on 27 August 2011 at CU2.5 million principal value. Issue costs of CU0.595 million were incurred.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

(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 2010: 8.32% per annum).

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

(viii) Secured by the assets leased. The borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding 5 years (see note 38.2).

*32.2 Breach of loan agreement*

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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IFRS 7.7

## 33. Convertible notes

On 13 September 2011, 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 2012 and 12 September 2014. If the notes have not been converted, they will be redeemed on 13 September 2014 at CU1 each. Interest of 5.5% 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 2011 (included in "borrowings" (note 32)) | 4,144 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

### 34. Other financial liabilities

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Financial guarantee contracts | 24 | 18 | – |
| ***Derivatives that are designated and effective as hedging instruments carried at fair value*** | | | |
| Foreign currency forward contracts | 87 | – | – |
| Interest rate swaps | 5 | – | – |
| Currency swaps | – | – | – |
| Other [describe] | – | – | – |
| | 92 | – | – |
| ***Financial liabilities carried at fair value through profit or loss (FVTPL)*** (IFRS 7.8(e)) | | | |
| 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 | – | – |
| Other (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% were issued on 1 June 2011 at an issue price of CU5 per share. The shares are redeemable on 31 May 2013 at CU5 per share. The shares are unsecured borrowings of the Group and are designated as at FVTPL (see below).

The Group has designated its redeemable cumulative preference shares as financial liabilities at FVTPL as permitted by IFRS 9 *Financial Instruments*. The preference shares have fixed interest payments and mature on 31 May 2013. 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 2013. 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.

The fair value of the redeemable cumulative preference shares has decreased by CU125,000 since their issuance. The change in fair value includes a gain of CU20,000 attributable to the change in credit risk of the liabilities and is recognised in other comprehensive income.

Dividends of CU613,000 (2010: nil) were paid on redeemable cumulative preference shares and are included in the "other gains and losses" line item in the consolidated [statement of comprehensive income/income statement].

(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 2011 – continued**

### 37. Trade and other payables

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Trade payables | 16,373 | 21,220 | 52,750 |
| Cash-settled share-based payments | – | – | – |
| Other [describe] | – | – | – |
| | 16,373 | 21,220 | 52,750 |

IFRS 7.7

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – 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 2010.

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 2011 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.

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Debt (i) | 55,189 | 55,407 |
| Cash and bank balances (including cash and balances in a disposal group held for sale) | (23,621) | (19,778) |
| Net debt | 31,568 | 35,629 |
| Equity (ii) | 171,797 | 166,962 |
| Net debt to equity ratio | 18.38% | 21.34% |

(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 2011 – continued**

*40.2 Categories of financial instruments*

| Source | | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 | CU'000 |
| | ***Financial assets*** | | | |
| IFRS 7.8(f) | *Amortised cost* | | | |
| | Cash and bank balances (including cash and bank balances in a disposal group held for sale) | 23,621 | 19,778 | 9,082 |
| | Trade and other receivables (including trade receivables balance in a disposal group held for sale) (see notes 12 and 25) | 19,969 | 14,658 | 13,550 |
| | Other financial assets measured at amortised cost (see note 22) | 9,542 | 7,103 | 4,421 |
| | | 53,132 | 41,539 | 27,053 |
| | *Fair value through profit or loss (FVTPL)* | | | |
| IFRS 7.8(a) | Designated as at FVTPL (see note 22) | – | – | – |
| IFRS 7.8(a) | Financial assets mandatorily measured at FVTPL (see note 22) | 3,739 | 3,819 | 3,287 |
| | *Derivative instruments in designated hedge accounting relationships (see note 22)* | 528 | 397 | 436 |
| IFRS 7.8(h) | *Fair value through other comprehensive income (see note 22)* | 5,719 | 5,285 | 5,234 |
| | ***Financial liabilities*** | | | |
| IFRS 7.8(g) | *Amortised cost* | | | |
| | Trade and other payables (see note 37) | 16,373 | 21,220 | 52,750 |
| | Other financial liabilities measured at amortised cost (see note 32) | 40,314 | 55,407 | 59,403 |
| | | 56,687 | 76,627 | 112,153 |
| | *Fair value through profit or loss (FVTPL)* | | | |
| IFRS 7.8(e) | Held for trading (see note 34) | 51 | – | – |
| IFRS 7.8(e) | Designated as at FVTPL (see note 34) | 14,875 | – | – |
| | *Derivative instruments in designated hedge accounting relationships (see note 34)* | 92 | – | – |
| | *Financial guarantee contracts (see note 34)* | 24 | 18 | – |
| | *Contingent consideration for a business combination (see note 34)* | 75 | – | – |

40.2.1 Financial assets designated as at FVTPL

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

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IFRS 7.9(b), (d)

40.2.2 Credit derivatives over financial assets designated as at FVTPL

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Opening fair value | – | – |
| Additions during the year | – | – |
| Realised during the year | – | – |
| Change in fair value | – | – |
| Closing fair value | – | – |

40.2.3 Financial liabilities designated as at FVTPL

*40.2.3.1 Financial liabilities designated at FVTPL (with changes attributable to the change in credit risk being recognised in other comprehensive income)*

| Source | | 31/12/11 | 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 |
| IFRS 7.10(a) | Cumulative gain on changes in fair value attributable to changes in credit risk recognised in other comprehensive income (i) | (20) | – |
| IFRS 7.10(d) | Cumulative gain on changes in fair value attributable to changes in credit risk recognised in other comprehensive income – relating to financial liabilities that are derecognised during the year | – | – |
| 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(a)
IFRS 7.11(c)

(i) The change in fair value attributable to change in credit risk of the Group's redeemable cumulative preference shares 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), and is recognised in other comprehensive income. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding credit risk margin constant. The fair value of cumulative redeemable preference shares was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and by obtaining lender quotes for borrowings of similar maturity to estimate credit risk margin.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

*40.2.3.2 Financial liabilities designated at FVTPL (with changes attributable to the change in credit risk being recognised in profit or loss)*

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| IFRS 7.10A(a) | Gain on changes in fair value attributable to changes in credit risk recognised in profit or loss during the year (i) | – | – |

| Source | | 31/12/11 CU'000 | 31/12/10 CU'000 |
|---|---|---|---|
| IFRS 7.10A(a) | Cumulative gain on changes in fair value attributable to changes in credit risk | – | – |
| IFRS 7.10A(b) | Difference between carrying amount and contractual amount at maturity: | | |
| | – cumulative preference shares at fair value (note 34) | – | – |
| | – amount payable at maturity | – | – |
| | | – | – |

*Note: If an entity has designated a financial liability as at fair value through profit or loss and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss, it shall disclose:*

- *the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see above); and*
- *the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation (see above); and*
- *a detailed description of the methodology(ies) used to determine whether presenting the effects of changes in a liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, and a detailed description of the economic relationship between the characteristics of the liability and the characteristics of the other financial instrument, when the effects of changes in the liability's credit risk are recognised in profit or loss.*

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, 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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

*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 40.6 below) and interest rates (see 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 foreign operation Subfour Limited, which has B Currency as its functional currency.

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

IFRS 7.33(c)

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

IFRS 7.41

*40.5 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 | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 31/12/11 | 31/12/10 |
| | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 |
| Foreign exchange | 980 | 1,340 | 546 | 943 | 1,200 | 1,600 | 980 | 1,350 |
| Interest rate | 115 | 60 | 85 | 45 | 150 | 95 | 105 | 55 |
| Diversification | (45) | (40) | – | – | – | – | (55) | (50) |
| Total VaR exposure | 1,050 | 1,360 | | | | | 1,030 | 1,355 |

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

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

*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 | |
|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 |
| | CU'000 | CU'000 | CU'000 | CU'000 |
| Currency of B Land | 6,297 | 7,469 | 1,574 | 1,671 |
| Currency of C Land | 186 | 135 | – | – |
| Other | – | – | – | – |

40.6.1 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 | | |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2010 | | 2011 | 2010 | |
| | | 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 (2010: 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.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

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.

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) | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 |
| | | | 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 2011, 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 (2010: 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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IFRS 7.23(a)

At 31 December 2011, 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 (2010: 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 2011, 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 2011, no ineffectiveness has been recognised in profit or loss arising from hedging the net investment in Subfour Limited.

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 2011 would decrease/increase by CU62,000 (2010: decrease/increase by CU105,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings its investments in variable bills of exchange, and the fair value interest rate risk attributable to the Group's redeemable notes. There is no impact on other comprehensive income.

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.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

*Cash flow hedges*

| Outstanding receive floating pay fixed contracts | Average contracted fixed interest rate | | Notional principal value | | Fair value assets (liabilities) | |
|---|---|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 |
| | % | % | 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.

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) | |
|---|---|---|---|---|---|---|
| | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 |
| | % | % | 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.

**Notes to the consolidated financial statements
for the year ended 31 December 2011 – continued**

*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.

All of the Group's equity investments are designated as at FVTOCI upon application of IFRS 9.

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, other comprehensive income would increase/decrease by CU286,000 (2010: increase/decrease by CU265,000) as a result of the changes in fair value of investments in equity instruments that are designated as at FVTOCI.

IFRS 7.40(c) The Group's sensitivity to equity prices has not changed significantly from the prior year.

IFRS 7.33, 34,B8 ***40.9 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.

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 2010: CU0.905 million) and the fair value of the leased assets is estimated to be approximately CU1.00 million (31 December 2010: CU0.9 million). The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

*Note: IFRS 7.36(b) (amended as part of* Improvements to IFRSs *issued in 2010) specifies that entities should give a description of collateral held as security and of other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk. The amendments are effective for annual periods beginning on or after 1 January 2011.*

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

*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.

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 includes 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 2011*** | | | | | | | |
| 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 2010*** | | | | | | | |
| 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 for the year ended 31 December 2011 – continued**

IFRS 7.34, 35

The following table details the Group's expected cash flows for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual cash flows 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 2011* | | | | | | | |
| 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 2010* | | | | | | | |
| 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 (2010: CU12.617million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

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 2011* | | | | | |
| 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 2010* | | | | | |
| 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 |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

40.10.2 Financing facilities

IAS 7.50(a)

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Unsecured bank overdraft facility, reviewed annually and payable at call: | | |
| – amount used | 520 | 314 |
| – amount unused | 1,540 | 2,686 |
| | 2,060 | 3,000 |
| Unsecured bill acceptance facility, reviewed annually: | | |
| – amount used | 358 | 916 |
| – amount unused | 1,142 | 1,184 |
| | 1,500 | 2,100 |
| Secured bank overdraft facility: | | |
| – amount used | 18 | 64 |
| – amount unused | 982 | 936 |
| | 1,000 | 1,000 |
| Secured bank loan facilities with various maturity dates through to 2011 and which may be extended by mutual agreement: | | |
| – amount used | 14,982 | 17,404 |
| – amount unused | 5,604 | 7,811 |
| | 20,586 | 25,215 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

*40.11 Fair value of financial instruments*

40.11.1 Fair value of financial instruments measured at amortised cost

IFRS 7.25, 29(a)

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

| | 31/12/11 | | 31/12/10 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | CU'000 | CU'000 | CU'000 | CU'000 |
| ***Financial assets*** | | | | |
| *Financial assets measured at amortised cost:* | **28,791** | **28,841** | **21,761** | **21,643** |
| – bills of exchange (see note 22) | 5,405 | 5,420 | 4,015 | 4,016 |
| – debentures (see note 22) | 500 | 502 | – | – |
| – loans to related parties (see note 22) | 3,637 | 3,808 | 3,088 | 3,032 |
| – trade and other receivables(see note 25) | 19,249 | 19,111 | 14,658 | 14,595 |
| *Financial lease receivables (see note 26)* | **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 (see note 32) | 358 | 350 | 916 | 920 |
| – convertible notes (see note 32) | 4,144 | 4,120 | – | – |
| – perpetual notes (see note 32) | 1,905 | 2,500 | – | – |
| – bank loans (see note 32) | 16,443 | 16,460 | 17,782 | 17,800 |
| – loans from related parties (see note 32) | 10,376 | 10,388 | 29,843 | 29,900 |
| – loans from other entities (see note 32) | 4,276 | 3,980 | 4,167 | 4,050 |
| – interest-free loan from the government (see note 32) | 2,798 | 2,711 | 2,610 | 2,546 |
| – trade and other payables (see note 37) | 16,373 | 16,222 | 21,220 | 20,997 |
| *Financial lease payables (see note 38)* | **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.
- 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.

## Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

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 2010: CU0.898 million) using an 8.5% (31 December 2010: 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.

*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 2014 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 (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 2010: 4.9%) and a risk adjusted discount factor of 12.2% (31 December 2010: 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 2010: 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).
- 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 2011 – continued**

| | 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 | – | 528 | – | 528 |
| Non-derivative financial assets held for trading | – | – | 1,539 | 1,539 |
| Redeemable notes | 2,200 | – | – | 2,200 |
| *Financial assets at FVTOCI* | | | | |
| 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) |

| | 31/12/10 | | | |
|---|---|---|---|---|
| | 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 |
| Redeemable notes | 2,180 | – | – | 2,180 |
| *Financial assets at FVTOCI* | | | | |
| 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 2011 – continued**

IFRS 7.27B(c)

Reconciliation of Level 3 fair value measurements of financial assets

*31 December 2011*

| | FVTPL | FVTOCI | |
|---|---|---|---|
| | Held for trading | Unquoted investments in equity instruments | Total |
| | 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 financial assets designated as at FVTOCI 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 2010*

| | FVTPL | FVTOCI | |
|---|---|---|---|
| | Held for trading | Unquoted investments in equity instruments | Total |
| | 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 related to acquisition of Subsix Limited (see note 44.2). No gain or loss for the year related to this contingent consideration has been recognised in the consolidated [statement of comprehensive income/income statement].

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 (2010: a gain of CU73,000). Such fair value gains or losses are included in 'other gain and losses' (see note 8).

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

# Section 3 – Appendix 2: Early application of IFRSs 10, 11 and 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) (as issued by the IASB in May 2011)

In May 2011, the IASB issued a package of five standards on consolidation, joint arrangements, associates and disclosures, including IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*.

These five standards are effective for annual periods beginning on or after 1 January 2013, with early application permitted. However, if an entity wishes early application, it should apply all of the five standards early at the same time. Entities are encouraged to provide information set out in IFRS 12 earlier than annual periods beginning on or after 1 January 2013.

This appendix gives you examples of the application of the requirements of these five standards.

Key assumptions used in the preparation of this appendix are as follows:

- International GAAP Holdings Limited is assumed to have early applied these five standards in the current year in advance of their effective dates. For illustrative purposes, the application of these five standards has resulted in (a) an investee that was not previously consolidated becoming a subsidiary of the Group and (b) a joint arrangement that was previously classified as a jointly controlled entity and was accounted for using the proportionate consolidation method being classified as a joint venture under the new standard and is accounted for using the equity method of accounting. These changes have resulted in changes in amounts reported in the financial statements (see note 2 for more detail).
- These five standards have been applied in accordance with the relevant transitional provisions. Amounts for the comparative period are restated, where appropriate. Therefore, a statement of financial position as at the beginning of the earliest comparative period in accordance with IAS 1.10(f) is included.
- This appendix does not include a full set of financial statements; only the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and certain notes affected by these five standards are included. Regarding the statement of comprehensive income, one single statement presentation method is used and expenses are aggregated according to their function. In addition, regarding the statement of cash flows, the indirect method is used to report cash flows from operating activities.
- This appendix does not include separate financial statements for the parent, which may be required by local laws or regulations, or may be prepared voluntarily. When an entity presents separate financial statements that comply with IFRSs, the requirements of IAS 27 *Separate Financial Statements* will apply. Separate statements of comprehensive income, financial position, changes in equity and cash flows for the parent will generally be required, together with supporting notes.

For details of the disclosure and presentation requirements of these five standards, readers should refer to Deloitte's 2011 IFRS Compliance, Presentation and Disclosure Checklist. This Checklist can be downloaded from Deloitte's web site www.iasplus.com.

Note that in this appendix, 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.

**Contents**


| | | Page |
|---|---|---|
| Consolidated statement of comprehensive income | | 188 |
| Consolidated statement of financial position | | 191 |
| Consolidated statement of changes in equity | | 192 |
| Consolidated statement of cash flows | | 194 |
| Notes to the consolidated financial statements, including: | | |
| 2 | Application of new and revised International Financial Reporting Standards | 196 |
| 3 | Significant accounting policies | 202 |
| 4 | Critical accounting judgements and key sources of estimation uncertainty | 206 |
| 14 | Earnings per share | 207 |
| 19 | Subsidiaries | 208 |
| 20 | Investments in associates | 213 |
| 20A | Investment in joint venture | 217 |
| 21 | Joint operation | 219 |
| 45 | Disposal of subsidiary | 219 |
| 49 | Commitments for expenditure | 220 |
| 50 | Contingent liabilities and contingent assets | 221 |

| Source | International GAAP Holdings Limited |
|---|---|

## Consolidated statement of comprehensive income for the year ended 31 December 2011

| Source | | Notes | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|---|
| | | | CU'000 | CU'000 (restated) |
| | **Continuing operations** | | | |
| | Revenue | | 140,934 | 152,075 |
| | Cost of sales | | (87,688) | (91,645) |
| | Gross profit | | 53,246 | 60,430 |
| | Investment income | | 3,633 | 2,396 |
| | Other gains and losses | | 647 | 1,005 |
| | Distribution expenses | | (5,118) | (4,640) |
| | Marketing expenses | | (3,278) | (2,234) |
| | Administration expenses | | (12,936) | (17,090) |
| | Other expenses | | (2,801) | (2,612) |
| | Finance costs | | (4,420) | (6,025) |
| | Share of profits of associates | 20 | 866 | 1,209 |
| IAS 1.82(c) | Share of profits of a joint venture | 20A | 337 | 242 |
| | Gain recognised on disposal of interest in former associate | 20 | 581 | – |
| | Other [describe] | | – | – |
| | Profit before tax | | 30,757 | 32,681 |
| | Income tax expense | | (11,626) | (11,885) |
| | Profit for the year from continuing operations | | 19,131 | 20,796 |
| | **Discontinued operations** | | | |
| | Profit for the year from discontinued operations | | 8,310 | 9,995 |
| | **Profit for the year** | | 27,441 | 30,791 |
| | **Other comprehensive income, net of income tax** | | | |
| | Exchange differences on translating foreign operations | | (39) | 85 |
| | Net gain on available-for-sale financial assets | | 66 | 57 |
| | Net gain on hedging instruments entered into for cash flow hedges | | 39 | 20 |
| | Gain on revaluation of properties | | – | 1,150 |
| | Share of other comprehensive income of associates | | – | – |
| | Other comprehensive income for the year, net of tax | | 66 | 1,312 |
| | **Total comprehensive income for the year** | | 27,507 | 32,103 |
| | Profit attributable to: | | | |
| | Owners of the Company | | 23,049 | 27,564 |
| | Non-controlling interests | | 4,392 | 3,227 |
| | | | 27,441 | 30,791 |
| | Total comprehensive income attributable to: | | | |
| | Owners of the Company | | 23,115 | 28,876 |
| | Non-controlling interests | | 4,392 | 3,227 |
| | | | 27,507 | 32,103 |

## Consolidated statement of comprehensive income for the year ended 31 December 2011 – continued

| | Note | Year ended 31/12/11 CU'000 | Year ended 31/12/10 CU'000 (restated) |
|---|---|---|---|
| **Earnings per share** | 14 | | |
| From continuing and discontinued operations | | | |
| Basic (cents per share) | | 132.2 | 137.0 |
| Diluted (cents per share) | | 115.5 | 130.5 |
| From continuing operations | | | |
| Basic (cents per share) | | 84.5 | 87.3 |
| Diluted (cents per share) | | 74.0 | 83.2 |

*Note: The above illustrates the presentation of comprehensive income in one statement. The expenses above are aggregated according to their function.*

| Source | International GAAP Holdings Limited |
|---|---|

## Consolidated statement of financial position at 31 December 2011

| Source | | Notes | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|---|
| | | | CU'000 | CU'000 (restated) | CU'000 (restated |
| | **Assets** | | | | |
| | *Non-current assets* | | | | |
| | Property, plant and equipment | | 105,215 | 132,184 | 157,212 |
| | Investment property | | 1,968 | 1,941 | 170 |
| | Goodwill | | 20,485 | 24,260 | 24,120 |
| | Other intangible assets | | 9,739 | 11,325 | 12,523 |
| | Investments in associates | 20 | 5,402 | 5,590 | 4,406 |
| IAS 1.54(e) | Investment in a joint venture | 20A | 3,999 | 3,662 | 3,420 |
| | Deferred tax assets | | 2,083 | 1,964 | 1,843 |
| | Finance lease receivables | | 830 | 717 | 739 |
| | Other financial assets | | 10,771 | 9,655 | 7,850 |
| | Other assets | | – | – | – |
| | Total non-current assets | | 160,492 | 191,298 | 212,283 |
| | *Current assets* | | | | |
| | Inventories | | 30,673 | 28,132 | 28,928 |
| | Trade and other receivables | | 18,869 | 13,744 | 12,708 |
| | Finance lease receivables | | 198 | 188 | 182 |
| | Amounts due from customers under construction contracts | | 240 | 230 | 697 |
| | Other financial assets | | 8,757 | 6,949 | 5,528 |
| | Current tax assets | | 125 | 60 | 81 |
| | Other assets | | – | – | – |
| | Cash and bank balances | | 24,096 | 20,278 | 9,382 |
| | | | 82,958 | 69,581 | 57,506 |
| | Assets classified as held for sale | | 22,336 | – | – |
| | Total current assets | | 105,294 | 69,581 | 57,506 |
| | **Total assets** | | 265,786 | 260,879 | 269,789 |

*Note: IAS 1.10(f) requires that an entity should present a statement of financial position as at the beginning of the earliest comparative 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. In this appendix, the application of the package of the five standards on consolidation, joint arrangements, associates and disclosures has resulted in retrospective restatement of items in the financial statements (see note 2). Therefore, this appendix includes the additional statement of financial position.*

## Consolidated statement of financial position at 31 December 2011 – continued

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 (restated) | CU'000 (restated) |
| **Equity and liabilities** | | | |
| *Capital and reserves* | | | |
| Issued capital | 32,439 | 48,672 | 48,672 |
| Reserves | 4,237 | 3,376 | 1,726 |
| Retained earnings | 110,805 | 94,909 | 73,824 |
| | 147,481 | 146,957 | 124,222 |
| Amounts recognised directly in equity relating to assets classified as held for sale | – | – | – |
| Equity attributable to owners of the Company | 147,481 | 146,957 | 124,222 |
| Non-controlling interests | 26,761 | 22,058 | 18,831 |
| Total equity | 174,242 | 169,015 | 143,053 |
| *Non-current liabilities* | | | |
| Borrowings | 13,560 | 25,886 | 22,072 |
| Other financial liabilities | 15,001 | – | – |
| Retirement benefit obligation | 2,861 | 2,023 | 2,968 |
| Deferred tax liabilities | 6,609 | 5,645 | 4,445 |
| Provisions | 2,294 | 2,231 | 4,102 |
| Deferred revenue | 59 | 165 | 41 |
| Other liabilities | 180 | 270 | – |
| Total non-current liabilities | 40,564 | 36,220 | 33,628 |
| *Current liabilities* | | | |
| Trade and other payables | 15,659 | 20,422 | 51,957 |
| Amounts due to customers under construction contracts | 36 | 15 | 245 |
| Borrowings | 22,446 | 25,600 | 33,618 |
| Other financial liabilities | 116 | 18 | – |
| Current tax liabilities | 5,328 | 5,927 | 4,990 |
| Provisions | 3,356 | 3,195 | 2,235 |
| Deferred revenue | 265 | 372 | 63 |
| Other liabilities | 90 | 95 | – |
| | 47,296 | 55,644 | 93,108 |
| Liabilities directly associated with assets classified as held for sale | 3,684 | – | – |
| Total current liabilities | 50,980 | 55,644 | 93,108 |
| Total liabilities | 91,544 | 91,864 | 126,736 |
| **Total equity and liabilities** | 265,786 | 260,879 | 269,789 |

## Consolidated statement of changes in equity for the year ended 31 December 2011

| | Share capital | Share premium | General reserve | Properties revaluation reserve |
|---|---|---|---|---|
| | CU'000 | CU'000 | CU'000 | CU'000 |
| **Balance at 1 January 2010** | 23,005 | 25,667 | 807 | 51 |
| Adjustments (note 2) | – | – | – | – |
| **Balance at 1 January 2010 (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 2010 (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 | – | – | – | – |
| Additional non-controlling interests relating to outstanding share-based payment transactions of Subsix Limited | – | – | – | – |
| Disposal of partial interest in Subone Limited | – | – | – | – |
| Recognition of share-based payments | – | – | – | – |
| Issue of ordinary shares under employee share option plan | 314 | – | – | – |
| Issue of ordinary shares for consulting services performed | 3 | 5 | – | – |
| Issue of convertible non-participating preference shares | 100 | – | – | – |
| Issue of convertible notes | – | – | – | – |
| Share issue costs | – | (6) | – | – |
| Buy-back of ordinary shares | (5,603) | (10,853) | – | – |
| Share buy-back costs | – | (277) | – | – |
| Transfer to retained earnings | – | – | – | (3) |
| Income tax relating to transactions with owners | 84 | – | – | – |
| **Balance at 31 December 2011** | 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 | – | 73,824 | 124,222 | 17,242 | 141,464 |
| – | – | – | – | – | – | – | 1,589 | 1,589 |
| 470 | – | 258 | 140 | – | 73,824 | 124,222 | 18,831 | 143,053 |
| | | | | | 27,564 | 27,564 | 3,227 | 30,791 |
| 57 | – | 20 | 85 | – | – | 1,312 | – | 1,312 |
| 57 | – | 20 | 85 | – | 27,564 | 28,876 | 3,227 | 32,103 |
| – | 338 | – | – | – | – | 338 | – | 338 |
| – | – | – | – | – | (6,479) | (6,479) | – | (6,479) |
| 527 | 338 | 278 | 225 | – | 94,909 | 146,957 | 22,058 | 169,015 |
| – | – | – | – | – | 23,049 | 23,049 | 4,392 | 27,441 |
| 66 | – | 39 | (39) | – | – | 66 | – | 66 |
| 66 | – | 39 | (39) | – | 23,049 | 23,115 | 4,392 | 27,507 |
| – | – | – | – | – | (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 | 110,805 | 147,481 | 26,761 | 174,242 |

| Source | International GAAP Holdings Limited |
|---|---|

## Consolidated statement of cash flows for the year ended 31 December 2011

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 (restated) |
| **Cash flows from operating activities** | | |
| Profit for the year | 27,441 | 30,791 |
| Adjustments for: | | |
| Income tax expense recognised in profit or loss | 14,786 | 14,883 |
| Share of profits of associates | (866) | (1,209) |
| Share of profits of a joint venture | (337) | (242) |
| Finance costs recognised in profit or loss | 4,420 | 6,025 |
| Investment income recognised in profit or loss | (3,633) | (2,396) |
| Gain on disposal of property, plant and equipment | (6) | (67) |
| Gain arising on changes in fair value of investment property | (30) | (297) |
| Gain on disposal of a subsidiary | (1,940) | – |
| Gain on disposal of interest in former associate | (581) | – |
| Net (gain)/loss arising on financial liabilities designated as at fair value through profit or loss | (125) | – |
| Net (gain)/loss arising on financial assets classified as held for trading | (156) | (72) |
| Net loss/(gain) arising on financial liabilities classified as held for trading | 51 | – |
| Hedge ineffectiveness on cash flow hedges | (89) | (68) |
| Net (gain)/loss on disposal of available-for-sale financial assets | – | – |
| Impairment loss recognised on trade receivables | 63 | 430 |
| Reversal of impairment loss on trade receivables | (103) | – |
| Depreciation and amortisation of non-current assets | 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 claim against Subseven Limited | (40) | – |
| | 53,874 | 65,010 |
| Movements in working capital: | | |
| Decrease/(increase) in trade and other receivables | 1,130 | (3,253) |
| (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 | (4,931) | (28,464) |
| 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 | 47,769 | 33,201 |
| Interest paid | (4,493) | (6,106) |
| Income taxes paid | (13,910) | (13,426) |
| Net cash generated by operating activities | 29,366 | 13,669 |

**Consolidated statement of cash flows**
**for the year ended 31 December 2011 – continued**

| | Year ended 31/12/11 CU'000 | Year ended 31/12/10 CU'000 (restated) |
|---|---|---|
| **Cash flows from investing activities** | | |
| Payments to acquire financial assets | (1,890) | – |
| Proceeds on sale of financial assets | – | 51 |
| Interest received | 2,315 | 1,054 |
| Royalties and other investment income received | 1,137 | 1,143 |
| Dividends received from associates | 30 | 25 |
| Other dividends received | 156 | 154 |
| Amounts advanced to related parties | (738) | (4,311) |
| Repayments by related parties | 189 | 1,578 |
| Payments for property, plant and equipment | (21,932) | (11,575) |
| Proceeds from disposal of property, plant and equipment | 11,462 | 21,245 |
| Payments for investment property | (10) | (1,532) |
| Proceeds from disposal of investment property | – | 58 |
| Payments for intangible assets | (6) | (358) |
| Net cash outflow on acquisition of subsidiaries | (477) | – |
| Net cash inflow on disposal of subsidiary | 7,566 | – |
| Net cash inflow on disposal of associate | – | 120 |
| Net cash (used in)/generated by investing activities | (2,198) | 7,652 |
| **Cash flows from financing activities** | | |
| Proceeds from issue of equity instruments of the Company | 414 | – |
| Proceeds from issue of convertible notes | 4,950 | – |
| Payment for share issue costs | (6) | – |
| Payment for buy-back of shares | (17,011) | – |
| Payment for share buy-back costs | (277) | – |
| Proceeds from issue of redeemable preference shares | 15,000 | – |
| Proceeds from issue of perpetual notes | 2,500 | – |
| Payment for debt issue costs | (595) | – |
| Proceeds from borrowings | 16,953 | 24,798 |
| Repayment of borrowings | (38,148) | (23,417) |
| Proceeds from government loans | – | 3,000 |
| Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control | 213 | – |
| Dividends paid on redeemable cumulative preference shares | (613) | – |
| Dividends paid to owners of the Company | (6,635) | (6,479) |
| Net cash used in financing activities | (23,255) | (2,098) |
| Net increase in cash and cash equivalents | 3,913 | 19,223 |
| Cash and cash equivalents at the beginning of the year | 19,900 | 861 |
| 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 | 23,733 | 19,900 |

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011**

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

*2.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years)*

*Note: The note below gives an example of the impact of the application of IFRSs 10, 11 and 12 and IAS 28 (as revised in 2011). IAS 27 (as revised in 2011) is not applicable as the model financial statements illustrate consolidated financial statements (not separate financial statements). Regarding impact of other new and revised Standards, please refer to Section 2 of this publication and other appendices.*

New and revised IFRSs affecting the reported financial performance and/or financial position

IAS 8.28

Application of 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 were issued including IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangement*s, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. In the current year, the Group has applied these five standards in advance of their effective dates (annual periods beginning on or after 1 January 2013).

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

*Impact of the application of IFRS 10*

IFRS 10.7

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in IFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in IFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether or not an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, IFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly, the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

IFRS 10.8

The application of IFRS 10 has affected the accounting for the Group's 45 per cent ownership interest in C Plus Limited. C Plus Limited is listed on the stock exchange of A Land. As at 31 December 2011, the Group owns 45 per cent of the ordinary shares of C Plus Limited and holds the same per cent of the voting rights in C Plus Limited. The Group's 45 per cent ownership interest in C Plus Limited was acquired in June 2009 and there has been no change in the Group's ownership in C Plus Limited since then. The remaining 55 per cent of the ordinary shares of C Plus Limited are owned by thousands of shareholders, none individually holding more than two per cent.

The directors assessed whether or not the Group has control over C Plus Limited in accordance with the new definition of control and the related guidance set out in IFRS 10. After assessment, the directors concluded that it has had control over C Plus Limited since the acquisition in June 2009 on the basis of the Group's absolute size of holding in C Plus Limited and the relative size of and dispersion of the shareholdings owned by the other shareholders. Therefore, in accordance with the requirements of IFRS 10, C Plus Limited has been a subsidiary of the Company since June 2009. Previously, C Plus Limited was treated as an associate of the Group and accounted for using the equity method of accounting.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IFRS 10.C4(a)

The change in accounting of the Group's investment in C Plus Limited has been applied in accordance with the relevant transitional provisions as if the acquisition of the 45 per cent ownership interest in C Plus Limited had been accounted for in accordance with IFRS 3 at the date of acquisition.

Such a change in accounting has affected the amounts reported in the Group's consolidated financial statements (see the tables below).

*Impact of the application of IFRS 11*

IFRS 11.14
IFRS 11.17

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 of which two or more parties have joint control should be classified. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 *Interests in Joint Ventures* had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

IFRS 11.15&16

The subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises and measures the assets and liabilities (and the related revenues and expenses) in relation to its interest in the arrangement in accordance with the applicable Standards.

Upon the application of IFRS 11, the directors reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Group's investments in joint arrangements. The application of IFRS 11 has changed the classification and subsequent accounting of the Group's investment in JV Electronics Limited, which was classified as a jointly controlled entity under the previous standard and was accounted for using the proportionate consolidation method. Under IFRS 11, JV Electronics Limited is treated as the Group's joint venture and the Group's interest in JV Electronics Limited is required to be accounted for using the equity method.

IFRS 11.C2

The change in accounting of the Group's investment in JV Electronics Limited has been applied in accordance with the relevant transitional provisions. The initial investment as at 1 January 2010 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated. Such a change in accounting has affected the amounts reported in the Group's consolidated financial statements (see the tables below).

*Impact of the application of IFRS 12*

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 application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IAS 8.28(f)(i)

| *Impact on profit (loss) for the year of the application of IFRS 10* | Year ended 31/12/11 CU'000 | Year ended 31/12/10 CU'000 |
|---|---|---|
| Increase in revenue | 2,140 | 2,240 |
| Increase in cost of sales | (1,141) | (1,105) |
| Increase in investment income | 25 | 45 |
| Increase in distribution expenses | (86) | (90) |
| Increase in marketing expenses | (28) | (30) |
| Increase in administration expenses | (83) | (88) |
| Increase in finance costs | (20) | (18) |
| Increase in income tax expenses | (95) | (110) |
| Decrease in share of profits of associates | (320) | (380) |
| Increase (decrease) in profit for the year | 392 | 464 |
| Increase (decrease) in profit for the year attributable to: | | |
| Owners of the Company | – | – |
| Non-controlling interests | 392 | 464 |
| | 392 | 464 |

IAS 8.28(f)(i)

| *Impact on profit (loss) for the year of the application of IFRS 11* | Year ended 31/12/11 CU'000 | Year ended 31/12/10 CU'000 |
|---|---|---|
| Decrease in revenue | (2,124) | (2,005) |
| Decrease in cost of sales | 1,350 | 1,300 |
| Decrease in distribution expenses | 55 | 50 |
| Decrease in marketing expenses | 55 | 50 |
| Decrease in administration expenses | 276 | 323 |
| Decrease in finance costs | 18 | 16 |
| Decrease in income tax expenses | 33 | 24 |
| Increase in share of profits of a joint venture | 337 | 242 |
| Increase (decrease) in profit for the year | – | – |
| Increase (decrease) in profit for the year attributable to: | | |
| Owners of the Company | – | – |
| Non-controlling interests | – | – |
| | – | – |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IAS 8.28(f)(i)

*Impact on profit (loss) for the year of the application of the above new and revised Standards*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Increase in revenue | 16 | 235 |
| Decrease in cost of sales | 209 | 195 |
| Increase in investment income | 25 | 45 |
| Increase in distribution expenses | (31) | (40) |
| Decrease in marketing expenses | 27 | 20 |
| Decrease in administration expenses | 193 | 235 |
| Increase in finance costs | (2) | (2) |
| Increase in income tax expenses | (62) | (86) |
| Increase in share of profits of a joint venture | 337 | 242 |
| Decrease in share of profits of associates | (320) | (380) |
| Increase (decrease) in profit for the year | 392 | 464 |
| Increase (decrease) in profit for the year attributable to: | | |
| Owners of the Company | – | – |
| Non-controlling interests | 392 | 464 |
| | 392 | 464 |

IAS 8.28(f)(i)

*Impact on net assets and equity as at 1 January 2010 of the application of the above new and revised Standards*

| | As at 01/01/10 as previously reported | IFRS 10 adjustments | IFRS 11 adjustments | As at 01/01/10 as restated |
|---|---|---|---|---|
| | CU'000 | CU'000 | CU'000 | CU'000 |
| Property, plant and equipment | 161,058 | 2,908 | (6,754) | 157,212 |
| Goodwill | 23,920 | 200 | – | 24,120 |
| Investments in associates | 5,706 | (1,300) | – | 4,406 |
| Investments in a joint venture | – | – | 3,420 | 3,420 |
| Inventories | 29,688 | 240 | (1,000) | 28,928 |
| Trade and other receivables | 13,550 | 350 | (1,192) | 12,708 |
| Cash and bank balances | 9,082 | 300 | – | 9,382 |
| Borrowings – non-current | (25,785) | (500) | 4,213 | (22,072) |
| Deferred tax liabilities | (4,436) | (209) | 200 | (4,445) |
| Trade and other payables | (52,750) | (300) | 1,093 | (51,957) |
| Current tax liabilities | (4,910) | (100) | 20 | (4,990) |
| Impact on net assets | 155,123 | 1,589 | – | 156,712 |
| Non-controlling interests | (17,242) | (1,589) | – | (18,831) |
| Others (please specify) | – | – | – | – |
| Impact on equity | (17,242) | (1,589) | – | (18,831) |

## Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

IAS 8.28(f)(i)

*Impact on net assets and equity as at 31 December 2010 of the application of the above new and revised Standards*

| | As at 31/12/10 as previously reported | IFRS 10 adjustments | IFRS 11 adjustments | As at 31/12/10 as restated |
|---|---|---|---|---|
| | CU'000 | CU'000 | CU'000 | CU'000 |
| Property, plant and equipment | 135,721 | 3,317 | (6,854) | 132,184 |
| Goodwill | 24,060 | 200 | – | 24,260 |
| Investments in associates | 7,270 | (1,680) | – | 5,590 |
| Investments in a joint venture | – | – | 3,662 | 3,662 |
| Inventories | 28,982 | 250 | (1,100) | 28,132 |
| Trade and other receivables | 14,658 | 320 | (1,234) | 13,744 |
| Cash and bank balances | 19,778 | 500 | – | 20,278 |
| Borrowings – non-current | (29,807) | (380) | 4,301 | (25,886) |
| Deferred tax liabilities | (5,657) | (208) | 220 | (5,645) |
| Trade and other payables | (21,220) | (186) | 984 | (20,422) |
| Current tax liabilities | (5,868) | (80) | 21 | (5,927) |
| Impact on net assets | 167,917 | 2,053 | – | 169,970 |
| Non-controlling interests | (20,005) | (2,053) | – | (22,058) |
| Others (please specify) | – | – | – | – |
| Impact on equity | (20,005) | (2,053) | – | (22,058) |

IAS 8.28(f)(i)

*Increase (decrease) in net assets and equity as at 31 December 2011 of the application of the above new and revised Standards*

| | IFRS 10 adjustments | IFRS 11 adjustments | Total |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Increase (decrease) in property, plant and equipment | 3,425 | (7,993) | (4,568) |
| Increase in goodwill | 200 | – | 200 |
| Decrease in investments in associates | (2,000) | – | (2,000) |
| Increase in investments in a joint venture | – | 3,999 | 3,999 |
| Increase (decrease) in inventories | 360 | (900) | (540) |
| Increase (decrease) in trade and other receivables | 520 | (900) | (380) |
| Increase in cash and bank balances | 650 | – | 650 |
| (Increase) decrease in borrowings | (220) | 4,528 | 4,308 |
| (Increase) decrease in deferred tax liabilities | (210) | 330 | 120 |
| (Increase) decrease in trade and other payables | (200) | 914 | 714 |
| (Increase) decrease in current tax liabilities | (80) | 22 | (58) |
| Increase (decrease) in net assets | 2,445 | – | 2,445 |
| Increase in non-controlling interests | (2,445) | – | (2,445) |
| Others (please specify) | – | – | – |
| Impact on equity | (2,445) | – | (2,445) |

## Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

IAS 8.28(f)(i)

*Impact on cash flows for the year ended 31 December 2010 on the application of the above new and revised Standards*

| | IFRS 10 adjustments | IFRS 11 adjustments | Total |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Net cash inflow (outflow) from operating activities | 359 | (251) | 108 |
| Net cash inflow (outflow) from investing activities | (39) | 339 | 300 |
| Net cash inflow (outflow) from financing activities | (120) | (88) | (208) |
| Net cash inflow (outflow) | 200 | – | 200 |

IAS 8.28(f)(i)

*Impact on cash flows for the year ended 31 December 2011 on the application of the above new and revised Standards*

| | FRS 10 adjustments | IFRS 11 adjustments | Total |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Net cash inflow (outflow) from operating activities | (63) | (400) | (463) |
| Net cash inflow (outflow) from investing activities | 373 | 627 | 1,000 |
| Net cash inflow (outflow) from financing activities | (160) | (227) | (387) |
| Net cash inflow (outflow) | 150 | – | 150 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IAS 1.112(a), 117

## 3. Significant accounting policies

*Note: The note below only illustrates accounting policies regarding basis of consolidation, investments in associates, investments in joint arrangements, non-current assets classified held for sale and foreign currencies.*

### *3.3 Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (its subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

IFRS 10.7

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

- IFRS 10.B34-B38 — the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- IFRS 10.B46 — potential voting rights held by the Company, other vote holders or other parties;
- IFRS 10.B40 — rights arising from other contractual arrangements; and
- IFRS 10.B41 & B42 — any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

IFRS 10.B80

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

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

IFRS 10.B94

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

IFRS 10.B87

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

IFRS 10.B86

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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). 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 *Financial Instruments: Recognition and Measurement*, or IFRS 9 *Financial Instruments*, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

*3.6 Investments in associates and joint ventures*

IAS 28.3

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

IAS 28.20
IAS 28.38-39

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

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

IAS 28.40
IAS 28.42

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 or a joint venture. 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.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

IAS 28.22
IAS 28.23

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39 or IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

IAS 28.24

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

IAS 28.25

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

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

*3.7 Investments in joint operations*

IFRS 11.7
IFRS 11.15

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

IFRS 11.20

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

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

IFRS 11.21

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

IFRS 11.B34

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

IFRS 11.B36

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

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

*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.

IAS 28.20

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 or IFRS 9 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

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

*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 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).

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 partial disposal of an interest in a joint arrangement or an associate of which the retained interest becomes a financial interest 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 joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

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 equity.

## 4. Critical accounting judgements and key sources of estimation uncertainty

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

### *4.1 Critical judgements in applying accounting policies*

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

IFRS 12.7(a)
IFRS 12.9(b)

4.1.3 Control over C Plus Limited

Note 19 describes that C Plus Limited is a subsidiary of the Group although the Group has only 45 per cent ownership interest and voting rights in C Plus Limited. C Plus Limited is listed on the stock exchange of A Land. The Group has the 45 per cent ownership since June 2009 and the remaining 55 per cent of shareholdings are owned by thousands of shareholders that are unrelated to the Group. Details of C Plus Limited are set out in note 19.

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

IFRS 12.7(a)
IFRS 12.9(b)

4.1.4 Control over Subtwo Limited

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

IFRS 12.7(b)
IFRS 12.9(e)

4.1.5 Significant influence over B Plus Limited

Note 20 describes that B Plus Limited is an associate of the Group although the Group only owns 20% ownership interest in B Plus Limited. The Group has significant influence over B Plus Limited by virtue of the contractual right to appoint two directors to the board of directors of that company.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

## 14. Earnings per share

*14.3 Impact of changes in accounting policies*

IAS 8.28(f)(ii)

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 2011 and 2010, 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 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 |
| | CU'000 | CU'000 | Cents per share | Cents per share | Cents per share | Cents per share |
| Changes in accounting policies relating to: | | | | | | |
| – Application of IFRS 10 (see note 2) | – | – | – | – | – | – |
| – Application of IFRS 11 (see note 2) | – | – | – | – | – | – |
| – Others (please specify) | – | – | – | – | – | – |
| | – | – | – | – | – | – |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

## 19. Subsidiaries

### *19.1 General information of subsidiaries*

IFRS 12.10(a)

Details of the Group's material subsidiaries at the end of the reporting period are set out below.

| Name of subsidiary | Principal activity | Place of incorporation and operation | Proportion of ownership interest and voting rights held by the Group | |
|---|---|---|---|---|
| | | | 31/12/11 | 31/12/10 |
| Subzero Limited | Manufacture of toys | A Land | Nil | 100% |
| Subtwo Limited | Manufacture of leisure goods | A Land | 45% | 45% |
| Subthree Limited | Construction of residential properties | A Land | 100% | 100% |
| Subfour Limited | Manufacture of leisure goods | B Land | 70% | 70% |
| Subfive Limited | Manufacture of electronic equipment | C Land | 100% | 100% |
| Subsix Limited | Manufacture of leisure goods | A Land | 80% | Nil |
| Subseven Limited | Manufacture of leisure goods | A Land | 100% | Nil |
| C Plus Limited | Manufacture of electronic equipment | A Land | 45% | 45% |

IFRS 12.10(a)
IFRS 12.4
IFRS 12.B4(a)
IFRS 12.B5-B6

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in A Land. The principal activities of these subsidiaries are summarised as follows:

| Principal activities | Principal place of business | Number of subsidiaries | |
|---|---|---|---|
| | | 31/12/11 | 31/12/10 |
| Manufacture of electronic equipment | A Land | 1 | 1 |
| | B Land | 2 | 2 |
| | | 3 | 3 |
| Manufacture of leisure goods | A Land | 2 | 2 |
| Construction | A Land | 1 | 1 |
| Toys manufacturing | A Land | Nil | 1 |
| | | 6 | 7 |

*Note: IFRS 12.10(a) requires entities to disclose the composition of the group. The list above discloses information about the Group's material subsidiaries (wholly- and non-wholly-owned subsidiaries). The above illustrates one example as to how the requirements set out in IFRS 12 can be met. 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.*

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

*19.2 Details of non-wholly subsidiaries that have material non-controlling interests*

IFRS 12.10(a)(ii)
IFRS 12.12

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

*Note: For illustrative purposes, the following non-wholly subsidiaries are assumed to have non-controlling interests that are material to the Group.*

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit (loss) allocated to non-controlling Interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 | 31/12/11 | 31/12/10 |
| | | | | CU'000 | CU'000 | CU'000 | CU'000 |
| Subtwo Limited (i) | A Land | 55% | 55% | 1,180 | 860 | 10,320 | 9,140 |
| Subfour Limited | B Land | 30% | 30% | 1,020 | 980 | 10,680 | 9,660 |
| C Plus Limited (ii) | A Land | 55% | 55% | 392 | 464 | 2,445 | 2,053 |

IFRS 12.9(b)

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

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

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

IFRS 12.12(g)
IFRS 12.B10
IFRS 12.B11

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| **Subtwo Limited** | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Current assets | 22,132 | 20,910 |
| Non-current assets | 6,232 | 6,331 |
| Current liabilities | (4,150) | (5,373) |
| Non-current liabilities | (5,450) | (5,250) |
| Equity attributable to owners of the Company | 8,444 | 7,478 |
| Non-controlling interests | 10,320 | 9,140 |

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Revenue | 4,280 | 4,132 |
| Expenses | (2,134) | (2,568) |
| Profit (loss) for the year | 2,146 | 1,564 |
| Profit (loss) attributable to owners of the Company | 966 | 704 |
| Profit (loss) attributable to the non-controlling interests | 1,180 | 860 |
| Profit (loss) for the year | 2,146 | 1,564 |
| Other comprehensive income attributable to owners of the Company | – | – |
| Other comprehensive income attributable to the non-controlling interests | – | – |
| Other comprehensive income for the year | – | – |
| Total comprehensive income attributable to owners of the Company | 966 | 704 |
| Total comprehensive income attributable to the non-controlling interests | 1,180 | 860 |
| Total comprehensive income for the year | 2,146 | 1,564 |
| Dividends paid to non-controlling interests | – | – |
| Net cash inflow (outflow) from operating activities | 3,056 | 1,321 |
| Net cash inflow (outflow) from investing activities | (200) | 765 |
| Net cash inflow (outflow) from financing activities | (2,465) | (163) |
| Net cash inflow (outflow) | 391 | 1,923 |

## Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

### Subfour Limited

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Current assets | 32,100 | 31,400 |
| Non-current assets | 10,238 | 10,441 |
| Current liabilities | (1,617) | (4,299) |
| Non-current liabilities | (5,121) | (5,342) |
| Equity attributable to owners of the Company | 24,920 | 22,540 |
| Non-controlling interests | 10,680 | 9,660 |

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Revenue | 6,200 | 6,101 |
| Expenses | (2,800) | (2,834) |
| Profit (loss) for the year | 3,400 | 3,267 |
| Profit (loss) attributable to owners of the Company | 2,380 | 2,287 |
| Profit (loss) attributable to the non-controlling interests | 1,020 | 980 |
| Profit (loss) for the year | 3,400 | 3,267 |
| Other comprehensive income attributable to owners of the Company | – | – |
| Other comprehensive income attributable to the non-controlling interests | – | – |
| Other comprehensive income for the year | – | – |
| Total comprehensive income attributable to owners of the Company | 2,380 | 2,287 |
| Total comprehensive income attributable to the non-controlling interests | 1,020 | 980 |
| Total comprehensive income for the year | 3,400 | 3,267 |
| Dividends paid to non-controlling interests | – | – |
| Net cash inflow (outflow) from operating activities | 4,405 | 2,050 |
| Net cash inflow (outflow) from investing activities | (330) | 1,148 |
| Net cash inflow (outflow) from financing activities | (3,489) | (315) |
| Net cash inflow (outflow) | 586 | 2,883 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

| C Plus Limited | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Current assets | 1,530 | 3,517 |
| Non-current assets | 3,625 | 1,070 |
| Current liabilities | (280) | (266) |
| Non-current liabilities | (430) | (588) |
| Equity attributable to owners of the Company | 2,000 | 1,680 |
| Non-controlling interests | 2,445 | 2,053 |

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Revenue | 2,165 | 2,285 |
| Expenses | (1,453) | (1,441) |
| Profit (loss) for the year | 712 | 844 |
| Profit (loss) attributable to owners of the Company | 320 | 380 |
| Profit (loss) attributable to the non-controlling interests | 392 | 464 |
| Profit (loss) for the year | 712 | 844 |
| Other comprehensive income attributable to owners of the Company | – | – |
| Other comprehensive income attributable to the non-controlling interests | – | – |
| Other comprehensive income for the year | – | – |
| Total comprehensive income attributable to owners of the Company | 320 | 380 |
| Total comprehensive income attributable to the non-controlling interests | 392 | 464 |
| Total comprehensive income for the year | 712 | 844 |
| Dividends paid to non-controlling interests | – | – |
| Net cash inflow (outflow) from operating activities | (63) | 359 |
| Net cash inflow (outflow) from investing activities | (200) | (600) |
| Net cash inflow (outflow) from financing activities | (160) | (120) |
| Net cash inflow (outflow) | (423) | (361) |

*19.3 Change in ownership interest in a subsidiary*

IFRS 12.18

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).

*19.4 Significant restrictions*

IFRS 12.13

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

*19.5 Financial support*

IFRS 12.14-17

[When the Group gives financial support to a consolidated structured entity, the nature and risks (including the type and amount of support provided) should be disclosed in the financial statements. Please see IFRS 12.14 – 17 for details.]

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

## 20. Investments in associates

### *20.1 Details of material associates*

IFRS 12.21(a)

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

*Note: For illustrative purposes, the following associates are assumed to material to the Group.*

| Name of associate | Principal activity | Place of incorporation and principal place of business | Proportion of ownership interest and voting rights held by the Group | |
|---|---|---|---|---|
| | | | 31/12/11 | 31/12/10 |
| A Plus Limited (i) & (ii) | Transport | M Land | 35% | 35% |
| B Plus Limited (iii) | Steel manufacturing | A Land | 17% | 17% |

IFRS 12.21(a)(iv)

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

IFRS 12.22(b)
IFRS 12.21(b)(iii)

(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 2011 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2011. As at 31 December 2011, the fair value of the Group's interest in A Plus Limited, which is listed on the stock exchange of M Land, was CU8 million (31 December 2010: CU7.8 million).

IFRS 12.9(e)

(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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IFRS 12.B14

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs [adjusted by the Group for equity accounting purposes].

IFRS 12.21(b)(i)

All of these associates are accounted for using the equity method in these consolidated financial statements.

IFRS 12.21(b)(ii)
IFRS 12.B12
IFRS 12.B14

| **A Plus Limited** | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Current assets | 10,010 | 9,061 |
| Non-current assets | 4,902 | 4,001 |
| Current liabilities | (3,562) | (3,061) |
| Non-current liabilities | (4,228) | (4,216) |

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Revenue | 2,554 | 2,560 |
| Profit or loss from continuing operations | 1,337 | 1,332 |
| Post-tax profit (loss) from discontinued operations | – | – |
| Profit (loss) for the year | 1,337 | 1,332 |
| Other comprehensive income for the year | – | – |
| Total comprehensive income for the year | 1,337 | 1,332 |
| Dividends received from the associate during the year | 30 | 25 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IFRS 12.B14(b)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Net assets of the associate | 7,122 | 5,785 |
| Proportion of the Group's ownership interest in the associate | 35% | 35% |
| Goodwill | – | – |
| Other adjustments (please specify) | – | – |
| Carrying amount of the Group's interest in the associate | 2,492 | 2,025 |

IFRS 12.21(b)(ii)
IFRS 12.B12
IFRS 12.B14

| **B Plus Limited** | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Current assets | 19,151 | 18,442 |
| Non-current assets | 18,460 | 17,221 |
| Current liabilities | (15,981) | (14,220) |
| Non-current liabilities | (6,206) | (8,290) |

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Revenue | 5,790 | 5,890 |
| Profit or loss from continuing operations | 2,271 | 2,262 |
| Post-tax profit (loss) from discontinued operations | – | – |
| Profit (loss) for the year | 2,271 | 2,262 |
| Other comprehensive income for the year | – | – |
| Total comprehensive income for the year | 2,271 | 2,262 |
| Dividends received from the associate during the year | – | – |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

IFRS 12.B14(b)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

| | | |
|---|---|---|
| Net assets of the associate | 15,424 | 13,153 |
| Proportion of the Group's ownership interest in the associate | 17% | 17% |
| Goodwill | – | – |
| Other adjustments (please specify) | – | – |
| Carrying amount of the Group's interest in the associate | 2,622 | 2,236 |

IFRS 12.21(c)(ii)
IFRS 12.B16

**Aggregate information of associates that are not individually material**

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| The Group's share of profit (loss) from continuing operations | 12 | 358 |
| The Group's share of post-tax profit (loss) from discontinued operations | – | – |
| The Group's share of other comprehensive income | – | – |
| The Group's share of total comprehensive income | 12 | 358 |

IFRS 12.22(c)

**Unrecognised share of losses of an associate**

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| The unrecognised share of loss of an associate for the year | – | – |

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Cumulative share of loss of an associate | – | – |

*20.2 Change in ownership interest in an associate*

IAS 28.25

In the prior year, the Group held a 40% interest in E Plus Limited and accounted for the investment as an associate. In December 2011, the Group disposed of a 30% interest in E Plus Limited to a third party for proceeds of CU1.245 million (received in January 2012). 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, that is determined using a discounted cash flow model (please describe key factors and assumptions used in determining the fair value). This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.

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

The gain recognised in the current year comprises a realised profit of CU477,000 (being the proceeds of CU1.245 million less CU768,000 carrying amount of the interest disposed of) and an unrealised profit of CU104,000 (being the fair value less the carrying amount of the 10% interest retained). A current tax expense of CU143,000 arose on the gain realised in the current year, and a deferred tax expense of CU32,000 has been recognised in respect of the portion of the profit recognised that is not taxable until the remaining interest is disposed of.

*20.3 Significant restriction*

IFRS 12.22(a)

[When there are significant restrictions on the ability of associates to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group, the Group should disclose the nature and extent of significant restrictions in the financial statements. Please see IFRS 12.22(a) for details.]

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

### 20A. Investment in joint venture

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

#### *20A.1 Details of material joint venture*

IFRS 12.21(a)

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

| Name of associate | Principal activity | Place of incorporation and principal place of business | Proportion of ownership interest and voting rights held by the Group | |
|---|---|---|---|---|
| | | | 31/12/11 | 31/12/10 |
| JV Electronics Limited | Manufacture of electronic equipment | C Land | 33% | 33% |

IFRS 12.B14

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs [adjusted by the Group for equity accounting purposes].

IFRS 12.21(b)(i)

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

IFRS 12.21(b)(ii)
IFRS 12.B12
IFRS 12.B14

| **JV Electronics Limited** | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Current assets | 5,454 | 7,073 |
| Non-current assets | 23,221 | 20,103 |
| Current liabilities | (2,836) | (3,046) |
| Non-current liabilities | (13,721) | (13,033) |

IFRS 12.B13

| The above amounts of assets and liabilities include the following: | | |
|---|---|---|
| Cash and cash equivalents | – | – |
| Current financial liabilities (excluding trade and other payables and provisions) | – | – |
| Non-current financial liabilities (excluding trade and other payables and provisions) | (12,721) | (12,373) |

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Revenue | 6,436 | 6,076 |
| Profit or loss from continuing operations | 1,021 | 733 |
| Post-tax profit (loss) from discontinued operations | – | – |
| Profit (loss) for the year | 1,021 | 733 |
| Other comprehensive income for the year | – | – |
| Total comprehensive income for the year | 1,021 | 733 |
| Dividends received from the joint venture during the year | – | – |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

IFRS 12.B13

The above profit (loss) for the year include the following:

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Depreciation and amortisation | 200 | 180 |
| Interest income | – | – |
| Interest expense | 56 | 48 |

IFRS 12.B14(b)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Net assets of the joint venture | 12,118 | 11,097 |
| Proportion of the Group's ownership interest in the joint venture | 33% | 33% |
| Goodwill | – | – |
| Other adjustments (please specify) | – | – |
| Carrying amount of the Group's interest in the joint venture | 3,999 | 3,662 |

IFRS 12.21(c)(i)
IFRS 12.B16

**Aggregate information of joint ventures that are not individually material**

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| The Group's share of profit (loss) from continuing operations | – | – |
| The Group's share of post-tax profit (loss) from discontinued operations | – | – |
| The Group's share of other comprehensive income | – | – |
| The Group's share of total comprehensive income | – | – |

IFRS 12.22(c)

**Unrecognised share of losses of a joint venture**

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| The unrecognised share of loss of a joint venture for the year | – | – |

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Cumulative share of loss of a joint venture | – | – |

*20A.2 Significant restriction*

IFRS 12.22(a)

[When there are significant restrictions on the ability of joint ventures to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group, the Group should disclose the nature and extent of significant restrictions in the financial statements. Please see IFRS 12.22(a) for details.]

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

### 21. Joint operation

IFRS 12.21(a)

The Group has a material joint operation, Project ABC. The Group has a 25 per cent share in the ownership of a property located in Central District, City A. The property upon completion will be held for leasing purposes. The Group is entitled to a proportionate share of the rental income received and bears a proportionate share of the outgoings.

### 45. Disposal of subsidiary

On 30 November 2011, the Group disposed of Subzero Limited which carried out its entire toy manufacturing operations.

*45.1 Consideration received*

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 |
| IAS 7.40(b) | Consideration received in cash and cash equivalents | 7,854 | – |
| | Deferred sales proceeds (note 25) | 960 | – |
| IAS 7.40(a) | Total consideration received | 8,814 | – |

IAS 7.40(d)

*45.2 Analysis of asset and liabilities over which control was lost*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Current assets | | |
| Cash and cash equivalents | 288 | – |
| Trade receivables | 1,034 | – |
| Inventories | 2,716 | – |
| Non-current assets | | |
| Property, plant and equipment | 5,662 | – |
| Goodwill | 3,080 | – |
| Current liabilities | | |
| Payables | (973) | – |
| Non-current liabilities | | |
| Borrowings | (4,342) | – |
| Deferred tax liabilities | (471) | – |
| Net assets disposed of | 6,994 | – |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

*45.3 Gain on disposal of subsidiary*

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | 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 sub and related hedging instruments reclassified from equity to profit or loss on loss of control of subsidiary | 120 | – |
| IFRS 12.19 | Gain on disposal | 1,940 | – |

IFRS 12.19(b)

The gain on disposal is included in the profit for the year from discontinued operations in the consolidated [statement of comprehensive income/income statement] (see note 11).

*45.4 Net cash inflow on disposal of subsidiary*

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 |
| | Consideration received in cash and cash equivalents | 7,854 | – |
| IAS 7.40(c) | Less: cash and cash equivalent balances disposed of | (288) | – |
| | | 7,566 | – |

**49. Commitments for expenditure**

IFRS 12.23(a)
IFRS 12.B18 - B19

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

| | 31/12/11 | 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Commitments to contribute funds for the acquisition of property, plant and equipment | 983 | 192 |
| Commitments to provide loans | – | – |
| Commitments to acquire other venturer's ownership interest when a particular event occurs or does not occur in the future (please specify what the particular event is) | – | – |
| Others (please specify) | – | – |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

## 50. Contingent liabilities and contingent assets

| Source | | 31/12/11 | 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 |
| | *50.1 Contingent liabilities* | | |
| IFRS 12.23(b) | Contingent liabilities incurred by the Group arising from its interests in a joint venture (i) | 110 | 116 |
| IFRS 12.23(b) | Contingent liabilities incurred by the Group arising from its interests in associates (please disclose the details) | – | – |
| IFRS 12.23(b) | Group's share of associates' contingent liabilities (ii) | 150 | 14 |
| IFRS 12.23(b) | Group's share of joint venture's contingent liabilities (please specify the details) | – | – |

(i) 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.

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

# Section 3 – Appendix 3: Early application of the amendments to IAS 1 (as issued by the IASB in June 2011)

In June 2011, the IASB issued the amendments to IAS 1 titled *Presentation of Items of Other Comprehensive Income*. The amendments are effective for annual periods beginning on or after 1 July 2012, with early application permitted.

This appendix gives you examples of the application of the amendments to IAS 1.

Key assumptions used in the preparation of this appendix are as follows:

- International GAAP Holdings Limited is assumed to have early applied the amendments to IAS 1 in the current year in advance of the effective date.
- The main change resulting from the amendments to IAS 1 is that there is a requirement to group and present items in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently as reclassification adjustments. This appendix does not include a full set of financial statements; it includes only the statement of comprehensive income (renamed as the statement of profit or loss and other comprehensive income under the amendments to IAS 1, although the use of the new terminology is not mandatory) and certain notes affected by the amendments. Regarding the statement of profit or loss and other comprehensive income, two presentation options are included for illustrative purposes: (a) a single continuous statement presentation method with expenses analysed by function; and (b) two separate but consecutive statements presentation method with expenses analysed by nature.

For details of the disclosure and presentation requirements of the amendments to IAS 1, readers should refer to Deloitte's 2011 IFRS Compliance, Presentation and Disclosure Checklist. This Checklist can be downloaded from Deloitte's web site www.iasplus.com.

Note that in this appendix, 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.

## Contents

| | Page |
|---|---|
| Consolidated statement of profit or loss and other comprehensive income | |
| Alt 1 – Single statement presentation, with expenses analysed by function | 224 |
| Alt 2 – Presentation as two statements, with expenses analysed by nature | 226 |
| Notes to the consolidated financial statements | |
| 2 Application of new and revised International Financial Reporting Standards | 228 |
| 29 Reserves (net of income tax) | 229 |

| Source | International GAAP Holdings Limited | | |
|---|---|---|---|
| IAS 1.10(b) | **Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2011** | | **[Alt 1]** |
| | | Year ended 31/12/11 | Year ended 31/12/10 |
| | | CU'000 | CU'000 (restated) |
| | **Continuing operations** | | |
| | Revenue | 140,918 | 151,840 |
| | Cost of sales | (87,897) | (91,840) |
| | Gross profit | 53,021 | 60,000 |
| | Investment income | 3,608 | 2,351 |
| | Other gains and losses | 647 | 1,005 |
| | Distribution expenses | (5,087) | (4,600) |
| | Marketing expenses | (3,305) | (2,254) |
| | Administration expenses | (13,129) | (17,325) |
| | Other expenses | (2,801) | (2,612) |
| | Finance costs | (4,418) | (6,023) |
| | Share of profits of associates | 1,186 | 1,589 |
| | Gain recognised on disposal of interest in former associate | 581 | – |
| | Other [describe] | – | – |
| | Profit before tax | 30,303 | 32,131 |
| | Income tax expense | (11,564) | (11,799) |
| | Profit for the year from continuing operations | 18,739 | 20,332 |
| | **Discontinued operations** | | |
| IAS 1.82(ea) | Profit for the year from discontinued operations | 8,310 | 9,995 |
| IAS 1.81A(a) | **Profit for the year** | 27,049 | 30,327 |
| IAS 1.91(a) | Other comprehensive income, net of income tax | | |
| IAS 1.82A(a) | ***Items that will not be reclassified to profit or loss:*** | | |
| | Gain on revaluation of properties | – | 1,150 |
| | Share of gain (loss) on property revaluation of associates | – | – |
| | Others (describe) | – | – |
| | | – | 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 gain on available-for-sale financial assets | 66 | 57 |
| | Net gain on hedging instruments entered into for cash flow hedges | 39 | 20 |
| | Share of exchange differences of associates | – | – |
| | 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** | 27,115 | 31,639 |
| | Profit attributable to: | | |
| IAS 1.81B(a)(ii) | Owners of the Company | 23,049 | 27,564 |
| IAS 1.81B(a)(i) | Non-controlling interests | 4,000 | 2,763 |
| | | 27,049 | 30,327 |
| | Total comprehensive income attributable to: | | |
| IAS 1.81B(b)(ii) | Owners of the Company | 23,115 | 28,876 |
| IAS 1.81B(b)(i) | Non-controlling interests | 4,000 | 2,763 |
| | | 27,115 | 31,639 |

**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2011 – continued**

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| **Earnings per share** | | |
| From continuing and discontinued operations | | |
| Basic (cents per share) | 132.2 | 137.0 |
| Diluted (cents per share) | 115.5 | 130.5 |
| From continuing operations | | |
| Basic (cents per share) | 84.5 | 87.3 |
| Diluted (cents per share) | 74.0 | 83.2 |

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

*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.*

*In addition, 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).*
- *For reclassification adjustments, an aggregated presentation may be adopted, with separate disclosure of the current year gain or loss and reclassification adjustments in the notes (see previous page and note 29). Alternatively, using a disaggregated presentation, the current year gain or loss and reclassification adjustments are shown separately in the statement of profit or loss and other comprehensive income (see Alt 2).*

| Source | International GAAP Holdings Limited |
|---|---|

IAS 1.10A

**Consolidated statement of profit or loss for the year ended 31 December 2011** **[Alt 2]**

| | Source | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 |
| **Continuing operations** | | | (restated) |
| Revenue | | 140,918 | 151,840 |
| Investment income | | 3,608 | 2,351 |
| Other gains and losses | | 647 | 1,005 |
| Changes in inventories of finished goods and work in progress | | 7,134 | 2,118 |
| Raw materials and consumables used | | (84,659) | (85,413) |
| Depreciation and amortisation expenses | | (11,193) | (13,878) |
| Employee benefits expense | | (10,113) | (11,527) |
| Finance costs | | (4,418) | (6,023) |
| Consulting expense | | (3,120) | (1,926) |
| Other expenses | | (10,268) | (8,005) |
| Share of profits of associates | | 1,186 | 1,589 |
| Gain recognised on disposal of interest in former associate | | 581 | – |
| Other [describe] | | – | – |
| Profit before tax | | 30,303 | 32,131 |
| Income tax expense | | (11,564) | (11,799) |
| Profit for the year from continuing operations | | 18,739 | 20,332 |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | IAS 1.82(ea) | 8,310 | 9,995 |
| **Profit for the year** | IAS 1.81A(a) | 27,049 | 30,327 |
| Attributable to: | | | |
| Owners of the Company | IAS 1.81B(a)(ii) | 23,049 | 27,564 |
| Non-controlling interests | IAS 1.81B(a)(i) | 4,000 | 2,763 |
| | | 27,049 | 30,327 |
| Earnings per share | | | |
| From continuing and discontinued operations | | | |
| Basic (cents per share) | | 132.2 | 137.0 |
| Diluted (cents per share) | | 115.5 | 130.5 |
| From continuing operations | | | |
| Basic (cents per share) | | 84.5 | 87.3 |
| Diluted (cents per share) | | 74.0 | 83.2 |

*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 presenting comprehensive income which shall begin with profit or loss.*

IAS 1.10A

**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2011** **[Alt 2]**

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 (restated) |
| IAS 1.10A | **Profit for the year** | 27,049 | 30,327 |
| | **Other comprehensive income** | | |
| IAS 1.82A(a) | ***Items that will not be reclassified 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 | – | (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 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 | | |
| | 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 | (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** | 27,115 | 31,639 |
| | Total comprehensive income attributable to: | | |
| IAS 1.81B(b)(ii) | Owners of the Company | 23,115 | 28,876 |
| IAS 1.81B(b)(i) | Non-controlling interests | 4,000 | 2,763 |
| | | 27,115 | 31,639 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011**

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

### *2.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years)*

*Note: The note below gives examples of the application of the amendments to IAS 1. Regarding impact of other new and revised Standards, please refer to Section 2 of this publication and other appendices.*

New and revised IFRSs affecting the presentation and disclosure only

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

IAS 8.28

The Group has applied the amendments to IAS 1 titled *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 statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an 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 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. 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.

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

## 29. Reserves (net of income tax)

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| General | 807 | 807 | 807 |
| Properties revaluation | 1,198 | 1,201 | 51 |
| Investments revaluation | 593 | 527 | 470 |
| Equity-settled employee benefits | 544 | 338 | – |
| Cash flow hedging | 317 | 278 | 258 |
| Foreign currency translation | 186 | 225 | 140 |
| Option premium on convertible notes | 592 | – | – |
| Other [describe] | – | – | – |
| | 4,237 | 3,376 | 1,726 |

### *29.1 General reserve*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Balance at beginning of year | 807 | 807 |
| Movements [describe] | – | – |
| Balance at end of year | 807 | 807 |

IAS 1.82A

Items included in general reserve will not be reclassified subsequently to profit or loss. The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

### *29.2 Properties revaluation reserve*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Balance at beginning of year | 1,201 | 51 |
| Increase arising on revaluation of properties | – | 1,643 |
| Impairment losses | – | – |
| Reversals of impairment losses | – | – |
| Deferred tax liability arising on revaluation | – | (493) |
| Reversal of deferred tax liability on revaluation | – | – |
| Transferred to retained earnings | (3) | – |
| Other [describe] | – | – |
| Balance at end of year | 1,198 | 1,201 |

IAS 1.82A

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 properties revaluation reserve will not be reclassified subsequently to profit or loss.

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 2011 – continued**

*29.3 Investments revaluation reserve*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Balance at beginning of year | 527 | 470 |
| 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) |
| Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets | – | – |
| Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets | – | – |
| Balance at end of year | 593 | 527 |

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.

*29.4 Equity-settled employee benefits reserve*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Balance at beginning of year | 338 | – |
| Arising on share-based payments | 206 | 338 |
| Other [describe] | – | – |
| Balance at end of year | 544 | 338 |

IAS 1.82A

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 2011 – continued**

*29.5 Cash flow hedging reserve*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Balance at beginning of year | 278 | 258 |
| 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) |
| 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 |
| 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 |
| Other [describe] | – | – |
| Balance at end of year | 317 | 278 |

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 relevant accounting policy.

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 in the consolidated [statement of profit or loss and other comprehensive income/statement of profit or loss]:

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Revenue | – | – |
| Other income | – | – |
| Finance costs | (120) | (86) |
| Other expenses | (3) | – |
| Income tax expense | 114 | 86 |
| Other [describe] | – | – |
| | (9) | – |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

*29.6 Foreign currency translation reserve*

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 |
| IAS 1.82A | *Items that will not be reclassified subsequently to profit or loss:* | | |
| | Balance at beginning of year | – | – |
| | Exchange differences arising on translating to presentation currency | – | – |
| | Other (describe) | – | – |
| | | – | – |
| 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) | – |
| | Other (describe) | – | – |
| | Balance at end of year | 186 | 225 |

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.

*29.7 Option premium on convertible notes*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Balance at beginning of year | – | – |
| Recognition of option premium on issue of convertible notes | 834 | – |
| Related income tax | (242) | – |
| Balance at end of year | 592 | – |

IAS 1.82A

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.

# Section 3 – Appendix 4: Early application of the amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* (as issued by the IASB in December 2010)

In December 2010, the IASB issued amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*. The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012, with early application permitted.

This appendix gives you examples of the application of the requirements of the amendments to IAS 12.

Key assumptions used in the preparation of this appendix are as follows:

- International GAAP Holdings Limited is assumed to have early applied the amendments to IAS 12 in the current year in advance of the effective date.
- International GAAP Holdings Limited and its subsidiaries are assumed not to be subject to any income tax on sale of their investment properties. The application of the amendments to IAS 12 has resulted in adjustments to deferred tax liabilities and income tax expense regarding the Group's investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property*. Amounts for the comparative period are restated, where appropriate. Therefore, a statement of financial position as at the beginning of the earliest comparative period in accordance with IAS 1.10(f) is included.
- This appendix does not include a full set of financial statements; only the statement of financial position, statement of comprehensive income, statement of changes in equity and certain notes affected by the amendments are included. Regarding the statement of comprehensive income, one single statement presentation method is used and expenses are aggregated according to their function.

For details of the disclosure and presentation requirements of the amendments to IAS 12, readers should refer to Deloitte's 2011 Compliance, Presentation and Disclosure Checklist. This Checklist can be downloaded from Deloitte's web site www.iasplus.com.

Note that in this appendix, 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.'nil' amounts.

## Contents


| | Page |
|---|---|
| Consolidated statement of comprehensive income | 236 |
| Consolidated statement of financial position | 238 |
| Consolidated statement of changes in equity | 240 |
| Notes to the consolidated financial statements | |
| 2 Application of new and revised International Financial Reporting Standards | 242 |
| 3 Significant accounting policies | 244 |
| 4 Critical accounting judgements and key sources of estimation uncertainty | 245 |
| 10 Income taxes relating to continuing operations | 245 |
| 14 Earnings per share | 248 |

| Source | International GAAP Holdings Limited |
|---|---|

## Consolidated statement of comprehensive income for the year ended 31 December 2011

| Source | | Note | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|---|
| | | | CU'000 | CU'000 (restated) |
| | **Continuing operations** | | | |
| | Revenue | | 140,918 | 151,840 |
| | Cost of sales | | (87,897) | (91,840) |
| | Gross profit | | 53,021 | 60,000 |
| | Investment income | | 3,608 | 2,351 |
| | Other gains and losses | | 647 | 1,005 |
| | Distribution expenses | | (5,087) | (4,600) |
| | Marketing expenses | | (3,305) | (2,254) |
| | Administration expenses | | (13,129) | (17,325) |
| | Other expenses | | (2,801) | (2,612) |
| | Finance costs | | (4,418) | (6,023) |
| | Share of profits of associates | | 1,186 | 1,589 |
| | Gain recognised on disposal of interest in former associate | | 581 | – |
| | Other [describe] | | – | – |
| | Profit before tax | | 30,303 | 32,131 |
| IAS 1.82(d) | Income tax expense | 10 | (11,555) | (11,709) |
| | Profit for the year from continuing operations | | 18,748 | 20,422 |
| | **Discontinued operations** | | | |
| | Profit for the year from discontinued operations | | 8,310 | 9,995 |
| | **Profit for the year** | | 27,058 | 30,417 |
| | **Other comprehensive income, net of income tax** | | | |
| | Exchange differences on translating foreign operations | | (39) | 85 |
| | Net gain on available-for-sale financial assets | | 66 | 57 |
| | Net gain on hedging instruments entered into for cash flow hedges | | 39 | 20 |
| | Gain on revaluation of properties | | – | 1,150 |
| | Share of other comprehensive income of associates | | – | – |
| | Other comprehensive income for the year, net of tax | | 66 | 1,312 |
| | Total comprehensive income for the year | | 27,124 | 31,729 |
| | Profit attributable to: | | | |
| | Owners of the Company | | 23,058 | 27,654 |
| | Non-controlling interests | | 4,000 | 2,763 |
| | | | 27,058 | 30,417 |
| | Total comprehensive income attributable to: | | | |
| | Owners of the Company | | 23,124 | 28,966 |
| | Non-controlling interests | | 4,000 | 2,763 |
| | | | 27,124 | 31,729 |

**Consolidated statement of comprehensive income for the year ended 31 December 2011 – continued**

| | Note | Year ended 31/12/11 | Year ended 31/12/10 (restated) |
|---|---|---|---|
| **Earnings per share** | 14 | | |
| From continuing and discontinued operations | | | |
| Basic (cents per share) | | 132.3 | 137.4 |
| Diluted (cents per share) | | 115.6 | 131.0 |
| From continuing operations | | | |
| Basic (cents per share) | | 84.6 | 87.7 |
| Diluted (cents per share) | | 74.1 | 83.6 |

*Note: The above illustrates the presentation of comprehensive income in one statement. The expenses above are aggregated according to their function.*

| Source | International GAAP Holdings Limited |
|---|---|

## Consolidated statement of financial position at 31 December 2011

| | Note | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 | CU'000 |
| **Assets** | | | (restated) | (restated) |
| *Non-current assets* | | | | |
| Property, plant and equipment | | 109,783 | 135,721 | 161,058 |
| Investment property | | 1,968 | 1,941 | 170 |
| Goodwill | | 20,285 | 24,060 | 23,920 |
| Other intangible assets | | 9,739 | 11,325 | 12,523 |
| Investments in associates | | 7,402 | 7,270 | 5,706 |
| Deferred tax assets | 10 | 2,083 | 1,964 | 1,843 |
| Finance lease receivables | | 830 | 717 | 739 |
| Other financial assets | | 10,771 | 9,655 | 7,850 |
| Other assets | | – | – | – |
| Total non-current assets | | 162,861 | 192,653 | 213,809 |
| *Current assets* | | | | |
| Inventories | | 31,213 | 28,982 | 29,688 |
| Trade and other receivables | | 19,249 | 14,658 | 13,550 |
| Finance lease receivables | | 198 | 188 | 182 |
| Amounts due from customers under construction contracts | | 240 | 230 | 697 |
| Other financial assets | | 8,757 | 6,949 | 5,528 |
| Current tax assets | | 125 | 60 | 81 |
| Other assets | | – | – | – |
| Cash and bank balances | | 23,446 | 19,778 | 9,082 |
| | | 83,228 | 70,845 | 58,808 |
| Assets classified as held for sale | | 22,336 | – | – |
| Total current assets | | 105,564 | 70,845 | 58,808 |
| Total assets | | 268,425 | 263,498 | 272,617 |

*Note: IAS 1.10(f) requires that an entity should present a statement of financial position as at the beginning of the earliest comparative 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. In this appendix, the application of the amendments to IAS 12 has resulted in retrospective restatement of items in the financial statements (see note 2). Therefore, this appendix includes the additional statement of financial position.*

## Consolidated statement of financial position at 31 December 2011 – continued

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

## Consolidated statement of changes in equity for the year ended 31 December 2011

| | Share capital | Share premium | General reserve | Properties revaluation reserve |
|---|---|---|---|---|
| | CU'000 | CU'000 | CU'000 | CU'000 |
| **Balance at 1 January 2010** | 23,005 | 25,667 | 807 | 51 |
| Adjustments (see note 2) | – | – | – | – |
| **Balance at 1 January 2010 (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 2010 (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 | – | – | – | – |
| Additional non-controlling interests relating to outstanding share-based payment transactions of Subsix Limited | – | – | – | – |
| Disposal of partial interest in Subone Limited | – | – | – | – |
| Recognition of share-based payments | – | – | – | – |
| Issue of ordinary shares under employee share option plan | 314 | – | – | – |
| Issue of ordinary shares for consulting services performed | 3 | 5 | – | – |
| Issue of convertible non-participating preference shares | 100 | – | – | – |
| Issue of convertible notes | – | – | – | – |
| Share issue costs | – | (6) | – | – |
| Buy-back of ordinary shares | (5,603) | (10,853) | – | – |
| Share buy-back costs | – | (277) | – | – |
| Transfer to retained earnings | – | – | – | (3) |
| Income tax relating to transactions with owners | 84 | – | – | – |
| **Balance at 31 December 2011** | 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 | – | 73,824 | 124,222 | 17,242 | 141,464 |
| – | – | – | – | – | – | – | – | – |
| 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 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011**

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

*2.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years)*

*Note: The note below gives examples of the application of the amendments to IAS 12. Regarding impact of other new and revised Standards, please refer to Section 2 of this publication and other appendices.*

IAS 8.28

Amendments to IAS 12 Income Taxes

The Group has applied the amendments to IAS 12 titled *Deferred Tax: Recovery of Underlying Assets* in advance of the effective date (annual periods beginning on or after 1 January 2012). 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 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 are recovered through use. The amendments to IAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by CU90,000 as at 31 December 2010 (1 January 2010: nil), with the corresponding adjustment being recognised in income tax expense for the year ended 31 December 2010.

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

***Impact of the application of amendments to IAS 12***

| *Impact on profit (loss) for the year* | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | 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 |

## Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

*Impact on net assets and equity as at 1 January 2010*

| | As at 01/01/10 as previously reported | Amendments to IAS12 adjustments | As at 01/01/10 as restated |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Deferred tax liabilities | 4,436 | – | 4,436 |
| Others (please specify) | – | – | – |
| Impact on net assets | 4,436 | – | 4,436 |
| Retained earnings | 73,824 | – | 73,824 |
| Others (please specify) | – | – | – |
| Impact on equity | 73,824 | – | 73,824 |

*Impact on net assets and equity as at 31 December 2010*

| | As at 31/12/10 as previously reported | Amendments to IAS12 adjustments | As at 31/12/10 as restated |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Deferred tax liabilities | 5,657 | (90) | 5,567 |
| Others (please specify) | – | – | – |
| Impact on net assets | 5,657 | (90) | 5,567 |
| Retained earnings | 94,909 | 90 | 94,999 |
| Others (please specify) | – | – | – |
| Impact on equity | 94,909 | 90 | 94,999 |

*Impact on net assets and equity as at 31 December 2011*

| | Amendments to IAS 12 |
|---|---|
| | CU'000 |
| Decrease in deferred tax liabilities | 99 |
| Others (please specify) | – |
| Increase in net assets | 99 |
| Increase in retained earnings | 99 |
| Others (please specify) | – |
| Impact on equity | 99 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IAS 1.112(a), 117

## 3. Significant accounting policies

*Note: The note below only illustrates the accounting policy regarding deferred taxation.*

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.

IAS 12.51C

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property*, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in IAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

## Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

### 4. Critical accounting judgements and key sources of estimation uncertainty

*4.1 Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimations, 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.

4.1.3 Deferred taxation on investment properties

IAS 12.51C

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model in IAS 40, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption set out in IAS 12.51C that investment properties measured using the fair value model are recovered through sale is not rebutted.

### 10. Income taxes relating to continuing operations

*10.1 Income tax recognised in profit or loss*

| | Year ended 31/12/11 CU'000 | Year ended 31/12/10 CU'000 (restated) |
|---|---|---|
| *Current tax* | | |
| Current tax expense in respect of the current year | 10,071 | 11,347 |
| Adjustments recognised in the current year in relation to the current tax of prior years | – | – |
| Other [describe] | – | – |
| | 10,071 | 11,347 |
| IAS 12.80 *Deferred tax* | | |
| Deferred tax expense recognised in 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 | – | – |
| Other [describe] | – | – |
| | 1,484 | 362 |
| Total income tax expense recognised in the current year relating to continuing operations | 11,555 | 11,709 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IAS 12.81(c)

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

| | Year ended 31/12/11 CU'000 | Year ended 31/12/10 CU'000 (restated) |
|---|---|---|
| Profit before tax from continuing operations | 30,303 | 32,131 |
| Income tax expense calculated at 30% (2010: 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]) | – | – |
| Other [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 2011 and 2010 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.

*10.5 Deferred tax balances*

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

| | 31/12/11 CU'000 | 31/12/10 CU'000 (restated) | 01/01/10 CU'000 (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 2011 – continued

IAS 12.81(a),(g)

| 2011 | Opening balance | Recognised in profit or loss | Recognised in other compre-hensive income | Recognised directly in equity | Reclassified from equity to profit or loss | Acquisitions/ disposals | Other [Describe] | 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) |
| Investment property | – | – | – | – | – | – | – | – |
| 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 |
| Other [describe] | (181) | (32) | – | – | – | – | – | (213) |
| | (3,605) | (1,634) | (177) | (167) | 150 | 454 | 430 | (4,549) |
| Tax losses | – | – | – | – | – | – | – | – |
| Other | 2 | – | – | – | – | – | – | 2 |
| | 2 | – | – | – | – | – | – | 2 |
| | (3,603) | (1,634) | (177) | (167) | 150 | 454 | 430 | (4,547) |

IAS 12.81(a),(g)

| 2010 (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 | Other [Describe] | Closing balance |
|---|---|---|---|---|---|---|---|---|
| *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) |
| Investment property | – | – | – | – | – | – | – | – |
| 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 |
| Other [describe] | (97) | (84) | – | – | – | – | – | (181) |
| | (2,593) | (450) | (648) | – | 86 | – | – | (3,605) |
| Tax losses | – | – | – | – | – | – | – | – |
| Other | – | 2 | – | – | – | – | – | 2 |
| | – | 2 | – | – | – | – | – | 2 |
| | (2,593) | (448) | (648) | – | 86 | – | – | (3,603) |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

## 14. Earnings per share

*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 2011 and 2010, 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 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 |
| | 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) | 9 | 90 | 0.05 | 0.45 | 0.04 | 0.43 |
| – Others (please specify) | – | – | – | – | – | – |
| | 9 | 90 | 0.05 | 0.45 | 0.04 | 0.43 |

# Section 3 – Appendix 5: Early application IAS 19 *Employee Benefits* (as revised in June 2011)

In June 2011, the IASB issued a revised version of IAS 19 *Employee Benefit*s. IAS 19 (as revised in 2011) is effective for annual periods beginning on or after 1 January 2013.

Significant changes (as compared to the previous version of IAS 19) may include:

**(a) Full recognition of deficit (surplus) in the statement of financial position**
Under the previous version of IAS 19, for defined benefit plans some of the effect of actuarial gains and losses can be excluded from the net defined benefit liability (asset) by using the 'corridor approach', and the effect of unvested past service costs is recognised over the average vesting period. IAS 19 (as revised in 2011) requires all such items to be recognised immediately. Actuarial gains and losses for defined benefit plans will be recognised in other comprehensive income (OCI) and actuarial gains and losses on other long-term employee benefit plans and past service costs will be recognised in profit or loss when incurred. Therefore, the net defined benefit asset (liability) recognised on the statement of financial position will equal the actual surplus (deficit) in an entity's defined benefit plan.

**(b) Introduction of net interest on the net defined benefit liability (asset)**
Under the previous version of IAS 19, the financing cost recognised in profit or loss consisted of the interest cost on the defined benefit obligation (DBO) net of the expected return on plan assets. Under IAS 19 (as revised in 2011), the concept of net interest on the net defined benefit liability (asset) is introduced. The net interest on the net defined benefit liability (asset) is defined as the change of the net defined benefit liability (asset) during the reporting period that arises from passage of time and is determined by multiplying the net defined benefit liability (asset) by the discount rate (market yields on high quality corporate bonds). Effectively, this means that the defined benefit obligation and the plan assets are multiplied by the same interest rate.

The expected return on plan assets under the previous version of IAS 19 depends on the investment mix of the portfolio and is typically not equal to the discount rate applied for the determination of scheme liabilities. Under IAS 19 (as revised in 2011) replaced the interest income on plan asset is a component of the net interest on the net defined benefit asset (liability), which is determined by the plan assets multiplied by the discount rate. When the discount rate is lower than the expected return on the actual investment portfolio (which is generally the case), application of IAS 19 (as revised in 2011) will increase the defined benefit cost recognised in profit or loss from what would have been recorded under the previous version of IAS 19. The difference between the (expected) net interest income and the actual return is recognised in OCI as a remeasurement gain or loss.

**(c) Change in the presentation of the defined benefit cost**
Under IAS 19 (as revised in 2011), the defined benefit cost comprises service cost, net interest and remeasurement. Service cost (current and past service cost and gains and losses on curtailments and settlements) and net interest are recognised in profit or loss, while remeasurement (actuarial gains and losses, any changes in the effect of the asset ceiling and the difference between the (expected) net interest income and the actual return) are recognised in OCI for defined benefit plans and in profit or loss for other long-term employee benefits.

**(d) Introduction of more extensive disclosure requirements in the financial statements**
IAS 19 (as revised in 2011) introduces more extensive disclosure requirements relating to the characteristics, risks and amounts in the financial statements regarding defined benefit plans, as well as the effect of defined benefit plans on the amount, timing and uncertainty of the entity's future cash flows.

This appendix gives you examples of the application of the requirements of IAS 19 (as revised in 2011).

Key assumptions used in the preparation of this appendix are as follows:

- International GAAP Holdings Limited is assumed to have early applied IAS 19 (as revised in 2011) in the current year in advance of its effective date. 1 January 2010 is considered to be the date of initial application of this Standard. These changes have resulted in changes in amounts reported in the financial statements (see note 2).

- IAS 19 (as revised in 2011) has been applied retrospectively in accordance with IAS 8 and the relevant transitional provisions of IAS 19.172 and .173. In this appendix, for illustrative purposes, amounts for the comparative period 2010 are restated. Therefore, a statement of financial position as at the beginning of the earliest comparative period in accordance with IAS 1.10(f) is included.

- This appendix does not include a full set of financial statements; only the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and certain notes affected by IAS 19 (as revised in 2011) are included. Regarding the statement of comprehensive income, the two-statement presentation method is used and expenses are aggregated according to their nature. In addition, regarding the statement of cash flows, the direct method is used to report cash flows from operating activities.

- For simplicity purposes, this appendix assumes that the taxing authorities in the jurisdictions where the Group operates adopts all of the amendments to IAS 19 (as revised 2011) retrospectively such that there are no deferred income tax implications resulting from the change in accounting policy with respect to the application of IAS 19 (as revised in 2011). This may not always be the case. Taxing authorities may choose to not adopt some or all of the amendments to IAS 19 or may choose to adopt the amendments to IAS 19 prospectively only. In these cases, there would likely be deferred income tax implications that should be reflected in the financial statements and notes thereto. The financial statements and appendix do reflect the current income tax effect of the application of IAS 19 (as revised in 2011) for the current and prior year (restated) effect on profit or loss and other comprehensive income. For completeness, the entire income tax footnote is included in the appendix.

For details of the disclosure and presentation requirements of IAS 19 (as revised in 2011), readers should refer to Deloitte's 2011 IFRS Compliance, Presentation and Disclosure Checklist. This checklist can be downloaded from Deloitte's web site www.iasplus.com.

Note that in this appendix, we have 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.

## Contents


| | Page |
|---|---|
| Consolidated income statement | 252 |
| Consolidated statement of comprehensive income | 253 |
| Consolidated statement of financial position | 254 |
| Consolidated statement of changes in equity | 256 |
| Consolidated statement of cash flows | 258 |
| Notes to the consolidated financial statements, including: | |
| 2 Application of new and revised International Financial Reporting Standards | 259 |
| 3 Significant accounting policies | 261 |
| 10 Income taxes relating to continuing operations | 262 |
| 13 Profit for the year from continuing operations | 264 |
| 14 Earnings per share | 265 |
| 39 Retirement benefit plans | 266 |

| Source | International GAAP Holdings Limited |
|---|---|

## Consolidated income statement
## for the year ended 31 December 2011

| | Notes | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 (restated) |
| **Continuing operations** | | | |
| Revenue | | 140,918 | 151,840 |
| Investment income | | 3,608 | 2,351 |
| Other gains and losses | | 647 | 1,005 |
| Changes in inventories of finished goods and work in progress | | 7,134 | 2,118 |
| Raw materials and consumables used | | (84,659) | (85,413) |
| Depreciation and amortisation expenses | | (11,193) | (13,878) |
| Employee benefits expense | 13 | (10,553) | (11,951) |
| Finance costs | | (4,418) | (6,023) |
| Consulting expense | | (3,120) | (1,926) |
| Other expenses | | (10,268) | (8,005) |
| Share of profits of associates | | 1,186 | 1,589 |
| Gain recognised on disposal of interest in former associate | | 581 | – |
| Other [describe] | | – | – |
| Profit before tax | | 29,863 | 31,707 |
| Income tax expense | 10 | (11,432) | (11,672) |
| Profit for the year from continuing operations | | 18,431 | 20,035 |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | | 8,310 | 9,995 |
| **Profit for the year** | | 26,741 | 30,030 |
| Attributable to: | | | |
| Owners of the Company | | 22,741 | 27,267 |
| Non-controlling interests | | 4,000 | 2,763 |
| | | 26,741 | 30,030 |
| **Earnings per share** | 14 | | |
| From continuing and discontinued operations | | | |
| Basic (cents per share) | | 130.5 | 135.5 |
| Diluted (cents per share) | | 114.0 | 129.1 |
| From continuing operations | | | |
| Basic (cents per share) | | 82.8 | 85.8 |
| Diluted (cents per share) | | 72.5 | 81.8 |

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

## Consolidated statement of comprehensive income for the year ended 31 December 2011

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 (restated) |
| **Profit for the year** | 26,741 | 30,030 |
| **Other comprehensive income** | | |
| 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 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 | | |
| 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 |
| Gain on revaluation of properties | – | 1,643 |
| Share of other comprehensive income of associates | – | – |
| Remeasurement of defined benefit obligation | 806 | 191 |
| Income tax relating to components of other comprehensive income | (269) | (619) |
| **Total comprehensive income for the year** | 27,371 | 31,476 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 23,371 | 28,713 |
| Non-controlling interests | 4,000 | 2,763 |
| | 27,371 | 31,476 |

## Consolidated statement of financial position at 31 December 2011

| | Notes | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 | CU'000 |
| **Assets** | | | (restated) | (restated) |
| *Non-current assets* | | | | |
| Property, plant and equipment | | 109,783 | 135,721 | 161,058 |
| Investment property | | 1,968 | 1,941 | 170 |
| Goodwill | | 20,285 | 24,060 | 23,920 |
| Other intangible assets | | 9,739 | 11,325 | 12,523 |
| Investments in associates | | 7,402 | 7,270 | 5,706 |
| Deferred tax assets | | 2,083 | 1,964 | 1,843 |
| Finance lease receivables | | 830 | 717 | 739 |
| Other financial assets | | 10,771 | 9,655 | 7,850 |
| Other assets | | – | – | – |
| Total non-current assets | | 162,861 | 192,653 | 213,809 |
| *Current assets* | | | | |
| Inventories | | 31,213 | 28,982 | 29,688 |
| Trade and other receivables | | 19,249 | 14,658 | 13,550 |
| Finance lease receivables | | 198 | 188 | 182 |
| Amounts due from customers under construction contracts | | 240 | 230 | 697 |
| Other financial assets | | 8,757 | 6,949 | 5,528 |
| Current tax assets | | 125 | 60 | 81 |
| Other assets | | – | – | – |
| Cash and bank balances | | 23,446 | 19,778 | 9,082 |
| | | 83,228 | 70,845 | 58,808 |
| Assets classified as held for sale | | 22,336 | – | – |
| Total current assets | | 105,564 | 70,845 | 58,808 |
| Total assets | | 268,425 | 263,498 | 272,617 |

*Note: IAS 1.10(f) requires that an entity should present a statement of financial position as at the beginning of the earliest comparative 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.*

*In this appendix, the application of IAS 19 (as revised in 2011) has resulted in retrospective restatement of items in the financial statements (see note 2). Therefore, this appendix includes an additional statement of financial position.*

*In some jurisdiction, where it is required to distinguish between distributable reserves and non-distributable reserves, it could be appropriate to create a separate reserve for accumulating the remeasurement of net defined benefit asset (liability) recognised through other comprehensive income.*

## Consolidated statement of financial position at 31 December 2011 – continued

| | Notes | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 (restated) | CU'000 (restated) |
| **Equity and liabilities** | | | | |
| *Capital and reserves* | | | | |
| Issued capital | | 32,439 | 48,672 | 48,672 |
| Reserves | | 4,237 | 3,376 | 1,726 |
| Retained earnings | | 111,440 | 95,288 | 74,366 |
| | | 148,116 | 147,336 | 124,764 |
| Amounts recognised directly in equity relating to assets classified as held for sale | | – | – | – |
| Equity attributable to owners of the Company | | 148,116 | 147,336 | 124,764 |
| Non-controlling interests | | 24,316 | 20,005 | 17,242 |
| Total equity | | 172,432 | 167,341 | 142,006 |
| *Non-current liabilities* | | | | |
| Borrowings | | 17,868 | 29,807 | 25,785 |
| Other financial liabilities | | 15,001 | – | – |
| Retirement benefit obligation | 39 | 1,954 | 1,482 | 2,194 |
| Deferred tax liabilities | 10 | 6,729 | 5,657 | 4,436 |
| Provisions | | 2,294 | 2,231 | 4,102 |
| Deferred revenue | | 59 | 165 | 41 |
| Other liabilities | | 180 | 270 | – |
| Total non-current liabilities | | 44,085 | 39,612 | 36,558 |
| *Current liabilities* | | | | |
| Trade and other payables | | 16,373 | 21,220 | 52,750 |
| Amounts due to customers under construction contracts | | 36 | 15 | 245 |
| Borrowings | | 22,446 | 25,600 | 33,618 |
| Other financial liabilities | | 116 | 18 | – |
| Current tax liabilities | 10 | 5,542 | 6,030 | 5,142 |
| Provisions | | 3,356 | 3,195 | 2,235 |
| Deferred revenue | | 265 | 372 | 63 |
| Other liabilities | | 90 | 95 | – |
| | | 48,224 | 56,545 | 94,053 |
| Liabilities directly associated with assets classified as held for sale | | 3,684 | – | – |
| Total current liabilities | | 51,908 | 56,545 | 94,053 |
| Total liabilities | | 95,993 | 96,157 | 130,611 |
| Total equity and liabilities | | 268,425 | 263,498 | 272,617 |

## Consolidated statement of changes in equity for the year ended 31 December 2011

| | Share capital | Share premium | General reserve | Properties revaluation reserve |
|---|---|---|---|---|
| | CU'000 | CU'000 | CU'000 | CU'000 |
| **Balance at 1 January 2010** | 23,005 | 25,667 | 807 | 51 |
| Adjustments (note 2) | – | – | – | – |
| **As restated** | 23,005 | 25,667 | 807 | 51 |
| Profit for the year (restated) | – | – | – | – |
| Other comprehensive income for the year, net of income tax (restated) | – | – | – | 1,150 |
| Total comprehensive income for the year (restated) | – | – | – | 1,150 |
| Recognition of share-based payments | – | – | – | – |
| Payment of dividends | – | – | – | – |
| **Balance at 31 December 2010 (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 | 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 2011** | 17,819 | 14,620 | 807 | 1,198 |

*Note: In this appendix, it was assumed that the Group sponsors funded defined benefit plans for qualifying employees of its 100% subsidiaries. The application of IAS 19 (as revised in 2011) therefore does not result in any effect on non-controlling interests.*

| 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 | – | 73,824 | 124,222 | 17,242 | 141,464 |
| – | – | – | – | – | 542 | 542 | – | 542 |
| 470 | – | 258 | 140 | – | 74,366 | 124,764 | 17,242 | 142,006 |
| – | – | – | – | – | 27,267 | 27,267 | 2,763 | 30,030 |
| 57 | – | 20 | 85 | – | 134 | 1,446 | – | 1,446 |
| 57 | – | 20 | 85 | – | 27,401 | 28,713 | 2,763 | 31,476 |
| – | 338 | – | – | – | – | 338 | – | 338 |
| – | – | – | – | – | (6,479) | (6,479) | – | (6,479) |
| 527 | 338 | 278 | 225 | – | 95,288 | 147,336 | 20,005 | 167,341 |
| – | – | – | – | – | 22,741 | 22,741 | 4,000 | 26,741 |
| 66 | – | 39 | (39) | – | 564 | 630 | – | 630 |
| 66 | – | 39 | (39) | – | 23,305 | 23,371 | 4,000 | 27,371 |
| – | – | – | – | – | (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 | 111,440 | 148,116 | 24,316 | 172,432 |

| Source | International GAAP Holdings Limited |
|---|---|

## Consolidated statement of cash flows for the year ended 31 December 2011

| | Notes | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 (restated) |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 211,190 | 214,497 |
| Payments to suppliers and employees | | (163,020) | (181,490) |
| Cash generated from operations | | 48,170 | 33,007 |
| Interest paid | | (4,493) | (6,106) |
| Income taxes paid | | (13,848) | (13,340) |
| Net cash generated by operating activities | | 29,829 | 13,561 |
| **Cash flows from investing activities** | | | |
| Payments to acquire financial assets | | (1,890) | – |
| Proceeds on sale of financial assets | | – | 51 |
| Interest received | | 2,315 | 1,054 |
| Royalties and other investment income received | | 1,137 | 1,143 |
| Dividends received from associates | | 30 | 25 |
| 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) | (1,532) |
| Proceeds from disposal of investment property | | – | 58 |
| Payments for intangible assets | | (6) | (358) |
| Net cash outflow on acquisition of subsidiaries | | (477) | – |
| Net cash inflow on disposal of subsidiary | | 7,566 | – |
| Net cash inflow on disposal of associate | | – | 120 |
| Net cash (used in)/generated by investing activities | | (3,198) | 7,352 |
| **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 |
| Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control | | 213 | – |
| Dividends paid on redeemable preference shares | | (613) | – |
| 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 | 19,023 |
| Cash and cash equivalents at the beginning of the year | | 19,400 | 561 |
| 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 | | 23,083 | 19,400 |

*Note: The above illustrates the direct 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 2011**

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

*2.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years)*

New and revised IFRSs affecting the reported financial performance and/or financial position

IAS 8.28(a)

**Change in accounting policy due to the early application of IAS 19 (as revised in 2011) *Employee Benefits***

IAS 8.28(b),(c)
IAS 19.172
IAS 19.173(a)
IAS 8.28(d),(e)

In the current year, the Group has applied IAS 19 (as revised June 2011) *Employee Benefits* and the related consequential amendments in advance of their effective dates. The Group has applied IAS 19 (as revised in 2011) retrospectively and in accordance with the transitional provisions as set out in IAS 19.173 (as revised in 2011). These transitional provisions do not have an impact on future periods. The opening statement of financial position of the earliest comparative period presented (01 January 2010) has been restated.

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

IAS 19.173
IAS 8.22

**Impact of early application of IAS 19 (as revised in 2011)**
These 2011 consolidated financial statements are the first financial statements in which the Group has early adopted IAS 19 (as revised in 2011). IAS 19 (as revised in 2011) has been adopted retrospectively in accordance with IAS 8. Consequently, the Group has adjusted opening equity as of 1 January 2010 and the figures for 2010 have been restated as if IAS 19 (as revised in 2011) had always been applied.

IAS 8.28(f)(i)

| | Retirement benefit obligation | Current tax liability | Equity |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Balance as reported at 1 January 2010 | 2,968 | 4,910 | 141,464 |
| Effect of early application of IAS 19 (as revised in 2011) | (774) | 232 | 542 |
| Restated balance at 1 January 2010 | 2,194 | 5,142 | 142,006 |

| | Retirement benefit obligation | Current tax liability | Equity |
|---|---|---|---|
| | CU'000 | CU'000 | CU'000 |
| Balance as reported at 31 December 2010 | 2,023 | 5,868 | 166,962 |
| Effect of early application of IAS 19 (as revised in 2011) | (774) | 232 | 542 |
| Effect on total comprehensive income for the year | 233 | (70) | (163) |
| Restated balance at 31 December 2010 | 1,482 | 6,030 | 167,341 |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

The effect on the consolidated income statement was as follows:

| | 2011 | 2010 |
|---|---|---|
| | CU'000 | CU'000 |
| (Increase)/decrease of employee benefit expenses | (440) | (424) |
| Decrease/(increase) of income tax expense | 132 | 127 |
| (Decrease)/increase of profit for the year | (308) | (297) |

The effect on the consolidated statement of comprehensive income was as follows:

| | 2011 | 2010 |
|---|---|---|
| | CU'000 | CU'000 |
| Remeasurement of defined benefit obligation | 806 | 191 |
| (Increase)/decrease of income tax relating to components of other comprehensive income | (242) | (57) |
| Increase of other comprehensive income | 564 | 134 |
| Increase/(decrease) of total comprehensive income for the year | 256 | (163) |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

**3. Significant accounting policies**

*Note: The note below only illustrates accounting policies regarding retirement benefit costs and termination benefits. Regarding impact of other new and revised Standards, please refer to Section 2 of this publication and other appendices.*

IAS 19

***3.15 Retirement benefit costs and termination benefits***

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

IAS 19.66

IAS 19.122

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. Remeasurement comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurement recorded in other comprehensive income is not recycled. However, the entity may transfer those amounts recognized in other comprehensive income within equity. Past service cost is recognised in profit or loss in the period of plan amendment. Net-interest is calculated by applying the discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

IAS 19.120

– service cost, past-service cost, gains and losses on curtailments and settlements;

– net-interest expense or income;

IAS 19.134, 135

– remeasurement.

The Group presents the first two components of defined benefit costs in the line item 'employee benefits expense' in its consolidated income statement (by nature of expenses aggregation). Curtailments gains and losses are accounted for as past-service cost.

Remeasurement are recorded in other comprehensive income

IAS 19.8, 64

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

IAS 19.165

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

## 10. Income taxes relating to continuing operations

### *10.1 Income tax recognised in profit or loss*

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 (restated) |
| IAS 12.79 | ***Current tax*** | | |
| | Current tax expense in respect of the current year | 9,939 | 11,220 |
| | Adjustments recognised in the current year in relation to the current tax of prior years | – | – |
| | Other [describe] | – | – |
| | | 9,939 | 11,220 |
| | ***Deferred tax*** | | |
| | Deferred tax expense recognised in the current year | 1,643 | 538 |
| | 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 | | |
| | Other [describe] | – | – |
| | | 1,493 | 452 |
| | Total income tax expense recognised in the current year relating to continuing operations | 11,432 | 11,672 |

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

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 (restated) |
| | Profit before tax from continuing operations | 29,863 | 31,707 |
| | Income tax expense calculated at 30% (2010: 30%) | 8,959 | 9,512 |
| | Effect of income that is exempt from taxation | (30) | – |
| | Effect of expenses that are not deductible in determining taxable profit | 2,562 | 2,221 |
| | Effect of concessions (research and development and other allowances) | (75) | (66) |
| | Impairment losses on goodwill that are not deductible | 5 | – |
| | Effect of 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]) | – | – |
| | Other [describe] | – | – |
| | | 11,432 | 11,672 |
| | 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) | 11,432 | 11,672 |

IAS 12.81(c) The tax rate used for the 2011 and 2010 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 2011 – continued**

IAS 12.81(ab)

*10.3 Income tax recognised in other comprehensive income*

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 (restated) |
| ***Current tax*** | | |
| Current tax on remeasurement of defined benefit obligation | 242 | 57 |
| ***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 |
| Other [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 | 269 | 619 |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

*10.4 Current tax assets and liabilities*

| | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|
| | CU'000 | CU'000 (restated) | CU'000 (restated) |
| *Current tax assets* | | | |
| Benefit of tax losses to be carried back to recover taxes paid in prior periods | – | – | – |
| Tax refund receivable | 125 | 60 | 81 |
| Other [describe] | – | – | – |
| | 125 | 60 | 81 |
| *Current tax liabilities* | | | |
| Income tax payable | 5,270 | 5,868 | 4,910 |
| Current tax effect of early application of IAS 19 (as revised in 2011) | (259) | (127) | – |
| Income tax relating to components of OCI | 531 | 289 | 232 |
| Other [describe] | – | – | – |
| | 5,542 | 6,030 | 5,142 |

## 13. Profit for the year from continuing operations

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | *13.5 Employee benefits expense* | CU'000 | CU'000 (restated) |
| | Post-employment benefits (see note 39) | | |
| IAS 19.51 | Defined contribution plans | 160 | 148 |
| IAS 19.56-60 | Defined benefit plans | 1,336 | 852 |
| | | 1,496 | 1,000 |
| 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 19.165, 169 | Termination benefits | – | – |
| | Other employee benefits | 8,851 | 10,613 |
| IAS 1.104 | Total employee benefits expense | 10,553 | 11,951 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

## 14. Earnings per share

*14.3 Impact of changes in accounting policies*

IAS 8.28(f), (ii)

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 2011 and 2010, 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 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 | Year ended 31/12/11 | Year ended 31/12/10 |
| | CU'000 | CU'000 | Cents per share | Cents per share | Cents per share | Cents per share |
| Changes in accounting policies relating to: | | | | | | |
| – Effect of early application of IAS 19 (as revised in 2011) | (308) | (297) | (1.8) | (1.5) | (1.5) | (1.4) |
| – Others (please specify) | – | – | – | – | – | – |
| | (308) | (297) | (1.7) | (1.5) | (1.5) | (1.4) |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – 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.

IAS 19.43

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

IAS 19.53

The total expense recognised in the consolidated [statement of comprehensive income/income statement] of CU160,000 (2010: CU148,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2011, contributions of CU8,000 (2010: CU8,000) due in respect of the 2011 (2010) 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 19.139

The Group sponsors funded defined benefit plans for qualifying employees of its subsidiaries in A Land. The defined benefit plan is administered by a separate Fund that is legally separated from the entity. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law or by articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

Under the plans, the employees are entitled to post-retirement yearly installments amounting to 1.75% of final salary for each year of service until the retirement age of 65. The pensionable salary is limited to CU 20. The pensionable salary is the difference between the current salary of the employee and the state retirement benefit. In addition, the service period is limited to 40 years resulting in a maximum yearly entitlement (life-long annuity) of 70% of final salary.

The plans in A-land typically expose the company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is re-insured by an external insurance company.

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2011 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 19.144

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

| | 31/12/11 | Valuation at 01/01/10 and 31/12/10 |
|---|---|---|
| | % | % |
| Discount rate(s) | 5.52 | 5.20 |
| Expected rate(s) of salary increase | 5.00 | 5.00 |
| Mortality table based on life expectancy trends of working population of A Land (trends extrapolated until 2060) | – | – |
| Other [describe] | – | – |

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

*Note: The principal assumptions will depend on the nature of the benefit formula. If the formula is based on current year's salary with a conditional indexation of past service entitlements, the expected indexation will probably be a significant assumption. Additional disclosure of the specific conditions on which this indexation depends (e.g. sufficiency of plan assets) and/or how these indexations are funded, should be considered in light of the objective of IAS 19.135a (as revised in 2011).*

IAS 19.120, 135

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows.

| Source | | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|---|
| | | CU'000 | CU'000 (restated) |
| IAS 19.141 | Service cost: | | |
| | Current service cost | 1,259 | 738 |
| | Past service cost and (gain)/loss from settlements | – | – |
| | Net interest expense | 77 | 114 |
| | Components of defined benefit costs recorded in profit or loss | 1,336 | 852 |
| | Remeasurement on the net defined benefit liability: | | |
| | The return on plan assets (excluding amounts included in net interest expense) | (518) | (140) |
| | Actuarial gains and losses arising from changes in demographic assumptions | (25) | (5) |
| | Actuarial gains and losses arising from changes in financial assumptions | (263) | (46) |
| | Other (describe) | – | – |
| | Adjustments for restrictions on the defined benefit asset | – | – |
| | Components of defined benefit costs recorded in OCI | (806) | (191) |
| | Total of components of defined benefit cost | 530 | 661 |

IAS 19.134, 135

The past service cost, the service cost and the net-interest expense for the year is included in the employee benefits expense in the consolidated [income statement/statement of comprehensive income]. The remeasurement on the net defined benefit liability is included in the statement of comprehensive income as part of other comprehensive income.

Of the expense for the year, CU412,000 (2010: CU402,000) has been included in the consolidated income statement as cost of sales.

IAS 19.140

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 | | 31/12/11 | 31/12/10 | 01/01/10 |
|---|---|---|---|---|
| | | CU'000 | CU'000 (restated) | CU'000 (restated) |
| IAS 19.140 | Present value of funded defined benefit obligation | 6,156 | 5,808 | 6,204 |
| | Fair value of plan assets | (4,202) | (4,326) | (4,010) |
| | Funded status | 1,954 | 1,482 | 2,194 |
| | Restrictions on asset recognised | – | – | – |
| | Other [describe] | – | – | – |
| | Net liability arising from defined benefit obligation | 1,954 | 1,482 | 2,194 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IAS 19.141

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

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Opening defined benefit obligation | 5,808 | 6,204 |
| Current service cost | 1,259 | 738 |
| Interest cost (restated) | 302 | 323 |
| Contributions from plan participants | – | – |
| Remeasurement (gains)/losses (restated): | | |
| Actuarial gains and losses arising from changes in demographic assumptions | (25) | (5) |
| Actuarial gains and losses arising from changes in financial assumptions | (263) | (46) |
| Other (describe) | – | – |
| 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) |
| Other [describe] | – | – |
| Closing defined benefit obligation | 6,156 | 5,808 |

IAS 19.141

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

| | Year ended 31/12/11 | Year ended 31/12/10 |
|---|---|---|
| | CU'000 | CU'000 |
| Opening fair value of plan assets | 4,326 | 4,010 |
| Interest income (restated) | 225 | 209 |
| Remeasurement gain (loss) (restated): | | |
| The return on plan assets (excluding amounts included in net interest expense) | 518 | 140 |
| Other (describe) | – | – |
| 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 | – | – |
| Other [describe] | – | – |
| Closing fair value of plan assets | 4,202 | 4,326 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2011 – continued**

IAS 19.142

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

| | Fair value of plan assets | | |
|---|---|---|---|
| | 31/12/11 | 31/12/10 | 01/01/10 |
| | CU'000 | CU'000 | CU'000 |
| Cash and cash equivalents | – | – | 50 |
| Equity instruments | | | |
| – Consumer industry | – | – | – |
| – Manufacturing industry | 300 | 280 | 310 |
| – Energy and utilities | – | – | – |
| – Financial institutions | 310 | 300 | 290 |
| – Health and care | – | – | – |
| – ICT and telecom | – | – | – |
| – Equity instrument funds | 416 | 406 | 302 |
| Subtotal equity | 1,026 | 986 | 902 |
| Debt instruments | | | |
| – AAA | 1,970 | 1,830 | 1,770 |
| – AA | – | – | – |
| – A | 10 | 20 | – |
| – BBB and lower | – | – | – |
| – not rated | – | – | – |
| Subtotal debt instruments | 1,980 | 1,850 | 1,770 |
| Property | | | |
| – Retail | 300 | 200 | 250 |
| – Offices | 800 | 1,000 | 1,000 |
| – Residential | 96 | 290 | 28 |
| Subtotal property | 1,196 | 1,490 | 1,278 |
| Derivatives | | | |
| – Interest rate swaps | – | – | – |
| – Forward foreign exchange contracts | – | – | 10 |
| Subtotal derivatives | – | – | 10 |
| Other [describe] | – | – | – |
| | 4,202 | 4,326 | 4,010 |

IAS 19.142

Virtually all equity and debt instruments have quoted prices in active markets. Derivatives can be classified as level 2 instruments and property as level 3 instruments based on the definitions in IFRS 13 Fair value measurement. It is the policy of the fund to use interest rate swaps to hedge its exposure to interest rate risk. It is the policy of the fund to cover 30% of the exposure to interest rate risk of the defined benefit obligation by the use of debt instruments in combination with interest rate swaps. This policy has been realised during the reporting and preceding period. Foreign currency exposures are fully hedged by the use of the forward foreign exchange contracts.

The actual return on plan assets was CU0.72 million (2010: CU0.354 million).

**Notes to the consolidated financial statements for the year ended 31 December 2011 – continued**

IAS 19.143

The plan assets include ordinary shares of International GAAP Holdings Limited with a fair value of CU0.38 million (31 December 2010: CU0.252 million) and property occupied by a subsidiary of International GAAP Holdings Limited with a fair value of CU0.62 million (31 December 2010: CU0.62 million).

IAS 19.145

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period.

- If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by CU 1,110 (increase by 1,154) if all other assumptions were held constant.
- If the expected salary growth would increase (decrease) by 1%, the defined benefit obligation would increase by CU 120 (decrease by CU 122) if all other assumptions were held constant.
- If the life expectancy would increase (decrease) with one year for both men and women, the defined benefit obligation would increase by CU 150 (decrease by CU 156) if all other assumptions were held constant.

*Note: In accordance with IAS 19.173(b) (as revised in 2011) in financial statements for periods beginning before 1 January 2014, an entity need not present comparative information for the disclosures required by paragraph 145 about the sensitivity of the defined benefit obligation.*

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependence between the assumptions.

IAS 19.146

Each year an ALM (Asset-Liability Matching)-study is performed in which the consequences of the strategic investment policies are analysed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study. Main strategic choices that are formulated in the actuarial and technical policy document of the Fund are:

- Asset mix based on 25% equity instruments, 50% debt instruments and 25% investment property.
- Interest rate sensitivity caused by the duration of the defined benefit obligation should be reduced with 30% by the use of debt instruments in combination with interest rate swaps.
- Maintaining an equity buffer that gives a 97.5% assurance that assets are sufficient within the next 12 months.

IAS 19.147

The Group's subsidiaries should fund the cost of the entitlements expected to be earned on a yearly basis. Employees pay a fixed 5% percentage of pensionable salary. The residual contribution (including back service payments) is paid by the entities of the Group. The funding requirements are based on a local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) should be paid immediately to the Fund. Apart from paying the costs of the entitlements the Group's subsidiaries are not liable to pay additional contributions in case the Fund does not hold sufficient assets. In that case Fund should take other measures to restore its solvency such as a reduction of the entitlements of the plan members.

The average duration of the benefit obligation at the end of the reporting period is 16.5 years (2010: 15.6 years). This number can be subdivided into the duration related to:

- active members: 19.4 years (2010: 18.4 years);
- deferred members: 22.6 years (2010: 21.5 years);
- retired members: 9.3 years (2010: 8.5 years).

The Group expects to make a contribution of CU0.95 million (2010: CU0.91 million) to the defined benefit plans during the next financial year.

# Deloitte IFRS resources

In addition to this publication, Deloitte Touche Tohmatsu Limited has a range of tools and publications to assist in implementing and reporting under IFRSs. These include:

| | |
|---|---|
| **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** |
| IFRS in Focus newsletter | Newsletters issued at the time of release of new and revised Standards and Interpretations, exposure drafts and discussion documents, including summaries of the documents and consideration of principal amendments. To subscribe, visit **www.iasplus.com** |
| IFRIC Review | Summarises matters discussed at the IFRS Interpretations Committee meetings. To subscribe, visit **www.iasplus.com** |
| IFRS on point | Highlights the month's critical financial reporting developments. To subscribe, visit **www.iasplus.com** |
| 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 guidance 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. |
| IFRSs and US GAAP: A pocket comparison | A summary of the principal differences in pocket-sized format, including a status report as to what is being done about each difference. |
| Compliance, presentation and disclosure checklist | Checklist incorporating all of the compliance, presentation and disclosure requirements of IFRSs. |

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