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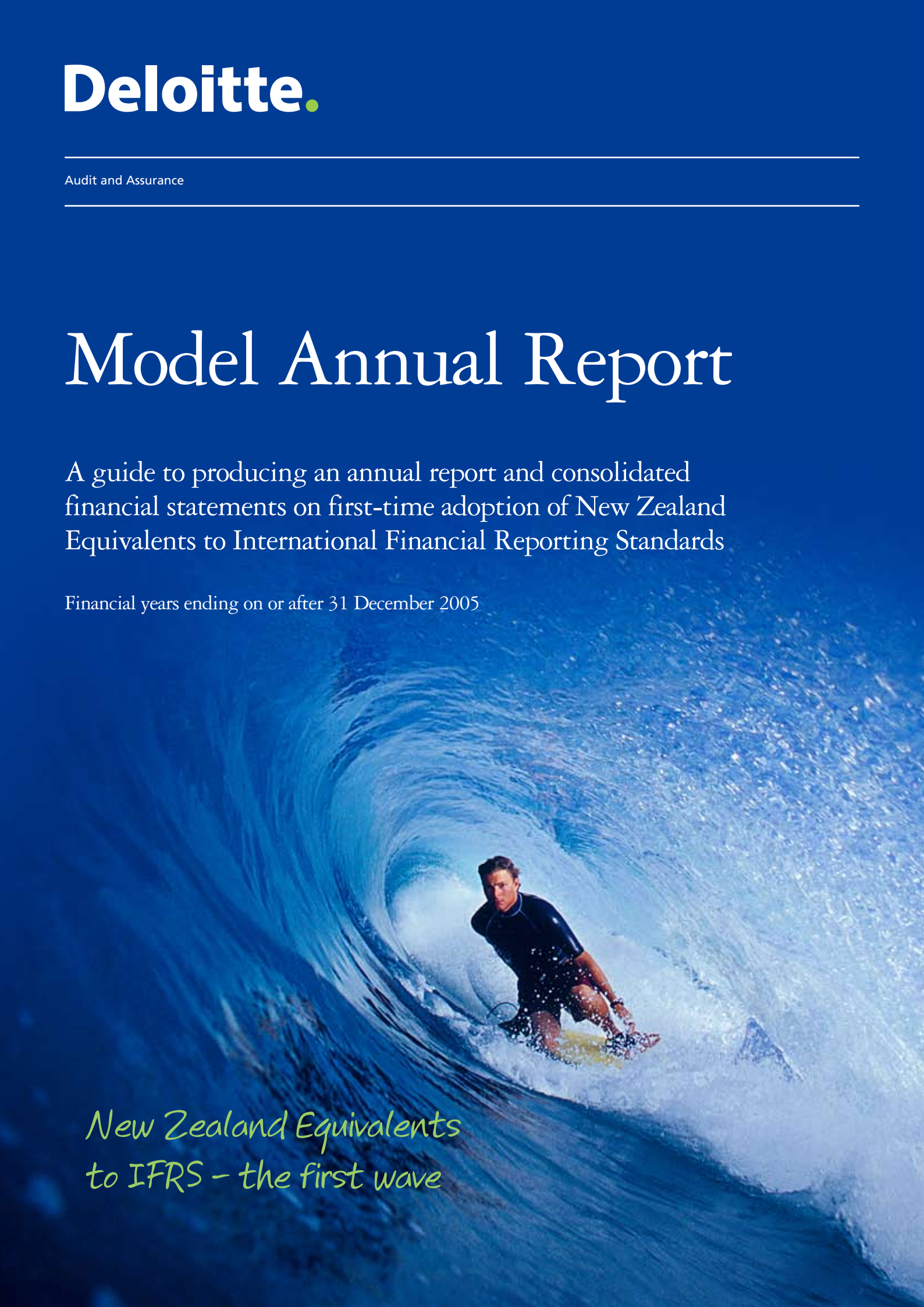
Model Annual Report

A guide to producing an annual report and consolidated financial statements on first-time adoption of New Zealand Equivalents to International Financial Reporting Standards

Financial years ending on or after 31 December 2005



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The *Model Annual Report* has been designed by Deloitte to assist clients, partners and staff with the preparation of annual financial statements for **consolidated entities** in respect of reporting periods beginning on or after **1 January 2005**.

Annual financial statements prepared in respect of reporting periods beginning on or after 1 January 2007 must be prepared in accordance with the New Zealand Equivalents to International Financial Reporting Standards ('**NZ IFRS**') with early adoption permitted for periods beginning on or after 1 July 2005. Accordingly, this model provides an illustrative example of annual financial statements prepared by consolidated entities on first-time adoption of NZ IFRS.

More generally, this model is an illustrative example of general purpose financial statements prepared in accordance with:

- the Companies Act 1993 and Financial Reporting Act 1993; and
- Standards and Interpretations issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and approved by the Accounting Standards Review Board (except as noted in Section B) up to 31 December 2005.

We have also included some discussion and examples of other matters that would typically be included in an entity's annual report, including:

- the requirements of section 211 of the Companies Act 1993; and
- other requirements and guidelines current as at the date of issue, including New Zealand Stock Exchange ('NZX') Listing Rules and New Zealand Securities Legislation.

We trust that you will find the *Model Annual Report* a useful tool in the preparation of your financial statements and annual report.

Denise Hodgkins
Partner – National Technical
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Model Annual Report

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Changes in reporting requirements

Adoption of New Zealand equivalents to International Financial Reporting Standards

On 24 November 2004 the Accounting Standards Review Board ('ASRB') approved the stable platform of NZ IFRS presented to it by the Financial Reporting Standards Board ('FRSB'). NZ IFRS has additional requirements for profit-oriented entities and for public benefit entities to those required under IFRS.

The compelling reason for New Zealand's convergence with IFRS is that a single set of high quality accounting standards which are accepted in major international capital markets will greatly facilitate cross-border comparisons by investors, reduce the cost of capital and assist New Zealand companies wishing to raise capital or list overseas.

All reporting entities in New Zealand must comply with NZ IFRS at the latest for reporting periods beginning on or after 1 January 2007, however entities may 'early adopt' and implement NZ IFRS from balance dates beginning on or after 1 January 2005.

The FRSB similarly adopted Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC) for application to reporting periods beginning on or after 1 January 2007 or for reporting periods beginning on or after 1 January 2005 if the entity complies with NZ IFRS-1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards'.

A list of the NZ IFRSs applicable on or after 1 January 2007 or for reporting periods beginning on or after 1 January 2005 if the entity complies with NZ IFRS-1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' is detailed on pages A10 to A11.

The Framework for Differential Reporting

The Framework for Differential Reporting for entities applying the NZ IFRSs Reporting Regime was approved by the ASRB in June 2005 under the Financial Reporting Act 1993 as an interim approach in an attempt to reduce the reporting requirements imposed on certain entities by the application of the new reporting regime. The Framework is based on the current Framework for Differential Reporting initially developed in 1994 but revised in December 2005.

The FRSB has not re-examined the assumptions used in developing that Framework because the IASB has embarked upon a project in which it is considering reporting requirements for small and medium entities ('SMEs') and the Ministry of Economic Development is currently reviewing the Financial Reporting Act 1993 ('FRA') in relation to which entities are to be subject to NZ IFRS. Following completion of these projects, New Zealand's approach to differential reporting under the Framework will be reviewed.

Legislative Framework

Definitions

A ***reporting entity*** is defined in:

- NZ IFRS-3 'Business Combinations' as 'an entity for which there are users who rely on the entity's general purpose financial statements for information that will be useful to them for making decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries'; and
- The FRA s.2 as:
  - (a) an Issuer; or
  - (b) a company, other than an exempt company; or
  - (c) a person that is required by any Act, other than this Act to comply with this Act as if it were a reporting entity.

An ***Issuer*** is defined in the FRA s.4 as:

- every person who has, whether before or after the commencement of the FRA, allotted securities pursuant to:
  - (i) an offer for which, or for which but for an exemption granted by the Securities Commission pursuant to section 5 of the Securities Act 1978, an investment statement or a registered prospectus, or both, is or was required under that Act (other than an offer of a unit in a unit trust); or
  - (ii) an offer required to be contained in a prospectus required to be registered under the Companies Act 1955,

  whether or not the securities allotted are securities of the same type as the securities offered;

- every manager of a unit trust (within the meaning of section 2 of the Unit Trusts Act 1960) in which securities have been allotted, whether before or after the commencement of the FRA, pursuant to an offer of securities to the public within the meaning of the Securities Act 1978;
- every person who is a party to a listing agreement with a stock exchange in New Zealand and who has issued securities which are quoted on such an exchange;
- every insurer to whom Part 10 of the Injury Prevention Rehabilitation and Compensation Act 2001 applies;
- every registered bank that has allotted securities to the public.

Certain entities are specifically excluded from the definition of Issuer under section 6 of the FRA including:

- the Crown;
- a local authority;
- the Board of Trustees of the National Provident Fund;
- the Reserve Bank of New Zealand; and
- a company that does not have more than 25 shareholders and that would be an Issuer by reason only of the allotment of equity securities.

An ***exempt company*** under the FRA s.2 is a company (other than an overseas company or an Issuer), where at the balance date of the accounting period:

- the value of total assets did not exceed $450,000;
- turnover did not exceed $1,000,000;
- the company was not a subsidiary of another body corporate or association of persons; and
- the company did not have any subsidiaries.

An ***overseas company*** under the FRA s.2 is a company incorporated outside New Zealand that carries on business in New Zealand within the meaning of section 332 of the Companies Act 1993 ('CA').

Other companies with overseas connections are:

- subsidiaries of companies or body corporates incorporated outside New Zealand; or
- companies in which shares that in aggregate carry the right to exercise or control the exercise of 25% or more of the voting power at a meeting of the company are held by:
  - (a) a subsidiary of a company or body corporate incorporated outside New Zealand or a subsidiary of that subsidiary; or
  - (b) a company or body corporate incorporated outside New Zealand; or
  - (c) a person not ordinarily resident in New Zealand (FRA s.19).

General purpose financial statements are defined in NZ IAS-1 'Presentation of Financial Statements' as 'financial statements intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs'.

Annual Report

When is an annual report required?

Section 208 of the CA requires companies to prepare an annual report on the affairs of the company during the accounting period. This report is required within 5 months of balance date (9 months for an exempt company). Please refer to the Timeline of Critical Dates on page A12 for a summary of all reporting dates.

Who should receive a copy of the annual report?

Section 209 of the CA requires the board of a company to send a copy of the annual report to every shareholder of the company not less than 20 working days before the date fixed for holding the annual meeting of the shareholders except in the following circumstances:

(a) the shareholder has given notice in writing to the company waiving the right to be sent a copy of the annual report; and

(b) the shareholder has not revoked that notice; and

(c) a copy of the report is available for inspection by the shareholder.

Where the annual report is not required to be sent by the company, section 210 of the CA requires the board to send to those shareholders, not less than 20 working days before the annual meeting of shareholders, a copy of the financial statements, any group financial statements and audit report(s) for the most recently completed accounting period signed in accordance with sections 10 and 13 of the FRA.

What are the minimum requirements of an annual report?

The Companies Act 1993 Requirements: (please refer to illustrated example of disclosures on pages B7 to B10)

Section 211 of the CA requires the annual report to be in writing, dated and signed by two Directors of the company or, if the company only has one Director, by that Director. The following additional disclosures in the annual report are required:

(a) a description of any material change during the accounting period in:

  (i) the nature of the business of the company or any of its subsidiaries or

  (ii) the classes of business in which the company has an interest, whether as a shareholder of another company or otherwise;

(b) signed company and group financial statements for the period;

(c) an auditors' report if required;

(d) particulars of entries in the interest register made during the accounting period;

(e) in respect of each Director or former Director of the company, the total of the remuneration and the value of other benefits received by that Director or former Director from the company during the accounting period;

(f) the number of employees or former employees of the company (not being Directors of the company) who received remuneration and any other benefits during the accounting period of $100,000 per annum or more. The number of such employees or former employees in brackets of $10,000 is required;

(g) the total amount of donations made during the accounting period;

(h) the names of the persons holding office as Directors of the company at the end of the accounting period and those who ceased to hold office as Directors during the period;

(i) amounts payable to the auditor of the company as audit fees and, as a separate item, for other services provided.

Where group financial statements are required, the annual report should also disclose the information specified in (d) to (i) above in relation to its subsidiaries. Where all shareholders agree the annual report of a company need not comply with paragraphs (a) and (d) to (i) above.

The New Zealand Stock Exchange Listing Rules: (please refer to illustrated example of disclosures on pages B1 to B14)

- NZSX/DX Listing Rules:

  Rules 10.5.1, 10.5.3 and 10.5.5 of the NZSX/DX Listing Rules require a number of disclosures in annual reports of Issuers with securities which are traded on the Exchange.

  Important disclosures required by these rules are as follows:

  (a) all information required by law;

  (b) all information required in a preliminary announcement by Rule 10.4.2;

  (c) information required to be published by sub-part 3 of part 2 of the Securities Markets Act 1988 and in the case of a company, the information required by section 211 of the CA;

  (d) the names and holdings of equity securities of the holders having the 20 largest holdings of quoted equity securities on the register of the Issuer as at a date not earlier than two months before the date of the publication of the annual report;

  (e) the equity securities in which each Director has a relevant interest at the balance date of the current financial year;

  (f) details of the spread of quoted security holders at a date not earlier the 2 months before the date of the publication of the annual report;

  (g) current credit rating status (if any) of the Issuer;

  (h) a summary of all waivers granted and published by NZX within, or relied upon by the Issuer, in the 12 month period preceding the date 2 months before the date of the publication of the annual report, or a statement that such waivers have been granted to the Issuer and an appropriate cross reference to the Issuer's website where a summary of such waivers are published and will remain published for a period of 12 months following publication of the annual report;

  (i) details of any exercise of NZX's powers set out in Rule 5.4.2;

(j) a statement of any corporate governance policies, practices and processes, adopted and followed by the Issuer;

(k) a statement on whether and, if so, how the corporate governance principles adopted or followed by the Issuer materially differ from the Corporate Governance Best Practice Code or a clear reference to where such statement may be found on the Issuer's public website;

(l) a statement as to which of its Directors are Independent Directors and which of its Directors are not Independent Directors, as at the balance date of the Issuer;

(m) details of any Director appointed pursuant to provisions of the Constitution complying with Rule 3.3.5 and the security holder which appointed that Director.

- NZAX Listing Rules:

  Rules B1.5.3, B1.5.4 and B1.5.5 of the NZAX Listing Rules require a number of disclosures in annual reports of Issuers with securities which are traded on the Exchange.

  Important disclosures required by these rules are as follows:

  (a) all information required by law;

  (b) all information required in a preliminary announcement by NZAX Listing Rule B1.4.2;

  (c) information required to be published by section 26 of the Securities Markets Act 1988 and in the case of a company, the information required by section 211 of the CA;

  (d) the names and holdings of equity securities of the holders having the 20 largest holdings of quoted equity securities on the register of the NZAX Issuer as at a date not earlier than two months before the date of the publication of the annual report;

  (e) the equity securities in which each Director has a relevant interest at the balance date of the current financial year;

  (f) details of the spread of security holders at a date not earlier the two months before the date of the publication of the annual report;

  (g) current credit rating status (if any) of the NZAX Issuer;

  (h) all waivers granted by NZX or the Market Surveillance Panel and published, applicable as at balance date;

  (i) details of any exercise of NZX's powers set out in NZAX Listing Rule A5.3.2;

  (j) a statement of any corporate governance policies, practices and processes, adopted and followed by the NZAX Issuer; and

  (k) the identity of any Director appointed pursuant to provisions of the Constitution complying with NZAX Listing Rule B2.1.4 and the security holder which appointed that Director.

Rule 10.5.5 of the NZSX/DX Listing Rules and Rule B1.5.5 of the NZAX Listing Rules requires an Issuer which extends its half-yearly reporting period or changes its balance date to make a report containing such information, and to be released at such time as NZX shall require in respect of the existing half-yearly reporting period or the period ending on the existing balance date.

Rule 10.5.3(h) of the NZSX/DX Listing Rules and Rule B1.5.3(h) of the NZAX Listing Rules requires listed companies to provide a statement of any corporate governance policies, practices and processes which are adopted or followed by the Issuer. We recommend the issue of such a statement by all publicly accountable entities, as an assurance to users that reasonable steps have been taken to minimise the corporate governance related risks to which entities and investors are exposed. Refer to more detailed guidance on pages B1 to B14.

Further details of the NZSX/DX/AX Listing Rules can be found at www.nzx.co.nz

Financial Statements

When are financial statements required to be prepared?

Section 10 of the FRA requires the Directors of every reporting entity to prepare financial statements within 5 months of balance date. This same requirement applies to group financial statements as prescribed by Section 13 of the FRA. The financial statements and group financial statements must be dated and signed on behalf of the Directors by two Directors of the entity, or, if the entity only has one Director, by that Director.

If all shareholders agree, the Directors of an exempt company may extend this period to 9 months after balance date.

Group financial statements are not required in relation to a reporting entity that is a company if the only shareholder of the company at balance date is a reporting entity that is a body corporate (and/or its subsidiary and/or the nominee of either).

Please refer to the Timeline of Critical Dates on page A12 for a summary of all reporting dates.

On what basis should the financial statements be prepared?

Financial reporting requirements are governed by the FRA and the Framework for Differential Reporting for entities applying the NZ IFRSs Reporting Regime, issued by the New Zealand Institute of Chartered Accountants ('NZICA'). The three tiers of reporting requirements are as follows:

1. Exempt Companies Under the FRA

   Exempt companies are required to produce their financial statements in accordance with the Financial Reporting Order 1994. They are not reporting entities under the FRA and are not required to comply with generally accepted accounting practice.

2. Reporting Entities which are Qualifying Entities Under the Framework for Differential Reporting

   The Framework for Differential Reporting issued by the FRSB allows qualifying entities to avail themselves of exemptions from certain disclosures and measurement requirements of NZ IFRS. The criteria for identifying qualifying entities and financial reporting standards where exemptions apply is detailed below:

   Identification of "qualifying entities"

The implications of qualifying for differential reporting are:

- qualifying entities are granted full exemption from NZ IAS-7 'Cash Flow Statements'
- qualifying entities are given partial exemption from the following Standards:

  NZ IAS-1 Presentation of Financial Statements

  NZ IAS-2 Inventories

  NZ IAS-8 Accounting Policies, Changes in Accounting Estimates and Errors

  NZ IAS-11 Construction Contracts

  NZ IAS-12 Income Taxes

  NZ IAS-16 Property, Plant and Equipment

  NZ IAS-17 Leases

  NZ IAS-18 Revenue

  NZ IAS-19 Employee Benefits

  NZ IAS-21 The Effects of Changes in Foreign Exchange Rates

  NZ IAS-23 Borrowing Costs

  NZ IAS-24 Related Party Disclosures

  NZ IAS-28 Investments in Associates

NZ IAS-32 Financial Instruments: Disclosure and Presentation

NZ IAS-36 Impairment of Assets

NZ IAS-37 Provisions, Contingent Liabilities and Contingent Assets

NZ IAS-38 Intangible Assets

NZ IAS-40 Investment Property

NZ IAS-41 Agriculture

NZ IFRS-4 Insurance Contracts

NZ IFRS-5 Non-current Assets Held for Sale and Discontinued Operations

NZ SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease; and

NZ SIC-32 Intangible Assets – Web Site Costs

Except in relation to the above noted exemptions, qualifying entities are required to comply fully with generally accepted accounting practice which includes NZ IFRSs.

3. Reporting Entities Which Are Not Qualifying Entities

All Issuers and companies (other than exempt companies, qualifying entities and public sector entities which do not meet the size criteria) are required to comply fully with generally accepted accounting practice.

Compliance With Generally Accepted Accounting Practice

The financial statements and group financial statements of all reporting entities must comply with generally accepted accounting practice ('GAAP')in accordance with the FRA, s11(1) and 14(1).

The annual financial statements of the Crown and all Departments, Offices of Parliament and Crown entities must be prepared in accordance with GAAP in accordance with the Public Finance Act 1989 sections 27(2), 35(3) and 41(2).

GAAP is defined in the FRA, section 3 as:

(a) Applicable financial reporting standards; and

(b) In relation to matters for which no provision is made in applicable financial reporting standards and that are not subject to any applicable rule of law, accounting policies that-

(i) are appropriate to the circumstances of the reporting entity; and

(ii) have authoritative support within the accounting profession in New Zealand.

NZ IAS-8 'Accounting Policies, Changes in Accounting Estimates or Errors' states that in the absence of a Standard or an Interpretation that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy and in doing so the following should be considered in descending order:

- the requirements and guidance in Standards and Interpretations dealing with similar and related issues; and
- the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the New Zealand Framework.

In making their judgement, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources described above.

Other information in annual reports

Directors' Reports

What matters should be considered when preparing the Directors' Report?

A Directors' Report is not specifically required by the CA however a commentary on the results for the period is a requirement under NZSX/DX Listing Rules for a Preliminary Announcement in respect of a full year.

To this end many companies include a Chairman's Report and a Managing Directors' Report in their annual report which include information regarding the performance of the company and the events that have occurred during the reporting period.

Information that could be considered in preparing such reports, including some of the specific requirements of s211 of the CA are:

- the names and particulars of the Directors of the company during or since the end of the financial year;
- particulars of each Directors' qualifications, experience and special responsibilities;
- a review of the consolidated entity's operations during the financial year and the results of those operations;
- a review of financial conditions such as capital funding and treasury policies, restriction of funds transfer, covenants and the maturity profile of borrowings;
- where changes to the state of affairs of the company are material, provide details and cross reference these to relevant notes in the financial statements;
- details of likely future developments in operations that Directors wish to bring to the attention of the users of the financial report;
- details of performance in relation to environmental or other legislation, as appropriate;
- details of dividends paid and / or declared;
- details of the number of Directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each Director;
- details of Directors' shareholdings; and
- details of Directors' and executives' remuneration and the broad policy for determining the nature and amount of Directors' and executives' remuneration.

The specific requirements of Preliminary Announcements under the NZSX/DX Listing Rules are:

- details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividends or distributions;
- details of any dividend or distribution reinvestment plans in operation and the last date for the recept of an election notice for participation in any dividend or distribution reinvestment plan;
- net tangible assets per security with the comparative figure for the previous corresponding period;
- a commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following:
    - the earnings per security and the nature of any dilution aspects;
    - returns to shareholders including distributions and buy backs;
    - significant features of operating performance;
    - the results of segments that are significant to an understanding of the business as a whole;
    - a discussion of trends in performance;
    - any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified;
    - a statement of any major changes or trends in the Issuers business subsequent to the end of the financial year and shall include where material any changes in the value of the Issuer's assets, or in its profitability, and any contingent liabilities, all in relation to the position disclosed in the last published financial statements; and
    - a statement of any unrealised gains resulting from the revaluation of assets of the Issuer, any subsidiary, or any associated company and unrealised net changes in values or development margins of investment assets included as separate items after

profit before extraordinary items, identifying separately amounts arising from any unrealised gains of associated companies.

The specific requirements of Preliminary Announcements under the NZAX Listing Rules are:

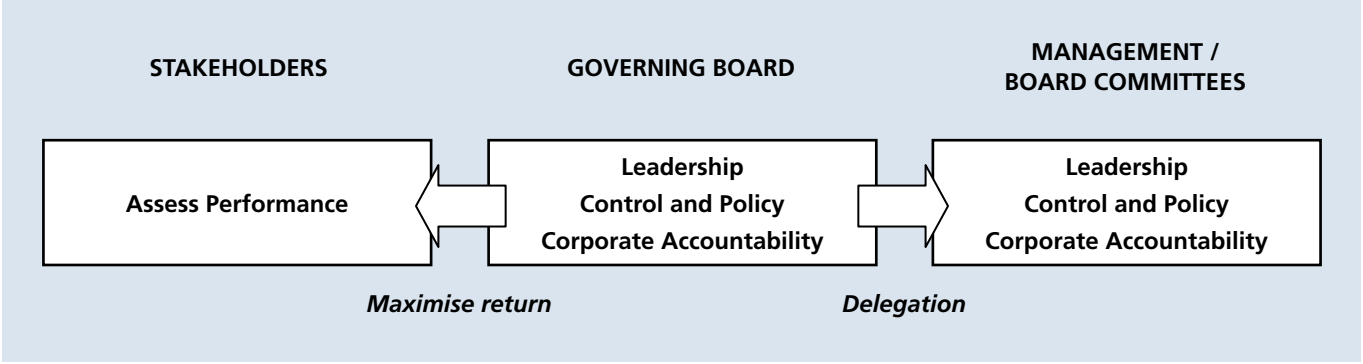
- Appendix One (NZAX Listing Rule B1.4) has specific requirements in a tabular form which must be completed. It also requires a commentary by Directors in relation to:
  - material factors affecting the revenues and expenses of the group for the current full year;
  - significant trends or events since the end of the current full year;
  - changes in accounting policies since the last annual report;
  - accounting policies the management believes to be critical;
  - management's discussion and analysis of financial conditions, results and/or operations. This discussion should contain forward looking statements that outline where these involved risk and uncertainty.

Corporate Governance

What is Corporate Governance?

Put simply, corporate governance is the method used by corporations to manage and control their activities. Directors are accountable for the effectiveness of these requirements. These principles are equally applicable to governing boards of non-corporate entities in the private and public sectors.

Corporate governance can be shown diagrammatically as follows:



Who is required to prepare a Statement of Corporate Governance?

The New Zealand Stock Exchange Listing Rule 10.5.3(h) requires listed companies to provide a statement of any corporate governance policies, practices and processes adopted or followed by the Issuer for the reporting period.

We recommend the issue of such a statement by all publicly accountable entities as an assurance to users that the Board has considered and implemented good corporate governance policies and practices.

What other matters should be considered when preparing a Statement of Corporate Governance?

When preparing a Statement of Corporate Governance the company should consider the following:

- distinguishing between executive and non-executive Directors;
- procedures relating to the nomination and appointment of new Directors;
- company policy relating to the appointment and retirement of Directors;
- procedures to enable directors to obtain independent legal or accounting advice;
- procedures for the determination of remuneration for the Chief Executive Officer, senior executives and board members;
- procedures for the nomination of external auditors;
- the Board of Directors' approach to identifying and managing significant business risks; and
- company policy relating to the maintenance of ethical standards.

An illustration of a Statement of Corporate Governance is included in these model financial statements on pages B1 to B6. It is based on Appendix 16 'Corporate Governance Best Practice Code' to the NZSX/DX Listing Rules. Further details of the New Zealand Stock Exchange Listing Rules can be found at www.nzx.co.nz

Accounting pronouncements

The following is a list of pronouncements which have been approved by the ASRB and have been through NZICAs publication process and are effective for reporting periods beginning on or after 1 January 2007, however entities may early adopt from 1 January 2005.

NZ IFRS

The Accounting Standards are listed in numeric sequence, beginning with the IFRS-equivalent standards followed by the IAS-equivalent standards and the New Zealand specific standards.

Reference	Title
NZ Framework	New Zealand Equivalent to the IASB Framework for the Preparation and Presentation of Financial Statements
Differential Reporting	Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime
NZ IFRS-1	First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards
NZ IFRS-2	Share-based Payment
NZ IFRS-3	Business Combinations
NZ IFRS-4	Insurance Contracts
NZ IFRS-5	Non-current Assets Held for Sale and Discontinued Operations
NZ IFRS-6	Exploration for and Evaluation of Mineral Resources
NZ IFRS-7	Financial Instruments: Disclosures
NZ IAS-1	Presentation of Financial Statements
NZ IAS-2	Inventories
NZ IAS-7	Cash Flow Statements
NZ IAS-8	Accounting Policies, Changes in Accounting Estimates and Errors
NZ IAS-10	Events After the Balance Sheet Date
NZ IAS-11	Construction Contracts
NZ IAS-12	Income Taxes
NZ IAS-14	Segment Reporting
NZ IAS-16	Property, Plant and Equipment
NZ IAS-17	Leases
NZ IAS-18	Revenue
NZ IAS-19	Employee Benefits – *applicable to annual reporting periods beginning on or after 1 January 2005*
NZ IAS-19	Employee Benefits – *applicable to annual reporting periods beginning on or after 1 January 2006*
NZ IAS-20	Accounting for Government Grants and Disclosure of Government Assistance
NZ IAS-21	The Effects of Changes in Foreign Exchange Rates
NZ IAS-23	Borrowing Costs
NZ IAS-24	Related Party Disclosures
NZ IAS-26	Accounting and Reporting by Retirement Benefit Plans

Reference	Title
NZ IAS-27	Consolidated and Separate Financial Statements
NZ IAS-28	Investments in Associates
NZ IAS-29	Financial Reporting in Hyperinflationary Economies
NZ IAS-30	Disclosure in the Financial Statements of Banks and Similar Financial Institutions
NZ IAS-31	Interests in Joint Ventures
NZ IAS-32	Financial Instruments: Disclosure and Presentation
NZ IAS-33	Earnings per Share
NZ IAS-34	Interim Financial Reporting
NZ IAS-36	Impairment of Assets
NZ IAS-37	Provisions, Contingent Liabilities and Contingent Assets
NZ IAS-38	Intangible Assets
NZ IAS-39	Financial Instruments: Recognition and Measurement
NZ IAS-40	Investment Property
NZ IAS-41	Agriculture
FRS-39	Summary Financial Reports
FRS-42	Prospective Financial Statements

Interpretations

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

NZ IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
NZ IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments
NZ IFRIC-4	Determining whether an Arrangement contains a Lease
NZ IFRIC-5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
NZ IFRIC-6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
NZ IFRIC-7	Applying the Restatement Approach under NZ IAS-29 Financial Reporting in Hyperinflationary Economies
NZ SIC-7	Introduction of the Euro
NZ SIC-10	Government Assistance – No Specific Relation to Operating Activities
NZ SIC-12	Consolidation – Special Purpose Entities
NZ SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
NZ SIC-15	Operating Leases – Incentives
NZ SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
NZ SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
NZ SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
NZ SIC-29	Disclosure – Service Concession Arrangements
NZ SIC-31	Revenue – Barter Transactions Involving Advertising Services
NZ SIC-32	Intangible Assets – Web Site Costs

True and fair view

Financial statements and notes thereto prepared to satisfy the reporting requirements of the FRA must comply with GAAP, even if compliance does not result in a true and fair view. Sections 11 and 14 of the FRA requires Directors to provide additional information and explanations when compliance with GAAP would not give a true and fair view. This additional information and explanation should be given by way of a note to the financial statements.

Materiality

The term 'material' is explained in NZ IAS-8.5 as 'Omissions and misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.'

Comparative information

NZ IAS-1 'Presentation of Financial Statements' requires comparative information to be disclosed in respect of the previous reporting period. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable.

Except when an Accounting Pronouncement permits or requires otherwise, comparative information should reflect the retrospective application of a change in accounting policy except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the change.

Set-off of assets and liabilities

Assets and liabilities should only be set-off where specifically permitted in accordance with Accounting Pronouncements, for example, NZ IAS-19 'Employee Benefits' and NZ IAS-32 'Financial Instruments: Disclosure and Presentation'.

Nil figures in both years

Where the consolidated and company figures are nil in both financial years the line should be omitted. Lines with nil figures have been included in this model for completeness only.

Timeline of critical dates

Critical Event	Critical Date	Source Reference
Completion and signing of financial statements (all reporting entities)	No later than 5 months after balance date (i)	FRA s.10, 13
Filing with Companies Office (Issuers and certain other entities)	No later than 20 working days after financial statements are required to be signed	FRA s.18(1), 19(2)
Issue to the NZX and quoted security holders	No later than 3 months after balance date (ii)	NZX 10.5.1
Completion and signing of Annual Report	Not later than 5 months after balance date	CA s.208(1)
Annual report to shareholders	No less than 20 working days before the date of the annual meeting of shareholders	CA s.209(1)
Annual meeting of shareholders (Companies)	Not later than 6 months after balance date and 15 months after the previous annual meeting (iii)	CA s.120(1)

(i) the FRA s.10(2) allows an extension to 9 months for exempt companies where all the members or shareholders agree

(ii) The NZX has issued a class waiver for Listed Issuers who are first time adopters of NZ IFRS in relation to the time frames for the publication of the annual preliminary announcements and annual reports as follows:

Exchange	Preliminary Announcement	Annual Report
New Zealand Stock Market (NZSX) / New Zealand Debt Market (NZDX)	Issuers make a preliminary announcement before the release of their annual report and not later than 75 days after the end of the financial year to which that report relates as opposed to 60 days after the end of the financial year as is normally required in accordance with Rule 10.4.1.	Issuers shall issue an annual report to NZX and to its Quoted Security holders (other than any Quoted Security holder who requests to the contrary and has not revoked that request) within four months after the end of each financial year as opposed to three months after the end of each financial year as is normally required in accordance with Rule 10.5.1.
New Zealand Alternative Market (NZAX)	Issuers make a preliminary announcement before the release of their annual report and not later than 90 days after the end of the financial year to which that report relates as opposed to 75 days after the end of the financial year as is normally required in accordance with Rule B1.4.1.	Issuers shall issue an annual report to NZX and to its Quoted Security holders (other than any Quoted Security holder who requests to the contrary and has not revoked that request) within five months after the end of each financial year as opposed to four months after the end of each financial year as is normally required in accordance with Rule B1.5.1.

These waivers are only available to Issuers in the first period they report under NZ IFRS and are subject to the condition that they announce through the NZX before the date the relevant item would be required, that they will not be providing the item within the timeframes specified in the relevant Rule and why they will not be doing so with reference to the class waiver and its relevant condition.

Any overseas listed Issuers must release any announcement or report to NZX at least at the same time that the announcement or report is issued to their home or other exchange.

(iii) the CA s.120(1)(b)(i) allows an extension from 6 months after balance date to 10 months after balance date for exempt companies if all shareholders agree.

Model annual report

Illustrative example of an annual report prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards and other requirements and guidelines current as at the date of issue, including NZX Listing Rules and New Zealand Securities Legislation

About the model annual report

Purpose

This model annual report has been designed by Deloitte to assist clients, partners and staff with the preparation of **annual financial statements** by a **consolidated entity** on first-time adoption of New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS').

These model financial statements are an illustrative example of general purpose financial statements prepared in accordance with:

- the Companies Act 1993 ('CA') and Financial Reporting Act 1993 ('FRA');
- Standards and Interpretations issued by the Financial Reporting Standards Board ('FRSB') of the New Zealand Institute of Chartered Accountants ('NZICA') and approved by the Accounting Standards Review Board ('ASRB')(except as noted below) up to 31 December 2005.

We have also included some discussion and examples of other matters that would typically be included in an entity's annual report, including:

- the requirements of section 211 of the CA; and
- other requirements and guidelines current as at the date of issue, including New Zealand Stock Exchange ('NZX') Listing Rules and New Zealand Securities Legislation.

This model is not designed to meet specific needs of specialised industries. Rather, it is intended to meet the needs of the majority of entities in complying with the annual reporting requirements of the NZX Listing Rules, CA, FRA and Standards and Interpretations. Enquiries regarding specialised industries (e.g. life insurance companies, credit unions, etc.) should be directed to an industry specialist in your nearest Deloitte office.

The Framework for Differential Reporting

Reporting entities that are qualifying entities under the Framework for Differential Reporting are allowed exemptions from certain disclosures and measurement requirements of NZ IFRS. These exemptions have been highlighted throughout the consolidated model financial statements in grey shading for your reference.

Exclusions

This model does not, and cannot be expected to cover all situations that may be encountered in practice. Therefore, knowledge of the disclosure provisions of the relevant legislation, Standards and Interpretations are pre-requisites for the preparation of financial statements.

Specifically, this model does not provide guidance on the 'public benefit entity' disclosure requirements of Standards and Interpretations and the disclosure requirements of the following Standards and Interpretations:

- NZ IFRS-4 Insurance Contracts
- NZ IFRS-6 Exploration for and Evaluation of Mineral Resources
- NZ IFRS-7 Financial Instruments: Disclosures
- NZ IAS-1 Presentation of Financial Statements (NZ 126.1 to NZ 126.10 Statement of Service Performance excluded only).
- NZ IAS-29 Financial Reporting in Hyperinflationary Economies
- NZ IAS-30 Disclosure in the Financial Statements of Bank and Similar Financial Institutions
- NZ IAS-34 Interim Financial Reporting
- NZ IAS-41 Agriculture
- NZ IFRIC-2 Members' Shares in Co-Operative Entities and Similar Instruments
- NZ SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- NZ SIC-29 Disclosure – Service Concession Arrangements

Source references

References to the relevant requirements are provided in the left hand column of each page of this model. Where doubt exists as to the appropriate treatment examination of the source of the disclosure requirement is recommended.

Abbreviations used in this model are as follows:

s.	Section of relevant legislation.
NZ IAS / NZ IFRS	Standards issued by the FRSB of NZICA and approved by the ASRB.
NZ IFRIC / NZ SIC	Interpretations issued by the FRSB of NZICA and approved by the ASRB
NZX	New Zealand Stock Exchange
NZXCGBPC	New Zealand Stock Exchange Corporate Governance Best Practice Code

The Toy Company Limited

NZ 123456

Annual report for the financial year ended 31 December 2005

Annual report for the financial year ended 31 December 2005

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Corporate governance statement	**B 1**
Companies Act 1993 disclosures	**B 7**
Additional stock exchange information	**B 11**

Source reference

NZX Listing Rules 10.5.3(h)

Corporate governance statement (listed companies only)

Best practice recommendations

The best practice recommendations of the New Zealand Stock Exchange, including corporate governance practices and suggested disclosures, are set out below.

The recommendations are differentiated between the nine core principles that the New Zealand Securities Commission believes underlie good corporate governance as set out in their publication 'Corporate Governance in New Zealand, Principles and Guidelines: A Handbook for Directors, Executives, and Advisers' (16 March 2004). A copy of this publication can be found at www.sec-com.govt.nz

Entities must disclose any instances of non-compliance with these recommendations.

Core Principle # 1: Reporting and Disclosure

The Corporate Governance processes set out in this statement do not materially differ from the principles set out in the New Zealand Stock Exchange Corporate Governance Best Practice Code.

NZX Listing Rules 10.5.3(i)

Issuers are required to disclose in their annual report the extent to which its corporate governance processes materially differ from the principles set out in the NZX Corporate Governance Best Practice Code or a clear reference to where such statement may be found on their public website.

NZXCGBPC.2

Core Principle # 2: Board Composition and Performance

Directors are elected by the shareholders. The Directors then appoint a chair from amongst their members. Currently 60% of the five Directors are non executive members and 40% are independent members.

The Directors have a diverse range of expertise and experience and are committed to use these to benefit the company. Their skills in social, environmental and economic areas are identified and communicated to shareholders during the election process. An assessment of the Board's strengths, weaknesses and training needs is also made on an annual basis by an independent organisation, and summarised at the Annual General Meeting. This assists shareholders to identify who will be of most value to the Board.

The Board carries out its responsibilities according to the following mandate:

- the Board should comprise at least five Directors;
- at least half of the Board should be made up of non-executive Directors;
- the Chairman of the Board should be a non-executive Director;
- the position of Chairman and CEO cannot be combined;
- each Director should possess a broad range of skills, qualifications and experience;
- the Board should meet on a monthly basis; and
- all available information in connection with items to be discussed at a meeting of the Board shall be provided to each Director prior to that meeting.

The primary responsibilities of the Board include:

- the approval of the annual financial report;
- the establishment of the long term goals of the company and strategic plans to achieve those goals;
- succession planning for the CEO and the Board;
- the review and adoption of annual budgets for the financial performance of the company and monitoring the results on a quarterly basis;
- monitoring environmental, social and economic performance;
- ensuring that the company has implemented adequate systems of internal controls including internal financial controls together with appropriate monitoring of compliance activities;
- ensuring legislative compliance;
- monitoring executive management; and
- communicating with stakeholders.

Source reference	

The Board also has responsibility for the system of written procedures, policies, guidelines and organisational structures that set out the division of responsibility between Board and management and guide the careful selection and training of qualified senior management personnel.

Implementation of Vision and Policy
Newly appointed members of the Board must take part in an induction programme which includes familiarisation with the strategic intent, including the vision, policies, and management systems. Depending on the member's skills, they are also given training on the financial reporting framework and analysing internal and external financial reports. The efficient running of the company is effectively shared with senior managers, who assist to implement the policies and strategy set by the Board.

Independent Professional Advice
With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertaking in order to fulfill their duties and responsibilities as Directors.

NZX Listing Rules 3.3.1(c) 3.3.1A; 10.5.3(j)

Independent Directors
- *The minimum number of Independent Directors shall be two or, if there are eight or more Directors, three or one-third (rounded down to the nearest whole number of Directors) of the total number of Directors, whichever is the greater.*
- *the Board must identify which Directors it has determined, in its view, to be Independent Directors and which of its Directors are not Independent Directors, as at the balance date of the Issuer.*

NZXCGBPC.2.1

Separation of Chief Executive and Chairman
- *A Director should not simultaneously hold the positions of Chief Executive and chairman of the Board of the same Issuer.*

NZXCGBPC.2.2, 2.3

Appointments to the Board
- *Unless constrained by size, an Issuer should establish a nomination committee.*
- *Every Issuer should have formal and transparent methods for the nomination and appointment of Directors to the Board.*

NZXCGBPC.2.4

Director Training
- *Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of an Issuer.*

NZXCGBPC.2.8

Information for the Board
- *Information of sufficient content, quality, and timelines, as the Board considers necessary to enable the Board to effectively discharge its duties, should be provided to the Board by management.*

NZXCGBPC.2.9

Board Performance
- *The Board should establish a formal procedure to regularly assess individual and Board performance.*

Core Principle #3: Board Committees
The Board has three operating committees.

Remuneration Committee
The remuneration committee is composed of Ms F.R. Ridley (Non-Executive Director), B.M. Stavrinidis (Non-Executive Director). Ms S.M. Saunders (Non-Executive Director) was also a member until her resignation on 30 January 2006. The purpose of the committee is to ensure that the company's Directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance.

The remuneration committee reviews the remuneration policies applicable to all Directors and executive officers on an annual basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance-related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the remuneration committee seeks the advice of external advisers in connection with the structure of remuneration.

Particulars concerning Directors' and executives' remuneration are set out on pages B8 to B10.

Source reference	
NZXCGBPC.3.7	*The Issuer should establish a remuneration committee to recommend remuneration packages for Directors to the shareholders.* *Issuers should identify in its annual report the members of the remuneration committee.*
NZXCGBPC.3.8	*The remuneration committee should produce a written charter that outlines the remuneration committee's authority, duties, responsibilities and relationship with the Board.*
NZXCGBPC.3.9	*The Board should regularly review the performance of the remuneration committee in accordance with the remuneration committee's written charter.*

Nomination Committee
The Board has established a nomination committee composed of Ms F.R. Ridley (Non-Executive Director) and B.M. Stavrinidis (Non-Executive Director). Ms S.M. Saunders (Non-Executive Director) was also a member until her resignation on 30 January 2006.

The nomination committee reviews the composition of the Board on an annual basis and makes recommendations to the Board, where considered necessary, to ensure that the Board comprises a majority (at least half) of non-executive Directors with an appropriate mix of skills and experience. Where necessary, the committee seeks the advice of external advisers in connection with the suitability of applicants for Board membership.

The terms and conditions of the appointment of non-executive Directors are set out in a formal letter of appointment which deals with the following matters:

- duration of appointment (subject to the approval of the shareholders);
- remuneration;
- expectations concerning preparation and attendance at Board meetings;
- conflict resolution; and
- the right to seek independent legal and professional advice (subject to the prior approval of the Chairman).

NZXCGBPC.3.10	*An Issuer should establish a nomination committee to recommend Director appointment to the Board.* *At least a majority of the nomination committee should be Independent Directors.* *Issuers should identify in its annual report the members of the nomination committee.*
NZXCGBPC.3.11	*The nomination committee should produce a written charter that outlines the remuneration committee's authority, duties, responsibilities and relationship with the Board.*
NZXCGBPC.3.12	*The Board should regularly review the performance of the nomination committee in accordance with the nomination committee's written charter.*

Audit Committee
The Board has established an audit committee consisting of three members, Mr C.J. Chambers, (Chairman, Non-Executive Director), Ms F.R. Ridley (Non-Executive Director) and B.M. Stavrinidis (Non-Executive Director).

The audit committee provides a forum for the effective communication between the Board and external and internal auditors. The audit committee reviews:

- the annual financial report prior to its approval by the Board;
- the effectiveness of management information systems and systems of internal control;
- the appointment of external auditors; and
- the efficiency and effectiveness of the internal and external audit functions, including reviewing the respective audit plans.

The audit committee generally invites the CEO, CFO, and the external and internal auditors to attend audit committee meetings. The audit committee also meets with and receives regular reports from the external and internal auditors concerning any matters which arise in connection with the performance of their respective roles, including the adequacy of internal controls.

Source reference

NZX Listing Rules 3.6.1

Each Issuer shall establish an Audit Committee.

NZX Listing Rules 3.6.2, NZXCGBPC.3.1

Composition
The Audit Committee shall:

- *be comprised solely of non-executive Directors of the Issuer; and*
- *have a minimum of three members; and*
- *have a majority of members that are Independent Directors; and*
- *have at least one member with an accounting or financial background i.e.:*
  - *is a member of the Institute of Chartered Accountants of New Zealand or has held a CFO position at an Issuer for a period greater than 24 months; or*
  - *has successfully completed a course approved by NZX for Audit Committee membership; or*
  - *has the experience and/or qualifications deemed satisfactory by the Board.*

NZX Listing Rules 3.6.3 NZXCGBPC.3.5

Responsibilities
The responsibilities of an Issuer's Audit Committee include as a minimum:

- *ensuring that processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters;*
- *recommending the appointment and removal of the independent auditor;*
- *meeting regularly to monitor and review the independent and internal auditing practices;*
- *having direct communication with and unrestricted access to the independent auditors and any internal auditors or accountants;*

NZXCGBPC.3.2

- *reviewing the financial reports and advising all Directors whether they comply with the appropriate laws and regulations;*
- *ensuring that the external auditor or lead audit partner is changed at least every five years; and*
- *producing a written charter that outlines the Audit Committee's authority, duties, responsibilities and relationship with the Board*

NZXCGBPC.3.3.3

The Board should regularly review the performance of the Audit Committee in accordance with the Audit Committee's written charter.

NZXCGBPC.3.3.4

Directors who are not members of the Audit Committee and employees should only attend Audit Committee meetings at the invitation of the Audit Committee.

NZXCGBPC.3.3.6

Issuers should identify in its annual report the members of the Audit Committee.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, 12 Board meetings, 2 nomination and remuneration committee meetings and 4 audit committee meetings were held.

	Board of Directors		Nomination & remuneration committee		Audit committee	
Directors	Held	Attended	Held	Attended	Held	Attended
C.J. Chambers	12	12	-	-	4	4
P.H. Taylor	12	10	-	-	-	-
F.R. Ridley	12	11	2	2	4	4
A.K. Black	12	12	-	-	-	-
B.M. Stavrinidis	12	12	2	2	4	4
W.K. Flinders	2	2	1	1	-	-
L.A. Lochert	3	2	-	-	-	-
S.M. Saunders	10	9	1	1	-	-

Source reference

NZXCGBPC.4.1, 4.2

Core Principle #4: Auditors

The Board should establish a formal and transparent procedure for sustaining communication with the Issuer's independent and internal auditors.

The Board should establish a formal and transparent framework for the Issuer's relationship with its auditors, including:

- *to ensure that the ability and independence of the auditors to carry out their statutory audit role in not impaired, or could reasonably be perceived to be impaired;*
- *to address what, if any, services (whether by type or level) other than in their statutory audit role may be provided by the auditors to the Issuer; and*
- *to provide for the monitoring and approval by the Issuer's Audit Committee of any service provided by the auditors to the Issuer other than in their statutory audit role.*

Core Principle #5: Remuneration

NZXCGBPC.2.5, 2.6, 2.7

Director Remuneration disclosures are contained in the Companies Act 1993 disclosures section on page B8.

Director Remuneration

- *Unless constrained by size, an Issuer should establish a remuneration committee as recommended above.*
- *Every Issuer should have formal and transparent methods to recommend Director remuneration packages to shareholders.*
- *Directors are encouraged to take a portion of their remuneration under a performance-based Equity Security compensation plan. The Equity Security compensation plan should not vest until at least after two years after the grant of plan entitlements to the Director. Alternatively (or in addition), Directors are encouraged to invest a portion of their cash Directors' remuneration in purchasing the Issuers Equity Securities.*

NZXCGBPC.1

Core Principle #6: Ethical Conduct

As part of the Board's commitment to the highest standard of conduct, the company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- corporate governance matters;
- responsibilities to shareholders;
- confidentiality and the safeguarding of Group information;
- compliance with laws and regulations;
- relations with customers and suppliers;
- ethical responsibilities;
- employment practices; and
- responsibilities to the environment and the community.

Conflicts of Interest

All Directors must disclose any specific and general interests which could be in conflict with their obligations to The Toy Company Limited, its subsidiaries, associates and joint ventures. These are detailed in the notes to the financial statements set out on pages C24 to C163 and in the Companies Act 1993 disclosures on pages B7 to B10.

Core Principle #7: Shareholder Relations

- *Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.*
- *Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.*

Source reference

Core Principle #8: Stakeholder Interests

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

Core Principle #9: Recognise and manage risk

Risk Management

The Board is responsible for the company's system of internal controls. The Board constantly monitors the operational and financial aspects of the company's activities and, through the audit committee, the Board considers the recommendations and advice of external and internal auditors and other external advisers on the operational and financial risks that face the company.

The Board ensures that recommendations made by the external and internal auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, the employment and training of suitably qualified and experienced personnel, and in conjunction with the recommendations of the audit committee, the scope and work programme of internal auditors.

Internal Audit

The internal audit function is an independent appraisal function to examine and evaluate the group's activities. Its objective is to assist members of executive management in the effective discharge of their responsibilities. The scope of the internal audit function is to review the reliability and integrity of financial and operating information, the systems of internal control, the means of safeguarding assets, the efficient management of the group's resources and the effective conduct of its operations. The head of internal audit has unrestricted access to the chair of the audit committee.

Internal Control

To fulfil its responsibilities, management maintains adequate accounting records and has developed and continues to maintain a system of internal controls. The Directors acknowledge that they are responsible for the company's system of internal financial control.

Internal financial controls implemented by management can provide only reasonable and not absolute assurance against material misstatement or loss. Certain key procedures, which are designed to provide effective internal financial control, have been established by the audit committee.

The Directors have reviewed the effectiveness of the system of internal financial control. No major breakdowns were identified during the year in the system of internal control.

Source reference

Companies Act 1993 disclosures

The Directors of The Toy Company Limited submit herewith the annual financial report of the company for the financial year ended 31 December 2005. In order to comply with the provisions of the Companies Act 1993, the Directors report as follows:

Companies Act 1993 s.211(1)(i)

The names and particulars of the Directors of the company during or since the end of the financial year are:

Directors

Name (all entities)	**Particulars** (public companies only)
Mr C.J. Chambers	Chairman, Chartered Accountant, aged 56 joined the Board in 1994 in a non-executive capacity and is a non-executive Director of the ultimate New Zealand holding company, TC Ultimate Limited. Mr C.J. Chambers is a member of the audit committee.
Mr P.H. Taylor	Chemist, aged 50, joined the Board in 1991 in an executive capacity.
Ms F.R. Ridley	Chartered Accountant, aged 41, joined the Board in 2000 in a non-executive capacity. Ms F.R. Ridley is a member of the nomination and remuneration committee, and of the audit committee.
Mr A.K. Black	Industrial Engineer, aged 42, joined the Board in 2001 in an executive capacity and held various senior management positions in manufacturing and wholesale companies.
Mr B.M. Stavrinidis	Director of Merchant Bank Limited, aged 48, joined the Board in 1999 in a non-executive capacity. Mr B.M. Stavrinidis is a member of the nomination and remuneration committee, and of the audit committee.
Mr W.K. Flinders	Practicing Solicitor, aged 58, joined the Board in 1996 in a non-executive capacity and resigned during the year. Mr W.K. Flinders was a member of the nomination and remuneration committee until his resignation.
Ms L.A. Lochert	Practicing Solicitor, aged 47, joined the Board in 2005 in a non-executive capacity and resigned during the year.
Ms S.M. Saunders	Practicing Solicitor, aged 37, joined the Board in 2005 in a non-executive capacity and resigned after year end. Ms S.M. Saunders was a member of the nomination and remuneration committee until her resignation.

The above named Directors held office during and since the end of the financial year except for:

- Mr W.K. Flinders – resigned 20 January 2005
- Ms S.M Saunders – appointed 1 February 2005 and resigned 30 January 2006
- Ms L.A. Lochert – appointed 30 January 2005 and resigned 1 July 2005

Entries recorded in the Interests Register

Entries in the Interest Register made during the year and disclosed pursuant to sections 211(1)(e) and 140(1) of the Companies Act 1993 are as follows:

(a) Directors' Interests in transactions

Companies Act 1993 s.140(1)

A Director of a company must, forthwith after becoming aware of the fact that he or she is interested in a transaction or proposed transaction with the company, cause to be entered in the interests register either:

(a) the nature and monetary value of that interest, if the monetary value of the Director's interest is able to be quantified; or

(b) the nature and extent of that interest, if the monetary value of the Director's interest is not able to be quantified.

(b) Share dealings by Directors

The following table sets out each Director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Source reference

Directors	Fully paid ordinary shares	Partly paid ordinary shares	Fully paid converting cumulative non-participating preference shares	Executive share options	Convertible notes
C.J. Chambers	5,000	833	25,000	-	3,000
P.H. Taylor	50,000	8,167	-	88,000	15,000
A.K. Black	1,000	167	-	-	2,000

Companies Act 1993 s.148(1)

A Director of a company that has become registered under the Companies Act 1993 in accordance with the Companies Registration Act 1993 and who has a relevant interest in any shares issued by the company must, forthwith after the reregistration of the company:
(a) disclose to the Board the number and class of shares in which the relevant interest is held and the nature of the relevant interest; and
(b) ensure these particulars are also entered in the interests register.

NZX Listing Rules 10.5.3 (c)

The annual report of an Issuer shall contain the Equity Securities in which each Director has a relevant interest at the balance date of the current financial year.

Securities Markets Act 1988 s.5

Directors are considered to have a relevant interest where the Director:
(a) is the beneficial holder of the securities;
(b) has power to exercise, or control the exercise of, a right to vote attached to the securities; or
(c) has power to acquire or dispose of, or control the exercise of a power to acquire or dispose of, the securities.

Disclosure of interests by Directors

Companies Act 1993 s.140(2)

The following general disclosures of interest were made by the Directors in terms of section 140(2) of the Companies Act 1993:

Name	Company	Interest
Mr C.J. Chambers	TC Ultimate Limited	Director
Mr B.M. Stavarindis	Merchant Bank Limited	Director
Mr P.H. Taylor	Eastwood Limited	Director
	Yarwood Limited	Director

A Director of a company is regarded as having an interest in another named company if they are a shareholder, Director, officer or trustee of that named company.

Changes in state of affairs

Companies Act 1993 s.211(1)(a)

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

If changes are material, describe and cross reference to the relevant notes to the financial statements.

Director Remuneration

The following illustrative disclosures in relation to Directors' remuneration is considered 'best practice' and in some respects includes disclosures in excess of those required by the Companies Act 1993.

Companies Act 1993 s.211(1)(f)

Every annual report must state in respect of each Director or former Director of the company, the total of the remuneration and the value of other benefits received by that Director or former Director from the company during the accounting period.

The following table discloses the remuneration of the Directors of the company:

Source reference

2005	Primary			Post-employment			Equity	Other	Total
	Salary & fees	Bonus	Non-monetary	Superannuation	Prescribed benefits	Other	Options	benefits	
	$	$	$	$	$	$	$	$	$
C.J. Chambers	66,000	-	28,050	-	-	-	-	1,250	95,300
P.H. Taylor (i)	267,000	-	66,280	24,030	-	-	105,600	1,240	464,150
A.K. Black	201,835	-	43,930	18,165	-	-	-	820	264,750
F.R. Ridley	65,000	-	25,091	-	-	-	-	854	90,945
B.M. Stavrinidis	65,000	-	26,800	-	-	-	-	685	92,485
W.K. Flinders	4,000	-	800	-	-	-	-	200	5,000
S.M. Saunders	75,000	-	15,159	-	-	-	-	689	90,848
L.A. Lochert	35,000	-	4,494	-	-	-	-	256	39,750
Total	778,835	-	210,604	42,195	-	-	105,600	5,994	1,143,228

2004	Primary			Post-employment			Equity	Other	Total
	Salary & fees	Bonus	Non-monetary	Superannuation	Prescribed benefits	Other	Options	benefits	
	$	$	$	$	$	$	$	$	$
C.J. Chambers	65,125	-	25,400	-	-	-	-	1,125	91,650
P.H. Taylor (ii)	250,000	-	53,800	22,500	-	-	57,500	1,125	384,925
A.K. Black	191,651	-	35,801	17,249	-	-	-	800	245,501
F.R. Ridley	62,000	-	23,162	-	-	-	-	850	86,012
B.M. Stavrinidis	62,000	-	24,350	-	-	-	-	670	87,020
W.K. Flinders	62,000	-	24,350	-	-	-	-	680	87,030
O.H. Brien	36,750	-	20,120	-	-	-	-	312	57,182
Total	729,526	-	206,983	39,749	-	-	57,500	5,562	1,039,320

(i) Mr P.H. Taylor was granted executive share options on 31 March 2005. Further details of the options are contained in note 5 to the financial statements.

(ii) Mr P.H. Taylor was granted executive share options on 31 March 2004. Further details of the options are contained in note 5 to the financial statements.

Share options granted to Directors

The annual report should include details of options granted over unissued shares or interests by any company, registered scheme or disclosing entity within the consolidated entity during or since the end of the financial year to any Directors as part of their remuneration.

During and since the end of the financial year an aggregate of 88,000 share options were granted to the following Directors of the company:

Directors and executives	Number of options granted	Issuing entity	Number of ordinary shares under option
P.H. Taylor	88,000	The Toy Company Limited	88,000

The following table discloses the value of options granted, exercised or lapsed during the year:

Source reference

	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed[2] $	Value of options included in remuneration for the year[3] $	Percentage of total remuneration for the year that consists of options %
	Value at grant date $	Value at exercise date $	Value at time of lapse $			
P.H. Taylor	105,600	62,500[1]	-	168,100	105,600	22.75

Value of options - basis of calculation

(1) Options exercised during the year were granted on 31st March 2004.

(2) The total value of options granted, exercised and lapsed is calculated based on the following:
- Fair value of the option at grant date multiplied by the number of options granted during the year; plus
- Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year; plus
- Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.

(3) The total value of options included in remuneration for the year is calculated a follows:
- The value of the options is determined at grant date, and are included in remuneration on a proportionate basis from grant date to vesting date. Where the options immediately vest the full value of the option is recognised in remuneration in the current year.
- All options vest at the date of issue.

Employee Remuneration

The following illustrative disclosures in relation to employees remuneration is considered 'best practice' and in some respects includes disclosures in excess of those required by the Companies Act 1993.

Companies Act 1993 s.211(1)(g)

Every annual report must state the number of employees or former employees of the company, not being Directors of the company, who, during the accounting period, received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum, and must state the number of such employees or former employees in brackets of $10,000.

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, are the number of employees or former employees of the company, excluding Directors of the company, who received remuneration and other benefits in their capacity as employees, totaling $100,000 or more, during the year:

Remuneration	Number of employees	
	2005	2004
$120,000 pa - $129,999 pa	2	-
$110,000 pa - $119,999 pa	1	-
$100,000 pa - $109,999 pa	2	1

Remuneration includes salary, performance bonuses, employer's contributions to superannuation, health and insurance plans, motor vehicle and other sundry benefits received in their capacity as employees.

Non-audit services

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Companies Act 1993.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the financial statements.

Companies Act 1993 s.211(1)(j)

Every annual report must state the amounts payable by the company to the person or firm holding office as auditor of the company as audit fees and, as a separate item, fees payable by the company for other services provided by that person or firm.

Source reference

Additional stock exchange information as at 14 March 2006

NZX Listing Rules 10.1.1 (d)

Share registry

Widget Investor Services Limited
Level 10
159 Babblebrook Road
Babblebrook, North Shore City
Auckland 1309, New Zealand
Telephone: +64 9 555 5555

Distribution of holders of quoted securities

NZX Listing Rules 10.5.3(d)

The annual report of an Issuer shall contain details of the spread of Quoted Security holders at a date not earlier than 2 months before the date of the publication of the annual report. A 10% converting cumulative preference shares and 10% converting non-participating preference shares are unquoted securities they are not included in the following illustrative example.

NZX Listing Rules 1.1.2

Security means any interest or right to participate in any capital, assets, earnings, royalties, or other property of any person and includes:
(a) any renewal or variation of the terms or conditions of any existing security;
(b) any Debt Security; and
(c) any Option or Right.
Therefore this would include Equity Securities (shares, units, options over issued or unissued securities, rights to any one of the former securities and convertible securities).

NZX Listing Rules 10.5.3(d)

Size of holding	Number of fully paid ordinary shareholders	Percentage	Number of fully paid shares	Percentage
1 - 1,000	672	94.78	500,979	3.37
1,001 - 5,000	18	2.54	72,000	0.49
5,001 - 10,000	5	0.71	48,751	0.32
10,001 - 100,000	8	1.13	322,270	2.17
100,001 and over	6	0.84	13,900,000	93.65
	709	100.00	14,844,000	100.00

NZX Listing Rules 10.5.3(d)

Size of holding	Number of 5.5% fully paid convertible note holders	Percentage	Number of 5.5% fully paid convertible notes	Percentage
1 - 1,000	326	92.09	300,480	6.68
1,001 - 5,000	13	3.67	57,000	1.27
5,001 - 10,000	5	1.41	25,000	0.55
10,001 - 100,000	6	1.70	225,000	5.00
100,001 and over	4	1.13	3,892,520	86.50
	354	100.00	4,500,000	100.00

NZX Listing Rules 10.5.3(d)

Size of holding	Number of 7% redeemable cumulative preference shareholders	Percentage	Number of 7% redeemable cumulative preference shares	Percentage
1 - 1,000	-	-	-	-
1,001 - 5,000	-	-	-	-
5,001 - 10,000	-	-	-	-
10,001 3 100,000	3	37.50	210,000	7.00
100,001 and over	5	62.50	2,790,000	93.00
	8	100.00	3,000,000	100.00

Source reference

NZX Listing Rules 10.5.3(d)

Size of holding	Number of option holders	Percentage	Number of options	Percentage
1 - 1,000	18	60.00	10,476	5.34
1,001 - 5,000	10	33.33	34,000	17.35
5,001 - 10,000		-	-	-
10,001 3 100,000	2	6.67	151,524	77.31
100,001 and over	-	-	-	-
	30	100.00	196,000	100.00

Substantial security holders

Securities Markets Act 1988, sub-part 3 of part 2, s26(1)

Every public Issuer that is a company (but not an overseas company) must send a note stating the following matters to each shareholder with the annual report sent under section 209 of the Companies Act 1993 or the financial statements or summary financial statements sent under section 210 of that Act:

(a) the names of all persons who are substantial security holders in the public issuer, as at a date not earlier than 3 months before the annual report is sent; and

(b) the number of voting securities of the public issuer in which each substantial security holder has a relevant interest as at that date; and

(c) the total number of issued voting securities of the public issuer as at that date.

Pursuant to sub-part 3 of part two of the Securities Markets Act 1988, the following persons had given notice as at 14 March 2006 that they were substantial security holders in the company and held a 'relevant interest' in the number of fully paid ordinary shares shown below:

Substantial security holder	Fully paid shares in which relevant interest is held		Date of notice
	Number	Percentage	
TC Ultimate Limited	8,500,000	57.26	31.12.05
XYZ Nominees	2,500,000	16.84	01.02.06
Walker Pty Ltd	2,000,000	13.47	01.02.06

The total number of voting securities on issue as at 14 March 2006 was 14,844,000 fully paid ordinary shares. Convertible notes and options do not carry a right to vote and whilst redeemable cumulative preference shares carry one vote per share, the right to vote is restricted to meetings convened for the purpose of reducing the capital or winding-up or sanctioning the sale of the undertaking of the Company or when the dividend on their particular class of preference shares is in arrears for more than six months.

NZX 10.5.3 (a), Securities Markets Act 1988, s2(1)

A person has a substantial security holding in a public issuer or other body if they have a relevant interest in 5 percent or more of the voting securities of that public issuer or body.

A voting security means a security of the public issuer or body which confers a right to vote at meetings of members or shareholders (whether or not there is any restriction or limitation on the number of votes that may be cast by or on behalf of the holder of the security), beyond the following:

(a) during a period in which a dividend (or part of a dividend) in respect of the security is in arrears;

(b) on a proposal to reduce the capital of the public issuer or body;

(c) on a proposal that affects rights attached to the security;

(d) on a proposal to put the public issuer or body into liquidation;

(e) on a proposal for the disposal of the whole of the property, business, and undertaking of the public issuer or body;

(f) during the liquidation of the public issuer or body

and includes a security which, in accordance with the terms of the security, is convertible into a security of that kind.

Source reference

NZX 10.5.3 (b)

Twenty largest holders of quoted equity securities

The annual report of an Issuer shall contain details of the names and holdings of Equity Securities of the holders having the 20 largest holdings of Quoted Equity Securities on the register of the Issuer as at a date not earlier than 2 months before the date of the publication of the annual report.

Note: the illustration below shows only the twenty largest holders of quoted fully paid ordinary shares and 5.5% fully paid convertible note holders. Convertible note 7% redeemable cumulative preference shares and options would also be required.

Ordinary shareholders	Fully paid	
	Number	Percentage
TC Ultimate Limited	8,500,000	57.26
XYZ Nominees Limited	2,500,000	16.84
Walker Pty Ltd	2,000,000	13.47
The Perry Family Trust	500,000	3.37
Hayes Nominees Limited	200,000	1.35
P.T. Young	200,000	1.35
TC Superannuation Trust	100,000	0.67
Inkerman Pty Limited	50,000	0.34
Watson Nominees Limited	50,000	0.34
P.H. Taylor	50,000	0.34
C.W. Kingsley	20,000	0.13
K.B. Chai	20,000	0.13
T.P. Cowood	20,000	0.13
W.L. Yeoh Family Trust	12,270	0.08
Stock Pty Limited	10,000	0.07
D.E. Porter	10,000	0.07
A.L. Lauf	10,000	0.07
P.D. Dhaliwal	10,000	0.07
C.P. Daniels	8,751	0.06
C.J. Chambers	5,000	0.03
	14,276,021	96.17

Source reference

Convertible noteholders	Fully paid	
	Number	Percentage
TC Ultimate Limited	2,500,000	55.56
Betkowski Nominees Limited	712,520	15.84
Walker Pty Ltd	400,000	8.89
Smith Trust	200,000	4.44
Gyles Nominees Limited	75,000	1.67
P.T. Young	75,000	1.67
Insurance Company Limited	30,000	0.67
P.H Taylor Family Trust	15,000	0.33
Watson Nominees Limited	15,000	0.33
C.W. Kingsley	15,000	0.33
K.B. Chai	10,000	0.22
T.P. Carroll	10,000	0.22
Stock Pty Limited	10,000	0.22
Hill Nominees Limited	10,000	0.22
A.L. Lauf	10,000	0.22
P.D. Margary	5,000	0.11
Hankey Pty Limited	5,000	0.11
D.E. Rundell	5,000	0.11
Swenson Trust	5,000	0.11
Thomason Nominees Limited	5,000	0.11
	4,112,520	91.38

B

NZX 10.5.3 (e)

Credit rating

As at 14 March 2006, the Standard & Poor's long-term debt rating for the company was A Stable and the short-term debt rating was A-1.

NZX 10.5.3 (f)

Waivers granted by the NZX and applied by the entity

The entity applied a class waiver issued during the year from the NZX in respect of Listing Rule10.5.1 so that the company could delay the deadline for providing its annual report by one month, allowing a four month filing period. This waiver was required due to the first time adoption of NZ IFRS which has resulted in increased complexity of recognition, measurement, presentation and disclosure requirements.

Consolidated model financial statements

Illustrative examples of general purpose financial statements prepared in accordance with the FRA, the CA and Standards and Interpretations issued by the FRSB of NZICA and approved by the ASRB which include NZ IFRS.

Section C – Consolidated model financial statements for the financial year ended 31 December 2005

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Statement of recognised income and expense	C 15
Cash flow statement	C 21
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Source reference

Directors' responsibility statement

Public Finance Act 1989 s.37, 42

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of The Toy Company Limited and group as at 31 December 2005 and the results of their operations and cash flows for the year ended 31 December 2005.

The Directors consider that the financial statements of the company and the group have been prepared using accounting policies appropriate to the company and group circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and group and enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the company and group and to prevent and detect fraud and other irregularities.

Companies Act 1993 s.208(1), 211(1)

The Directors are pleased to present the financial statements of The Toy Company Limited for the year ended 31 December 2005.

Companies Act 1993 s.211(1)(k)

This annual report is dated 20 March 2006 and is signed in accordance with a resolution of the directors made pursuant to section 211(1)(k) of the Companies Act 1993.

Financial Reporting Act s.10(1)(b), s.13(1)(b), Companies Act 1993 s.211(1)(b)

For and on behalf of the Directors

C.J. Chambers
Director

P.H. Taylor
Director

C

Source reference

Independent audit report to the members of The Toy Company Limited

An audit report shall be prepared by the auditor in accordance with New Zealand Auditing Standards issued by the New Zealand Institute of Chartered Accountants

Source reference	
	Duty to form an opinion
	Issuers
Financial Reporting Act 1993 s.15(1)	*The Directors of an Issuer must ensure that the financial statements of the Issuer and, if the Issuer is required to complete group financial statements, the group financial statements are audited.*
	The financial statements and any group financial statements must be audited by an auditor appointed or qualified for appointment under the Companies Act 1993. If the Issuer is incorporated or registered under any other Act that provides for the appointment of an auditor, an auditor will be appointed under that Act. If the Issuer is a public entity under the Public Audit Act 2001, the financial statements and any group financial statements will be audited by the Auditor-General.
NZX Listing Rules 10.5.1	*The New Zealand Stock Exchange Rules require the financial statements contained in the annual report of an Issuer to be audited and shall be accompanied by an audit report in accordance with the requirements of the Financial Reporting Act 1993.*
	Other
Companies Act 1993 s.196	*Overseas companies and other companies with overseas connections are required to appoint an auditor.*
	Other companies are required to appoint an auditor unless there is a unanimous resolution of shareholders at or before the annual meeting of shareholders. If the company is a public entity as defined in section 4 of the Public Audit Act 2001, the Auditor-General is automatically appointed its auditor.
	Contents of auditor's report
Companies Act 1993 s.205(2)	*The auditor's report must state the matters required to be stated in an auditors report under the Financial Reporting Act 1993 which are:*
Financial Reporting Act 1993 s.16(1)	• *the work done by the auditor;* • *the scope and limitations of the audit;* • *whether the auditor has obtained all information and explanations that he or she has required;* • *the existence of any relationship (other than that of auditor) which the auditor has with, or any interests which the auditor has in, the reporting entity or any of its subsidiaries;* • *whether, in the auditor's opinion, as far as appears from an examination of them, proper accounting records have been kept by the reporting entity;* • *whether, in the auditor's opinion, the financial statements and any group financial statements comply with generally accepted accounting practice, and if they do not the respects in which they fail to comply; and* • *whether, in the auditor's opinion and having regard to any information or explanations that may have been added by the reporting entity the financial statements and any group financial statements give a true and fair view of the matters to which they relate, and, if they do not, the respects in which they fail to give such a view.*
	Duty to report
Companies Act 1993 s.205(1)	*The auditor of a company must make a report to the shareholders on the financial statements audited by him or her.*
	Duty to inform
Financial Reporting Act 1993 s.16(2)	*Where the auditor's report indicates that the requirements of the Financial Reporting Act 1993 have not been complied with, the auditor must, within 7 working days after signing the report, send a copy of the report and a copy of the financial statements and any group financial statements to which it relates, to the Registrar who must, in turn, forthwith send copies of the report and statements to the Board and, if the reporting entity or group to which the report and statements relate is an Issuer, to the Securities Commission.*

Source reference

Format of the financial statements

General disclosures

Minimum general requirements relating to the format of the financial statements are included in NZ IAS-1 'Presentation of Financial Statements' and NZ IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors' and have been implicitly applied in the model financial statements. These include:

NZ IAS-1.44
- *the financial statements shall be identified clearly and distinguished from other information in the same published document;*

NZ IAS-1.49
- *financial statements shall be presented at least annually;*

NZ IAS-1.49
- *if the entity's reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, the entity shall disclose, in addition to the period covered by the financial statements:*

  (a) the reason for using a longer or shorter period; and

  (b) the fact that comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable;

NZ IAS-1.46
- *each component of the financial statements shall be identified clearly;*

NZ IAS-1.46
- *the following information shall be displayed prominently, and repeated where necessary for a proper understanding of the information presented:*

  (a) the name of the entity that is reporting or other means of identification, and any change in that information from the preceding reporting date (for example, to give a proper understanding, the change of name may be disclosed on the cover of the financial statements and repeated in the audit report and on the face of the financial statements);

  (b) whether the financial statements cover the individual entity or a consolidated entity;

  (c) the reporting date or the period covered by the financial statements, whichever is appropriate to that component of the financial statements;

  (d) the presentation currency; and

  (e) the level of rounding used in presenting amounts in the financial report.

NZ IAS-21.57
- *supplementary information may be provided in currencies different from an entity's functional or presentation currency if the entity:*

  (a) clearly identifies the information as supplementary information to distinguish it from the information that complies with NZ IFRS;

  (b) discloses the currency in which the supplementary information is displayed; and

  (c) discloses the entity's functional currency and the method of translation used to determine the supplementary information.

NZ IAS-1-27
- *the presentation and classification of items in the financial statements shall be retained from one period to the next unless:*

  (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate; or

  (b) a Standard or Interpretation requires a change in presentation.

Source reference	
NZ IAS-1.126	**Specific disclosures**
	Where the following is not disclosed elsewhere in information published with the financial statements, the information shall be disclosed in the financial statements:
	(a) the domicile and legal form of the entity, its country of incorporation and the address of the registered office (or principal place of business, if different from the registered office).
	For a listed entity, this information would normally be disclosed in additional stock exchange information. However, non-listed entities will need to ensure that this information is specifically included in the financial statements.
	(b) a description of the nature of the entity's operations and its principal activities; and
	(c) the name of the parent and the ultimate parent of the consolidated group.
	Complying with Accounting Standard NZ IAS-24 'Related Party Disclosures' disclosure requirements with respect to parent entities will ensure compliance with these requirements. This disclosure requirement is illustrated in note 56 to the model financial statements.
	Notes to the financial statements
NZ IAS-1.103	*The notes shall:* *(a) present information about the basis of preparation of the financial statements and the specific accounting policies used;*
	(b) disclose the information required by NZ IFRS that is not presented on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement; and
	(c) provide additional information that is not presented on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement, but is relevant to an understanding of any of them.
NZ IAS-1.104	*Notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the balance sheet, income statement, statement of changes in equity and cash flow statement shall be cross referenced to any related information in the notes.*
	Comparative information
NZ IAS-1.36	*Except when a Standard or an Interpretation permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.*
	Applying changes to accounting policies
NZ IAS-8.19	*Except when it is impracticable to determine either period specific effects or the cumulative effect of a change:*
	(a) an entity shall account for a change in accounting policy resulting from the initial application of a Standard or an Interpretation in accordance with the specific transitional provisions, if any, in that Standard or Interpretation; and
	(b) when an entity changes an accounting policy upon initial application of a Standard or an Interpretation that does not include specific transitional provisions applying to that change, or changes in accounting policy voluntarily, it shall apply the change retrospectively.

Source reference	
	Retrospective application
NZ IAS-8.22	*Except when it is impracticable to determine the period-specific effects or the cumulative effect of a change, a change in accounting policy is applied retrospectively and the entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.*
	Limitations on retrospective application
NZ IAS-8.24	• *When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall mark a corresponding adjustment to the opening balance of each affected component of equity for that period.*
NZ IAS-8.25	• *When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the entity shall adjust the comparative information to apply the new accounting policy.*
NZ IAS-8.26	• *When an entity applies a new accounting policy retrospectively, it applies the new accounting policy to comparative information for prior periods as far back as is practicable. Retrospective application to a prior period is not practicable unless it is practicable to determine the cumulative effect on the amounts in both the opening and closing balance sheets for that period. The amount of the resulting adjustment relating to periods before those presented in the financial statements is made to the opening balance of each affected component of equity of the earliest prior period presented. Usually the adjustment is made to retained earnings, however, it may be made to another component of equity.*
	Errors made in prior periods
NZ IAS-8.42	*Material prior period errors shall be retrospectively corrected in the first financial statements authorised for issue after their discovery by:* *(a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or* *(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.*
NZ IAS-8.43	*However, to the extent that it is impracticable to determine either:*
NZ IAS-8.44	• *the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period); or*
NZ IAS-8.45	• *the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.*
NZ IAS-8.46	*Therefore, the correction of a prior period error is excluded from profit or loss for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.* *The disclosure requirements with respect to errors made under previous GAAP are not discussed in these model financial statements. The correction of such errors is addressed by NZ IFRS-1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' (refer note 60).*
	Disclosure of prior period errors
NZ IAS-8.49	*An entity shall disclose the following in respect of prior period errors:* *(a) the nature of the prior period error;* *(b) for each prior period presented, to the extent practicable, the amount of the correction:*

Source reference	
	(i) for each financial statement line item affected; and
	(ii) if NZ IAS-33 'Earnings per Share' applies to the entity, for basic and diluted earnings per share;
	(c) the amount of the correction at the beginning of the earliest prior period presented; and
	(d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of the condition and a description of how and from when the error has been corrected.
	Financial statements of subsequent periods need not repeat these disclosures.
	Change in accounting estimates
NZ IAS-8.36	*Where a change in an accounting estimate affects the current reporting period only, the effect of the change shall be recognised in profit or loss in the reporting period in which the accounting estimate is revised.*
	Where the change in an accounting estimate affects both the current and future reporting periods, the effect of the change shall be recognised in profit or loss in the reporting period of the revision and in future reporting periods.
	Changes to accounting estimates recognised in prior reporting periods shall not be applied with retrospective effect to prior reporting period financial statements.
	The disclosure requirements with respect to revisions of accounting estimates are illustrated in note 2(c) to the model financial statements.
NZ IAS-1 NZ 41.1	**Prospective financial information**
FRS-29, FRS-42	*Where an entity has published prospective financial information, other than prospective financial information expressed solely in general terms, for the period of the financial statements, the entity shall present a comparison of the prospective financial information with the actual financial results being reported. Explanations for major variations shall be given.*
	True and fair override
NZ IAS-1.13	*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the NZ Framework. The application of NZ IFRS, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.*
NZ IAS-1.21	*In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard or Interpretation would be so misleading that it would conflict with the objective of financial statements set out in the NZ Framework, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:*
	(a) the title of the Standard or Interpretation in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial reports set out in the NZ Framework; and
	(b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

Income statement for the financial year ended 31 December 2005 (example of expenses disclosed by function)

	Note	Consolidated 2005 NZ$'000	Consolidated 2004 NZ$'000	Company 2005 NZ$'000	Company 2004 NZ$'000
Revenue	2	144,526	154,191	30,721	27,903
Cost of sales		(87,899)	(91,840)	(2,360)	(2,301)
Gross profit		56,627	62,351	28,361	25,602
Other income	2	2,391	1,037	252	41
Share of profits of associates and jointly controlled entities accounted for using the equity method	14	1,186	1,589	-	-
Distribution expenses		(5,087)	(4,600)	(488)	(490)
Marketing expenses		(3,293)	(1,573)	(292)	(212)
Occupancy expenses		(2,128)	(2,201)	(100)	(95)
Administration expenses		(12,333)	(15,124)	(5,100)	(5,050)
Finance costs	2	(5,159)	(6,729)	(2,514)	(1,783)
Other expenses		(3,262)	(2,612)	(50)	(40)
Profit before income tax expense	2,3	28,942	32,138	20,069	17,973
Income tax expense	3	(11,306)	(11,801)	(6,178)	(5,547)
Profit from continuing operations		17,636	20,337	13,891	12,426
Profit from discontinued operations (after tax)	55	8,916	9,995	-	-
Profit for the period		26,552	30,332	13,891	12,426
Profit attributable to:					
Minority interest	46	4,000	2,763		
Members of the parent entity		22,552	27,569		
		26,552	30,332		
Earnings per share:					
Basic (cents per share)	45	137.6	129.9		
Diluted (cents per share)	45	111.7	116.6		
Earnings per share from continuing operations:					
Basic (cents per share)	45	91.4	87.1		
Diluted (cents per share)	45	74.3	78.1		

Notes to the financial statements are included on pages C24 to C163.

Source references: NZ IAS-1.81, 82, 83 and 88, NZ IAS-12.77, NZ IAS-27.33, NZ IAS-33.66 and 68, NZ IFRS-5.33(a)

Income statement for the financial year ended 31 December 2005 (example of expenses disclosed by nature)

	Note	Consolidated 2005 NZ$'000	Consolidated 2004 NZ$'000	Company 2005 NZ$'000	Company 2004 NZ$'000
Revenue	2	144,526	154,191	30,721	27,903
Other income	2	2,391	1,037	252	41
Share of profits of associates and jointly controlled entities accounted for using the equity method	14	1,186	1,589	-	-
Changes in inventories	9	1,192	2,118	(20)	40
Raw materials and consumables used		(78,707)	(85,406)	(2,324)	(2,332)
Employee benefits expense	2	(9,803)	(11,655)	(5,068)	(4,951)
Depreciation and amortisation expense	2	(12,193)	(14,239)	(48)	(45)
Finance costs	2	(5,159)	(6,729)	(2,514)	(1,783)
Impairment of non-current assets	2, 16, 18	(219)	-	-	-
Consulting expense		(2,995)	(1,220)	-	-
Other expenses		(11,277)	(7,548)	(930)	(900)
Profit before income tax expense	2, 3	28,942	32,138	20,069	17,973
Income tax expense	3	(11,306)	(11,801)	(6,178)	(5,547)
Profit from continuing operations		17,636	20,337	13,891	12,426
Profit from discontinued operations (after tax)	55	8,916	9,995	-	-
Profit for the period		26,552	30,332	13,891	12,426
Profit attributable to:					
Minority interest	46	4,000	2,763		
Members of the parent entity		22,552	27,569		
		26,552	30,332		
Earnings per share:					
Basic (cents per share)	45	137.6	129.9		
Diluted (cents per share)	45	111.7	116.6		
Earnings per share from continuing operations:					
Basic (cents per share)	45	91.4	87.1		
Diluted (cents per share)	45	74.3	78.1		

Notes to the financial statements are included on pages C24 to C163.

Source references: NZ IAS-1.81, 82, 83 and 88, NZ IAS-12.77, NZ IAS-27.33, NZ IAS-33.66 and 68, NZ IFRS-5.33(a)

Source reference	
	Presentation of revenues and expenses
NZ IAS-1.81	*As a minimum, the face of the income statement shall include line items that present the following amounts for the period:* *(a) revenue;* *(b) finance costs;* *(c) share of the profit or loss of associates and joint ventures accounted for using the equity method;* *(d) tax expense;* *(e) a single amount comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and* *(f) profit or loss.*
NZ IAS-1.82	*The following items shall be disclosed on the face of the income statement as allocations of profit or loss for the period:* *(a) profit or loss attributable to minority interest; and* *(b) profit or loss attributable to equity holders of the parent.*
NZ IAS-1.88, 89	*An entity shall present, either on the face of the income statement or in the notes to the financial statements, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant. Sub-classifications of expenses by nature or function have been illustrated in the example on the face of the income statement as is encouraged in the Standard.*
NZ IAS-1.94	*The choice between the function of expense method and the nature of expense method depends on historical and industry factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. As each method of presentation has merit for different types of entities, this Standard requires management to select the most relevant and reliable presentation. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used.*
NZ IAS-1.29	*Regardless of whether expenses are classified by nature or by function, each material class is separately disclosed. Unclassified expenses that are immaterial both individually and in aggregate may be combined and presented as a single line item.*
	Disclosure of specific revenues and expenses
NZ IAS-1.86	*When items of income and expense are material, their nature and amount shall be disclosed separately either on the face of the income statement or in the notes to the financial statements.*
NZ IAS-1.NZ 94.1	*An entity shall disclose, either on the face of the income statement or in the notes, fees to auditors, disclosing separately fees to:* *(a) each (if more than one) auditor of the parent entity for:* *(i) audit fees being fees for the audit of the financial statements;* *(ii) audit related fees being fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under paragraph (a)(i);* *(iii) tax fees being fees for tax compliance, tax advice, and tax planning services;* *(iv) all other fees being fees for services other than those reported in paragraphs (a)(i) through (a)(iii); and*

Source reference	
	(b) any other auditor(s) of entities in the group (not including the parent entity) for audit fees being fees for the audit of the financial statements.
	An entity shall describe the nature of the services comprising the fees disclosed in accordance with (a)(ii) to (a)(iv) above.
NZ IAS-1.NZ 94.2	*An entity shall disclose, either on the face of the income statement or in the notes, the total amount of donations made.*
	Offsetting
NZ IAS-1.32	*Income and expenses shall only be set-off where required or permitted by a Standard or an Interpretation.*
NZ IAS-1.34	*NZ IAS-18 'Revenue' defines revenue and requires it to be measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the entity. An entity undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The results of such transactions are presented, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example:*
	(a) gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses; and
	(b) expenditure related to a provision that is recognised in accordance with NZ IAS-37 'Provisions, Contingent Liabilities and Contingent Assets' and reimbursed under a contractual arrangement with a third party (for example a supplier's warranty agreement) may be netted against the related reimbursement.
NZ IAS-1.35	*In addition, gains and losses arising from a group of similar transactions are reported on a net basis, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. Such gains and losses are, however, reported separately if they are material.*
	Disclosure of additional information
NZ IAS-1.83	*In addition to those disclosures explained above, additional line items, headings and subtotals shall be presented on the face of the income statement when such presentation is relevant to an understanding of the entity's financial performance.*
NZ IAS-1.85	*An entity shall not present any items of income and expense as extraordinary items, either on the face of the income statement or in the notes to the financial statements.*

Balance sheet as at 31 December 2005

	Note	Consolidated 2005 NZ$'000	Consolidated 2004 NZ$'000	Company 2005 NZ$'000	Company 2004 NZ$'000
Current assets					
Cash and cash equivalents	58(a)	20,199	19,778	8,552	6,681
Trade and other receivables	7	19,518	17,197	16,443	14,749
Other financial assets	8	10,933	8,841	27,690	30,853
Inventories	9	31,544	30,352	220	240
Current tax assets	3(c)	85	60	-	-
Other	10	-	-	-	-
		82,279	76,228	52,905	52,523
Non-current assets classified as held for sale	11	22,336	-	-	-
Total current assets		104,615	76,228	52,905	52,523
Non-current assets					
Trade and other receivables	12	-	-	-	-
Inventories	13	-	-	-	-
Investments accounted for using the equity method	14	8,425	7,269	-	-
Other financial assets	15	9,344	7,612	68,532	68,450
Property, plant and equipment	16	111,235	134,461	476	505
Investment property	17	136	132	-	-
Deferred tax assets	3(d)	-	-	-	37
Goodwill	18	20,208	24,060	-	-
Other intangible assets	19	9,739	11,325	-	-
Other	20	-	-	-	-
Total non-current assets		159,087	184,859	69,008	68,992
Total assets		263,702	261,087	121,913	121,515
Current liabilities					
Trade and other payables	24	13,533	15,990	648	2,269
Borrowings	25	34,346	37,500	15,139	23,855
Other financial liabilities	26	80	-	-	-
Current tax payables	3(c)	5,133	5,868	4,624	4,643
Provisions	27	3,416	3,247	112	96
Other	28	90	95	-	-
		56,598	62,700	20,523	30,863
Liabilities directly associated with non-current assets classified as held for sale	29	3,684	-	-	-
Total current liabilities		60,282	62,700	20,523	30,863
Non-current liabilities					
Trade and other payables	30	-	-	-	-
Borrowings	31	25,311	26,078	36,087	17,083
Other financial liabilities	32	-	-	-	-
Deferred tax liabilities	3(d)	4,591	3,693	423	-
Provisions	33	2,298	2,326	20	48
Other	34	180	270	-	-
Total non-current liabilities		32,380	32,367	36,530	17,131
Total liabilities		92,662	95,067	57,053	47,994
Net assets		171,040	166,020	64,860	73,521
Equity					
Capital and other equity instruments	41	33,020	49,010	33,020	49,010
Reserves	42	3,501	2,207	865	808
Retained earnings	43	110,514	94,798	30,975	23,703
		147,035	146,015	64,860	73,521
Amounts recognised directly in equity relating to non-current assets classified as held for sale	44	-	-	-	-
Parent entity interest		147,035	146,015	64,860	73,521
Minority interest	46	24,005	20,005	-	-
Total equity		171,040	166,020	64,860	73,521

Notes to the financial statements are included on pages C24 to C163.

Source references: NZ IAS-1.68 and 69, NZ IAS-27.33, NZ IFRS-5.38

Source reference	
	Current/non-current vs. liquidity presentation
NZ IAS-1.51	*All assets and liabilities shall be classified and presented as either current or non-current unless they are presented in order of their liquidity. A liquidity basis shall only be presented where a liquidity presentation provides information that is reliable and more relevant than the current/non-current presentation. The liquidity basis of presentation is not illustrated in the model financial statements.*
NZ IAS-1.52	*Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than 12 months after the balance sheet date and (b) more than 12 months after the balance sheet date, an entity shall disclose the amount expected to the settled after more than 12 months.*
	The term 'current' is defined for:
NZ IAS-1.57	*(a) assets, as an asset that is:* *i. expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;* *ii. held primarily for the purpose of being traded;* *iii. expected to be realised within 12 months after the balance sheet date; or* *iv. cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.*
NZ IAS-1.60	*(b) liabilities, as a liability that:* *i. is expected to be settled in the entity's normal operating cycle;* *ii. is held primarily for the purpose of being traded;* *iii. is due to be settled within 12 months after the balance sheet date; or* *iv. the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.*
	Operating cycle
NZ IAS-1.59	*A company's operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Once an entity defines their operating cycle it affects the classification and presentation of assets and liabilities as either current or non-current.*
NZ IAS-1.59, 61	*To classify items between current and non-current, a 12 month period shall be used when an entity's normal operating cycle is not clearly identifiable.*
NZ IAS-1.57, 60	*However, where there is a single clearly identifiable operating cycle that extends over a period greater than 12 months, the longer period shall be used as the basis for identifying as:* *(a) current assets, those assets expected to be realised in, or intended for sale or consumption in, the entity's normal operating cycle; and* *(b) current liabilities, those liabilities expected to be settled in the entity's normal operating cycle.*
NZ IAS-1.59, 61	*In situations where a single operating cycle has been identified, current assets will include inventories and trade receivables that are sold, consumed or realised as part of the normal operating cycle. Current liabilities will include those liabilities that form part of the working capital used in a normal operating cycle of the entity, for example trade payables and accruals for employee benefits. This is the case even when they are not expected to be realised/settled within 12 months of reporting date.*
	Refinancing liabilities
NZ IAS-1.63	*Where current and non-current liabilities are presented separately, financial liabilities shall be categorised as current when they are due to be settled within 12 months of reporting date, even if:* *(a) the original term was for a period longer than 12 months; and* *(b) an agreement to refinance, or to reschedule payments, on a long term basis is completed after the reporting date and before the financial statements are authorised for issue.*

Source reference	
NZ IAS-1.64	*If an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting date under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current.*
	Breach of loan covenants
NZ IAS-1.65	*Where current and non-current liabilities are presented separately and an undertaking, including a covenant included in a borrowing agreement, is breached such that the liability becomes payable on demand the liability shall be categorised as current even if the lender has agreed, after the reporting date, and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach.*
NZ IAS-1.66	*However, the liability is classified as non-current if the lender agreed by the reporting date to provide a period of grace ending at least 12 months after the reporting date, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.*
NZ IAS-1.67	*In respect of loans classified as current liabilities, if the following events occur between the balance sheet date and the date the financial statements are authorised for issue, those events qualify for disclosure as non-adjusting events in accordance with NZ IAS-10 'Events after the Balance Sheet Date':* *(a) refinancing on a long-term basis;* *(b) rectification of a breach of a long-term loan agreement; and* *(c) the receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least twelve months after the balance sheet date.*
	Offsetting
NZ IAS-1.32	*Assets and liabilities shall only be set-off where required or permitted by a Standard or an Interpretation.*
	Presentation of a non-current asset or disposal group classified as held for sale
NZ IFRS-5.40	*An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented.*

Statement of recognised income and expense for the financial year ended 31 December 2005

Alternative 1

	Note	Consolidated 2005 NZ$'000	Consolidated 2004 NZ$'000	Company 2005 NZ$'000	Company 2004 NZ$'000
Gain/(loss) on property revaluation	42(b)	-	1,643	-	2
Available-for-sale investments valuation gain/(loss) taken to equity	42(d)	94	-	(24)	-
Cash flow hedges gain/(loss) taken to equity	42(e)	1,673	-	-	-
Net gain/(loss) on hedge of net investment in foreign operation gain/(loss) taken to equity					
Translation of foreign operations exchange differences taken to equity	42(c)	40	357	-	-
Actuarial gain/(loss) on defined benefit plans	37,43	(235)	(226)	-	-
Share of increments in reserves attributable to associates		-	-	-	-
Share of increments in reserves attributable to jointly controlled entities		-	-	-	-
Income tax on items taken directly to or transferred from equity	42	(396)	(668)	8	(1)
Other	41,42	71	61	28	-
Net income recognised directly in equity		1,247	1,167	12	1
Transfers:					
Available-for-sale investments:					
Transferred to profit or loss on sale	42(d)	-	-	-	-
Transferred to profit or loss on impairment	42(d)	-	-	-	-
Cash flow hedges:					
Transferred to profit or loss for the period	42(e)	(330)	-	-	-
Transferred to initial carrying amount of hedged item	42(e)	87	-	-	-
Net gain/(loss) on hedge of net investment in foreign operation:					
Transferred to profit or loss on sale		-	-	-	-
Translation of foreign operations:					
Transferred to profit or loss on sale	42(c)	(120)	-	-	-
Profit for the period		26,552	30,332	13,891	12,426
Total recognised income and expense for the period		27,436	31,499	13,903	12,427
Attributable to:					
Equity holders of the parent		23,436	28,736	13,903	12,427
Minority interest	46	4,000	2,763	-	-
		27,436	31,499	13,903	12,427
Effects of changes in accounting policy:					
Equity holders of the parent	1(ad)		228		80
Minority interest	1(ad)		-		-
			228		80

Notes to the financial statements are included on pages C24 to C163.

Source references: NZ IAS-1.96, NZ IAS-28.39, NZ IAS-32.59

Statement of recognised income and expense for the financial year ended 31 December 2005

Alternative 2

	Note	Consolidated 2005 NZ$'000	Consolidated 2004 NZ$'000	Company 2005 NZ$'000	Company 2004 NZ$'000
Gain/(loss) on property revaluation	42(b)	-	1,643	-	2
Available-for-sale investments:					
Valuation gain/(loss) taken to equity	42(d)	94	-	(24)	-
Transferred to profit or loss on sale	42(d)	-	-	-	-
Transferred to profit or loss on impairment	42(d)	-	-	-	-
Cash flow hedges:					
Gain/(loss) taken to equity	42(e)	1,673	-	-	-
Transferred to profit or loss for the period	42(e)	(330)	-	-	-
Transferred to initial carrying amount of hedged item	42(e)	87	-	-	-
Net gain/(loss) on hedge of net investment in foreign operation:					
Gain/(loss) taken to equity		-	-	-	-
Transferred to profit or loss on sale		-	-	-	-
Translation of foreign operations:					
Exchange differences taken to equity	42(c)	40	357	-	-
Transferred to profit or loss on sale	42(c)	(120)	-	-	-
Actuarial gain/(loss) on defined benefit plans	37,43	(235)	(226)	-	-
Share of increments in reserves attributable to associates		-	-	-	-
Share of increments in reserves attributable to jointly controlled entities		-	-	-	-
Income tax on items taken directly to or transferred from equity	42	(396)	(668)	8	(1)
Other	41, 42	71	61	28	-
Net income recognised directly in equity		884	1,167	12	1
Profit for the period		26,552	30,332	13,891	12,426
Total recognised income and expense for the period		27,436	31,499	13,903	12,427
Attributable to:					
Equity holders of the parent		23,436	28,736	13,903	12,427
Minority interest	46	4,000	2,763	-	-
		27,436	31,499	13,903	12,427
Effects of changes in accounting policy:					
Equity holders of the parent	1(ad)		228		80
Minority interest	1(ad)		-		-
			228		80

Notes to the financial statements are included on pages C24 to C163.

Source references: NZ IAS-1.96, NZ IAS-28.39, NZ IAS-32.59

Alternative 3

Consolidated statement of changes in equity for the financial year ended 31 December 2005

	Note	Share Capital NZ$'000	General Reserve NZ$'000	Asset Revaluation Reserve NZ$'000	Foreign Currency Translation Reserve NZ$'000	Available-for-sale Revaluation Reserve NZ$'000	Hedging Reserve NZ$'000	Retained Earnings NZ$'000	Attributable to equity holders of the parent NZ$'000	Minority Interest NZ$'000	Total NZ$'000
Balance at 1 January 2004		48,672	807	-	-	-	-	73,941	123,420	17,242	140,662
Effect of change in accounting policy		-	-	-	-	-	-	-	-	-	-
As restated		48,672	807	-	-	-	-	73,941	123,420	17,242	140,662
Gain/(loss) on property revaluation	42(b)	-	-	1,643	-	-	-	-	1,643	-	1,643
Available-for-sale investments valuation gain/(loss) taken to equity	42(d)	-	-	-	-	-	-	-	-	-	-
Cash flow hedges gain/(loss) taken to equity	42(e)	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) on hedge of net investment in foreign operation gain/(loss) taken to equity		-	-	-	-	-	-	-	-	-	-
Translation of foreign operations exchange differences taken to equity	42(c)	-	-	-	357	-	-	-	357	-	357
Actuarial gain/(loss) on defined benefit plans	37,43	-	-	-	-	-	-	(226)	(226)	-	(226)
Share of increments in reserves attributable to associates		-	-	-	-	-	-	-	-	-	-
Share of increments in reserves attributable to jointly controlled entities		-	-	-	-	-	-	-	-	-	-
Income tax on items taken directly to or transferred from equity	42,43	-	-	(543)	(118)	-	-	(7)	(668)	-	(668)
Other movements	41,42	-	-	50	11	-	-	-	61	-	61
Net income recognised directly in equity		**-**	**-**	**1,150**	**250**	**-**	**-**	**(233)**	**1,167**	**-**	**1,167**
Transfers:											
Available-for-sale investments:											
Transferred to profit or loss on sale	42(d)	-	-	-	-	-	-	-	-	-	-
Transferred to profit or loss on impairment	42(d)	-	-	-	-	-	-	-			
Cash flow hedges:											
Transferred to profit or loss for the period	42(e)	-	-	-	-	-	-	-	-	-	-
Transferred to initial carrying amount of hedged item	42(e)	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) on hedge of net investment in foreign operation:											
Transferred to profit or loss on sale		-	-	-	-	-	-	-	-	-	-
Translation of foreign operations:											
Transferred to profit or loss on sale	42(c)	-	-	-	-	-	-	-	-	-	-
Profit for the period		-	-	-	-	-	-	27,569	27,569	2,763	30,332
Total recognised income and expense for the period		**-**	**-**	**1,150**	**250**	**-**	**-**	**27,336**	**28,736**	**2,763**	**31,499**
Issue of converting non-participating preference shares		-	-	-	-	-	-	-	-	-	-
Issue of convertible notes		-	-	-	-	-	-	-	-	-	-
Issue of shares under executive share option plan		-	-	-	-	-	-	-	-	-	-
Issue of shares for consulting services		-	-	-	-	-	-	-	-	-	-
Recognition of share-based payments	41	338	-	-	-	-	-	-	338	-	338

C

Consolidated statement of changes in equity for the financial year ended 31 December 2005 (cont'd)

	Note	Share Capital NZ$'000	General Reserve NZ$'000	Asset Revaluation Reserve NZ$'000	Foreign Currency Translation Reserve NZ$'000	Available-for-sale Revaluation Reserve NZ$'000	Hedging Reserve NZ$'000	Retained Earnings NZ$'000	Attributable to equity holders of the parent NZ$'000	Minority Interest NZ$'000	Total NZ$'000
Share buy-back of fully paid ordinary shares		-	-	-	-	-	-	-	-	-	-
Dividends	43	-	-	-	-	-	-	(6,479)	(6,479)	-	(6,479)
Income tax on items taken directly to or transferred from equity		-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2004		**49,010**	**807**	**1,150**	**250**	**-**	**-**	**94,798**	**146,015**	**20,005**	**166,020**
Effect of change in accounting policy	1(ad), 42, 43	-	-	-	-	116	88	24	228	-	228
As restated		49,010	807	1,150	250	116	88	94,822	146,243	20,005	166,248
Gain/(loss) on property revaluation	42(b)	-	-	-	-	-	-	-	-	-	-
Available-for-sale investments valuation gain/(loss) taken to equity	42(d)	-	-	-	-	94	-	-	94	-	94
Cash flow hedges gain/(loss) taken to equity	42(e)	-	-	-	-	-	1,673	-	1,673	-	1,673
Net gain/(loss) on hedge of net investment in foreign operation gain/(loss) taken to equity		-	-	-	-	-	-	-	-	-	-
Translation of foreign operations exchange differences taken to equity	42(c)	-	-	-	40	-	-	-	40	-	40
Actuarial gain/(loss) on defined benefit plans	37,43	-	-	-	-	-	-	(235)	(235)	-	(235)
Share of increments in reserves attributable to associates		-	-	-	-	-	-	-	-	-	-
Share of increments in reserves attributable to jointly controlled entities		-	-	-	-	-	-	-	-	-	-
Income tax on items taken directly to or transferred from equity	42	-	-	-	26	(31)	(393)	2	(396)	-	(396)
Other movements	41,42	19	-	-	(2)	7	42	5	71	-	71
Net income recognised directly in equity		**19**	**-**	**-**	**64**	**70**	**1,322**	**(228)**	**1,247**	**-**	**1,247**
Transfers:											
Available-for-sale investments:											
Transferred to profit or loss on sale	42(d)	-	-	-	-	-	-	-	-	-	-
Transferred to profit or loss on impairment	42(d)	-	-	-	-	-	-	-	-	-	-
Cash flow hedges:											
Transferred to profit or loss for the period	42(e)	-	-	-	-	-	(330)	-	(330)	-	(330)
Transferred to initial carrying amount of hedged item	42(e)	-	-	-	-	-	87	-	87	-	87
Net gain/(loss) on hedge of net investment in foreign operation:											
Transferred to profit or loss on sale		-	-	-	-	-	-	-	-	-	-
Translation of foreign operations:											
Transferred to profit or loss on sale	42(c)	-	-	-	(120)	-	-	-	(120)	-	(120)
Profit for the period		-	-	-	-	-	-	22,552	22,552	4,000	26,552

Consolidated statement of changes in equity for the financial year ended 31 December 2005 (cont'd)

	Note	Share Capital NZ$'000	General Reserve NZ$'000	Asset Revaluation Reserve NZ$'000	Foreign Currency Translation Reserve NZ$'000	Available-for-sale Revaluation Reserve NZ$'000	Hedging Reserve NZ$'000	Retained Earnings NZ$'000	Attributable to equity holders of the parent NZ$'000	Minority Interest NZ$'000	Total NZ$'000
Total recognised income and expense for the period		**19**	**-**	**-**	**(56)**	**70**	**1,079**	**22,324**	**23,436**	**4,000**	**27,436**
Issue of converting non-participating preference shares	41(d)	100	-	-	-	-	-	-	100	-	100
Issue of convertible notes	41(f)	834	-	-	-	-	-	-	834	-	834
Issue of shares under executive share option plan	41(a)	314	-	-	-	-	-	-	314	-	314
Issue of shares for consulting services	41(a)	8	-	-	-	-	-	-	8	-	8
Recognition of share-based payments	41(e)	206	-	-	-	-	-	-	206	-	206
Share buy-back of fully paid ordinary shares	41(a)	(17,205)	-	-	-	-	-	-	(17,205)	-	(17,205)
Dividends	43	-	-	-	-	-	-	(6,635)	(6,635)	-	(6,635)
Asset Revaluation Reserve transferred to retained earnings	42(b), 43	-	-	(3)	-	-	-	3	-	-	-
Income tax on items taken directly to or transferred from equity	41	(266)	-	-	-	-	-	-	(266)	-	(266)
Balance at 31 December 2005		**33,020**	**807**	**1,147**	**194**	**186**	**1,167**	**110,514**	**147,035**	**24,005**	**171,040**

Notes to the financial statements are included on pages C24 to C163.

Source references: NZ IAS-1.96, NZ IAS-28.39, NZ IAS-32.59

A similar statement would be required for the company.

Source reference	
	Alternative 1 of the statement of recognised income and expense excludes the 'recycled' transfers of income and expenses (to the income statement or to the intial carrying amount of hedged items) from the total 'Net income recognised directly in equity'.
	Alternative 2 includes the recycled transfers and is consistent with the example in the Guidance on Implementing IAS-1 (the international standard).
NZ IAS-1.96	*An entity shall present a statement of changes in equity showing on the face of the statement:*
	(a) profit or loss for the period;
	(b) each item of income and expense for the period that, as required by other Standards or by Interpretations, is recognised directly in equity, and the total of these items;
	(c) total income and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to equity holders of the parent and to minority interest; and
	(d) for each component of equity, the effects of changes in accounting policies and corrections of errors.
NZ IAS-1.96, NZ IAS-19.93B	*A statement of changes in equity that comprises only these items shall be titled a statement of recognised income and expense. Where an entity recognises actuarial gains and losses with respect to defined benefit plans outside profit or loss, the entity shall present this format of the statement of changes in equity. The entity cannot present the more detailed statement as allowed below.*
	These disclosures have been illustrated on the face of the statement of recognised income and expense (alternative 1 and 2) included in these model financial statements.
NZ IAS-1.97	*An entity shall also present, either on the face of the statement of changes in equity or in the notes to the financial statements:*
	(a) the amounts of transactions with equity holders acting in their capacity as equity holders, showing separately distributions to equity holders;
	(b) the balance of retained earnings at the beginning of the period and at the reporting date, and the changes during the period; and
	(c) a reconciliation between the carrying amount of each class of contributed equity and each reserve at the beginning and the end of the period, separately disclosing each change.
	These disclosures have been illustrated in the consolidated statement of changes in equity (alternative 3). These disclosure requirements are also illustrated in notes 41 to 43 in the model financial statements.
NZ IAS-1.98	*Changes in an entity's equity between two reporting dates reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with equity holders acting in their capacity as equity holders (for example, equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expenses, including gains and losses, generated by the entity's activities during that period (whether those items of income and expenses are recognised in profit or loss or directly as changes in equity).*
NZ IAS-1.99	*All items of income and expense recognised in a period are to be included in profit or loss unless another Standard or Interpretation requires otherwise. Other Standards require some gains and losses (for example, revaluation increases and decreases, particular foreign exchange differences, gains or losses on remeasuring available-for-sale financial assets, and related amounts of current tax and deferred tax) to be recognised directly as changes in equity.*

Cash flow statement for the financial year ended 31 December 2005

Source reference		Note	Consolidated 2005 NZ$'000	Consolidated 2004 NZ$'000	Company 2005 NZ$'000	Company 2004 NZ$'000
NZ IAS-1.102						
NZ IAS-7.10	**Cash flows from operating activities**					
	Receipts from customers		147,259	159,467	15,190	15,228
NZ IAS-7.31	Interest received		1,942	1,069	3,246	1,739
NZ IAS-7.31	Dividends received		181	179	8,945	10,961
	Payments to suppliers and employees		(97,193)	(104,715)	(5,474)	(5,328)
NZ IAS-7.31	Interest and other costs of finance paid		(5,126)	(6,709)	(2,516)	(1,783)
NZ IAS-7.35	Income tax paid		(13,824)	(11,620)	(8,145)	(5,942)
	Net cash provided by/(used in) operating activities	58(g)	33,239	37,671	11,246	14,875
NZ IAS-7.10	**Cash flows from investing activities**					
	Payment for investment securities		(5,205)	(7,612)	(18)	(2,970)
	Proceeds on sale of investment securities		3,616	6,582	218	2,970
	Proceeds from repayment of related party loans		7,931	4,729	34,269	40,122
	Amounts advanced to related parties		(8,067)	(6,123)	(35,322)	(38,297)
	Payment for property, plant and equipment		(22,983)	(11,902)	(55)	(28)
	Proceeds from sale of property, plant and equipment		9,872	27,295	50	107
	Payment for intangible assets		(6)	(358)	-	-
	Development costs paid		(502)	(440)	-	-
NZ IAS-7.39	Proceeds from sale of businesses	58(c)	6,866	-	-	-
NZ IAS-7.39	Payment for businesses	58(b)	(622)	-	-	-
	Net cash (used in)/provided by investing activities		(9,100)	12,171	(858)	1,904
NZ IAS-7.10	**Cash flows from financing activities**					
	Proceeds from issues of equity securities		934	-	934	-
	Payment for share issue costs		(5)	-	(5)	-
	Payment for share buy-back:					
	- members of the parent entity		(17,205)	-	(17,205)	-
	- minority interests		-	-	-	-
	Proceeds from issue of debt securities		21,616	-	21,616	-
	Payment for debt issue costs		(595)	-	(595)	-
	Proceeds from borrowings		18,796	45,755	14,171	20,069
	Repayment of borrowings		(39,379)	(84,953)	(21,014)	(28,017)
NZ IAS-7.31, 34	Dividends paid:					
	- members of the parent entity		(6,635)	(6,479)	(6,635)	(6,479)
	- minority interests		-	-	-	-
	Net cash used in financing activities		(22,473)	(45,677)	(8,733)	(14,427)
	Net increase in cash and cash equivalents		1,666	4,165	1,655	2,352
	Cash and cash equivalents at the beginning of the financial year		19,400	15,260	6,469	4,117
NZ IAS-7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		30	(25)	-	-
	Cash and cash equivalents at the end of the financial year	58(a)	21,096	19,400	8,124	6,469

Notes to the financial statements are included on pages C24 to C163.

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Source reference	Operating activities
NZ IAS-7.14	*Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss. Examples of cash flows from operating activities are:* *(a) cash receipts from the sale of goods and the rendering of services;* *(b) cash receipts from royalties, fees, commissions and other revenue;* *(c) cash payments to suppliers for goods and services;* *(d) cash payments to and on behalf of employees;* *(e) cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits;* *(f) cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities; and* *(g) cash receipts and payments from contracts held for dealing or trading purposes.* *Some transactions, such as the sale of an item of plant, may give rise to a gain or loss which is included in the determination of profit or loss. However, the cash flows relating to such transactions are cash flows from investing activities.*
	Investing activities
NZ IAS-7.16	*The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Examples of cash flows arising from investing activities are:* *(a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;* *(b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;* *(c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);* *(d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);* *(e) cash advances and loans made to other parties (other than advances and loans made by a financial institution);* *(f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution);* *(g) cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and* *(h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.* *When a contract is accounted for as a hedge of an identifiable position, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.*
	Financing activities
NZ IAS-7.17	*The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:* *(a) cash proceeds from issuing shares or other equity instruments;*
Source reference	*(b) cash payments to owners to acquire or redeem the entity's shares;*

(c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short or long-term borrowings;

(d) cash repayments of amounts borrowed; and

(e) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

Interest and dividends

NZ IAS-7.31 *Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.*

NZ IAS-7.32 *The total amount of interest paid during a period is disclosed in the cash flow statement whether it has been recognised as an expense in the income statement or capitalised in accordance with the allowed alternative treatment in NZ IAS-23 'Borrowing Costs'.*

NZ IAS-7.33 *Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.*

NZ IAS-7.34 *Dividends may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to pay dividends out of operating cash flows.*

Taxes on income

NZ IAS-7.35 *Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.*

Investments in subsidiaries, associates and joint ventures

NZ IAS-7.37 *When accounting for an investment in an associate or a subsidiary accounted for by use of the equity or cost method, an investor restricts its reporting in the cash flow statement to the cash flows between itself and the investee, for example, to dividends and advances.*

NZ IAS-7.38 *An entity that reported its interest in a jointly controlled entity using proportionate consolidation includes in its consolidated cash flow statement its proportionate share of the jointly controlled entity's cash flows. An entity which reports its interest in a jointly controlled entity using the equity method includes in its cash flow statement the cash flows in respect of its investments in the jointly controlled entity, and distributions and other payments or receipts between it and the jointly controlled entity.*

Non-cash transactions

NZ IAS-7.43 *Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a cash flow statement. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.*

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A contents page is not mandatory; however it may assist readers to understand the financial statements.

Source reference

NZ IAS-1.103

1. Summary of accounting policies

Statement of compliance

NZ IAS-1.14, NZ 13.1, 126(a), (b)

The Company is a profit-oriented listed public company incorporated in New Zealand. Its principal products and services are the manufacture and sale of widgets and toys in New Zealand and overseas, the construction and renovation of New Zealand residential properties and the manufacture of bicycles. During the current financial year the Company disposed of its bicycle business and the Board of Directors announced a plan to dispose of the construction business. The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

NZ IAS-1.14, NZ 13.2

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for profit-orientated entities.

Compliance with NZ IFRS ensures that the consolidated financial statements comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements also comply with IFRS.

NZ IAS-10.17

The financial statements were authorised for issue by the directors on 20 March 2006.

Basis of preparation

NZ IAS-1.103(a)

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments.

Cost is based on the fair value of the consideration given in exchange for assets.

NZ IAS-1.15

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The consolidated entity changed its accounting policies on 1 January 2005 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards', with 1 January 2004 as the date of transition. An explanation of how the transition from superseded policies to NZ IFRS has affected the company's and consolidated entity's financial position, financial performance and cash flows is discussed in note 60.

NZ IAS-19.159B

The directors have also elected to apply NZ IAS-19 'Employee Benefits' (December 2004), even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006.

NZ IAS-1.36A(b), (c), NZ IAS-8.28(a), (b), (c), (d)

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004, and in the preparation of the opening NZ IFRS balance sheet at 1 January 2004 (as disclosed in note 60), the consolidated entity's date of transition, except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information and the impact of changes in these accounting policies on 1 January 2005, the date of transition for financial instruments, is discussed further in note 1(ad). *(Only applicable for an entity that adopts NZ IFRS before 1 January 2006).*

Critical judgements in applying the entity's accounting policies

The following is an example of the type of disclosure that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the results and financial position.

Source reference	
NZ IAS-1.103	# 1. Summary of accounting policies (cont'd)
NZ IAS-1.113	In the process of applying the entity's accounting policies, management has made the following judgements that have had the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below). Capitalisation of borrowing costs It is the group's policy to capitalise borrowing costs directly attributable to buildings under construction. Capitalisation of the borrowing costs relating to construction of the group's buildings was suspended in 2003, while the development was delayed as management reconsidered its detailed plans. Capitalisation of borrowing costs recommenced in 2004 following the finalisation of revised plans, and the resumption of the activities necessary to prepare the asset for its intended use. Although construction of the premises was not restarted until May 2004, borrowing costs have been capitalised from February 2004, at which time the technical and administrative work associated with the project recommenced.
NZ IAS-1.113	*Judgments used by management in applying accounting policies, that have had the most significant effect on the amounts recognised in the financial statements, need to be disclosed in the summary of significant accounting policies.*
NZ IAS-1.114, 115	*In the process of applying the entity's accounting policies, management makes various judgements, other than those involving estimations (key sources of estimation uncertainty are dealt with separately; see NZ IAS-16.116 below) that can significantly affect the amounts recognised in the financial statements For example management may make judgements in determining:* *(a) whether financial assets are held-to-maturity investments;* *(b) whether substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;* *(c) when, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and* *(d) when the substance of the relationship between the entity and a special purpose entity indicates that the special purpose entity is controlled by the entity.* *Some of these disclosures are required by other Standards. For example, NZ IAS-27 requires an entity to disclose the reasons why the entity's ownership interest does not constitute control, in respect of the investee that is not a subsidiary even though more than half of its voting or potential voting power is owned directly or indirectly through subsidiaries. NZ IAS-40 requires disclosure of the criteria developed by the entity to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, when classification of the property is difficult.*
	Key sources of estimation uncertainty
NZ IAS-1.116	*The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed, where applicable, in the relevant notes to the financial statements. These are estimates that require management's most difficult, subjective or complex judgments. The notes must include details of the nature and carrying amount of the affected assets and liabilities at the balance sheet date.* *The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.*
NZ IAS-1.117	*Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs.*

Source reference	
NZ IAS-1.103	1. Summary of accounting policies (cont'd)
NZ IAS-1.119	*The disclosure of the nature and carrying amount of key sources of estimation uncertainty and key assumptions concerning the future are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the balance sheet date, they are measured at fair value based on recently observed market prices (their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date).*
NZ IAS-1.120	*These disclosures are presented in a manner that helps users of financial statements to understand the judgements management makes about the future and about other key sources of estimation uncertainty. The nature and extent of the information provided vary accordingly to the nature of the assumption and other circumstances. Examples of the types of disclosures made are:* *(a) the nature of the assumption or other estimation uncertainty;* *(b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;* *(c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and* *(d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.*
NZ IAS-1.121	*It is not necessary to disclose budget information or forecasts in making these disclosures.*
NZ IAS-1.122	*When it is impracticable to disclose the extent of the possible effects of a key assumption or another key source of estimation uncertainty at the balance sheet date, the entity discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of asset or liabilities) affected by the assumption.*
NZ IAS-1.124	*The disclosure of some of the key assumptions that would otherwise be required are required by other Standards. For example, NZ IAS-37 requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. NZ IAS-32 requires disclosure of significant assumptions applied in estimating fair values of financial assets and financial liabilities that are carried at fair value. NZ IAS-16 requires disclosure of significant assumptions applied in estimating fair values of revalued items of property, plant and equipment.*
	Significant accounting policies
NZ IAS-1.108(b)	The following significant accounting policies have been adopted in the preparation and presentation of the financial report:
NZ IAS-1.108-112	*The summary of accounting policies shall include a description of each specific accounting policy that is necessary for an understanding of the financial report. In making judgments about the details to be disclosed about an entity's accounting policies, consideration shall be given to the information needs of the likely users of the financial report, the nature of the entity's operations and the policies that a user would expect to find disclosed for that type of entity.*

Source reference	
NZ IAS-1.103	# 1. Summary of accounting policies (cont'd)

Materiality

NZ IAS-1.11, 12

Accounting polices should be identified in the summary of accounting policies where they are considered 'material'. Accounting policies will be considered material if their omission, misstatement or non-disclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The NZ Framework states that "users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence." Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

Going concern basis

NZ IAS-1.23

Where the financial report is prepared on a going concern basis, but material uncertainties exist in relation to events or conditions which cast doubt on the entity's ability to continue as a going concern, those uncertainties shall be disclosed. The events or conditions requiring disclosure may arise after the reporting date.

NZ IAS-1.23,
NZ IAS-10.16

Where the going concern basis has not been used, this shall be disclosed together with a statement of the reasons for not applying this basis and the basis on which the financial statements have been prepared. An entity shall not prepare its financial statements on a going concern basis if management determines after the reporting date either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.

Differential reporting

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NZ IAS-1, NZ13.2(c)

An entity qualifying for differential reporting and applying differential reporting concessions would state: "the financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand Equivalents to IFRSs and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities/public benefit entities that qualify for and apply differential reporting concessions".

NZ IAS-1, NZ13.3

An entity shall not assert compliance with New Zealand Equivalents to IFRSs, and other applicable Financial Reporting Standards, as appropriate for that entity unless the financial statements comply with all the relevant requirements of those standards.

NZ IAS-1, NZ14.3

Qualifying entities applying differential reporting concessions will not be in compliance with IFRS and therefore cannot make an explicit and unreserved statement of such compliance in the notes to the financial statements. Qualifying entities which are profit-oriented entities and which have elected not to apply any of the differential reporting concessions available in the Framework for Differential Reporting shall make an explicit and unreserved statement of such compliance with IFRS in the notes provided they comply with all the requirements of IFRS.

NZ IAS-8, NZ12.1

When a qualifying entity takes advantage of differential reporting concessions, the entity's summary of significant accounting policies shall disclose:

(a) the criteria which establish the entity as a qualifying entity for differential reporting; and

(b) the extent to which the entity has applied available differential reporting concessions. The entity shall disclose either:

i. standards where the entity has not taken advantage of differential reporting concessions and has applied the standards obligatory for non-qualifying entities; or

ii. standards where differential reporting concessions have been applied.

Example accounting policies

The following illustrations are quoted by way of example only, and do not necessarily represent the only treatment which may be appropriate for the item concerned and do not cover all items that shall be considered for inclusion in the summary of accounting policies.

Source reference	
	(a) Borrowings
NZ IAS-32.60(b)	Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.
	(b) Borrowing costs
NZ IAS-23.29(a)	Borrowing costs directly attributable to buildings under construction are capitalised as part of the cost of those assets. *A consolidated entity that elects to expense all borrowing costs as they are incurred shall disclose the elected policy.*
	(c) Cash and cash equivalents
NZ IAS-7.46	Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.
	(d) Comparative amounts
NZ IAS-1.38, 39	*When the presentation or classification of items in the financial statements have been amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose:* *(a) the nature of the reclassification;* *(b) the amount of each item or class of items that is reclassified; and* *(c) the reason for the reclassification.* *When it is impracticable to reclassify comparative amounts, an entity shall disclose:* *(a) the reason for not reclassifying the amounts; and* *(b) the nature of the adjustments that would have been made if the amounts had been reclassified.*
	(e) Construction contracts
NZ IAS-11.39(b), 39(c)	Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the financial year plus the percentage of fees earned. Percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract. Where a loss is expected to occur it is recognised immediately and is made for both work in progress completed to date and for future work on the contract.
NZ IAS-11.NZ 1.1	*Entities which qualify for differential reporting concessions in accordance with the Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005) may recognise profit on all construction contracts on a "completed contract method" and need not comply with other paragraphs of NZ IAS-11.* *The completed contract method is a method of accounting by which the profit on a construction contract is recognised only when the contract is completed or substantially completed, subject always to the requirements of paragraph 36 of NZ IAS-11 to recognise any loss as soon as it is foreseen.*

Source reference

1. Summary of accounting policies (cont'd)

(f) Date of incorporation

The following accounting policy note is suggested in the year of incorporation.

'The company was incorporated on [date] and accordingly only current year figures covering the period from incorporation are shown'.

(g) Derivative financial instruments

NZ IAS-32.60(b)

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 59 to the financial statements.

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

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

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

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred 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 cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

A consolidated entity that elects not to adjust the initial measurement of the cost of a non-financial asset or a non-financial liability by the amount deferred in equity, shall disclose the elected policy.

Net investment hedge

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 the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses deferred in the foreign currency translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of.

Source reference

1. Summary of accounting policies (cont'd)

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

(h) Employee benefits

NZ IAS-19

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans

NZ IAS-19.93A-D

For defined benefit superannuation plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur, and are presented in the statement of recognised income and expense.

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 defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

A consolidated entity that elects to adopt the corridor approach or to recognise actuarial gains and losses in full in profit or loss shall disclose the elected policy.

NZ IAS-19.78

The rate used to discount post-employment benefit obligations (both funded and unfunded) sall be determined by reference to markers yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with currency and estimated term of post-employment benefit obligations.

(i) Financial assets

NZ IAS-32.61

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

A consolidated entity that elects to account for investments on settlement date shall disclose the elected policy.

NZ IAS-27, NZ IAS-28

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Source reference

1. Summary of accounting policies (cont'd)

A parent entity that elects to measure investments in subsidiaries and associates, that are not classified as held for sale, in accordance with NZ IAS-39 'Financial Instruments: Recognition and Measurement', shall disclose the elected policy.

NZ IAS-32.60(b)

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' 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.

Financial assets at fair value through profit or loss

The consolidated entity has classified certain shares and options (refer note 1(g)) as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in note 59.

Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-sale financial assets

Certain shares and convertible notes held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described in note 59. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(j) Financial instruments issued by the company

NZ IAS-32.60(b)

Debt and equity instruments

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

Compound instruments

NZ IAS-32.28, 31

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Transaction costs on the issue of equity instruments

NZ IAS-32.35

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

NZ IAS-32.35

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

Source reference

1. Summary of accounting policies (cont'd)

(k) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

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

NZ IAS-23.5(e)

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

NZ IAS-21.5

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 1(g)); and

NZ IAS-21.15

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

The financial statements of foreign subsidiaries, associates and jointly controlled entities that report in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the reporting date before they are translated into New Zealand dollars.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to NZ IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to NZ IFRS is treated as a New Zealand dollar denominated asset.

A consolidated entity that elects to retrospectively apply NZ IAS-21 'The Effects of Changes to Foreign Exchange Rates' to goodwill arising in business combinations before the date of transition to NZ IFRS should disclose the elected policy.

(l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Source reference

NZ IAS-18.NZ 6.1

Entities which qualify for differential reporting concessions in accordance with the Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005) are exempt from accounting for GST in accordance with NZ IAS-18. Qualifying entities may recognise revenue and expense items either with GST included (gross) or with GST excluded (net), provided that:

(a) the method adopted by the entity shall be:

i. applied consistently to all revenue and expense items; and

ii. disclosed in the statement of accounting policies;

(b) where GST input tax is irrecoverable, it should be recognised as part of the related asset or, where the expenditure relates to an expense item, expensed in accordance with the New Zealand Framework.

(m) Goodwill

NZ IFRS-3.51, 54

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also note 1(o).

(n) Government grants

NZ IAS-20.39(a), NZ SIC-10.3

Government grants are assistance by the government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the consolidated entity other than the requirement to operate in certain regions or industry sectors.

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants relating to assets are treated as deferred income and recognised in profit and loss over the expected useful lives of the assets concerned.

(o) Impairment of assets

NZ IAS-36

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Source reference

1. Summary of accounting policies (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(p) Income tax

Current tax

NZ IAS-12.12, 46

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

NZ IAS-12.NZ 4.1

Entities which qualify for differential reporting concessions in accordance with the Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005) may elect to account for income tax in accordance with either:

(a) the taxes payable method;

(b) in accordance with NZ IAS-12.

Under the taxes payable method, income tax expense in respect of the current period is equal to the income tax payable for the same period. The income tax effects of temporary differences under NZ IAS-12 are not recognised but may be disclosed in the notes. Qualifying entities electing to account for income taxes under the income taxes payable method are not required to comply with the disclosure requirements in NZ IAS-12 insofar as they relate to disclosure of deferred tax expense (income).

NZ IAS-12.NZ 4.2

If a qualifying entity electing to account for income taxes under the income taxes payable method voluntarily makes disclosures from which it is exempt, these disclosures shall be made in accordance with NZ IAS-12.

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

NZ IAS-12.15, 24

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

NZ IAS-12.39, 44

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these 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.

NZ IAS-12.47, 51

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

Source reference

1. Summary of accounting policies (cont'd)

NZ IAS-12.74

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

NZ IAS-12.58

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

NZ IAS-12.78

Where exchange differences on deferred foreign tax liabilities or assets are recognised in the income statement, such differences may be classified as deferred tax expense (income) if that presentation is considered to be the most useful to financial report users.

Additional information on accounting policies shall be included where the entity has other material tax balances not covered by the above analysis. This could include material recognised or unrecognised deferred tax assets that are related to share-based payments, investments in subsidiaries, branches, associates or joint venture entities, or interests in joint venture operations.

(q) Intangible assets

Patents, trademarks and licences

NZ IAS-38.118(a), 118(b)

Patents, trademarks and licences are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Research and development costs

NZ IAS-38.54

Expenditure on research activities is recognised as an expense in the period in which it is incurred. No internally-generated intangible asset can be recognised, therefore all development expenditure relating to it needs to be recognised as an expense in the period in which it is incurred.

NZ IAS-38.57

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are 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.

NZ IAS-38 NZ7.1

Entities which qualify for differential reporting concessions in accordance with the Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005) are permitted to expense all research and development costs in the period in which they are incurred.

Internally-generated intangible assets for finite life intangibles are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives as follows:

NZ IAS-38.118(a), 118(b)

Capitalised development costs 5 years

A consolidated entity that elects to measure intangible assets at fair value shall disclose the elected policy.

Source reference

1. Summary of accounting policies (cont'd)

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

NZ IAS-38.34

An acquirer recognises at the acquisition date separately from goodwill an intangible asset of the acquiree if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. This means that the acquirer recognises as an asset separately from goodwill an in-process research and development project of the acquiree if the project meets the definition of an intangible asset and its fair value can be measured reliably. An acquiree's in-process research and development project meets the definition of an intangible asset when it:

(a) meets the definition of an asset; and

(b) is identifiable, i.e. is separable or arises from contractual or other legal rights.

(r) Inventories

NZ IAS-2.36(a)

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(s) Investment property

NZ IAS-40.75(a)

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

NZ IAS-40.NZ 4.1

Entities which qualify for differential reporting concessions in accordance with the Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005) may account for investment properties in accordance with either:

(a) NZ IAS-40 where the entity is required, after initial recognition, to measure investment property at its fair value at the balance sheet date (paragraphs 33 and 38); or

(b) the cost model in NZ IAS-16, 'Property Plant and Equipment'.

NZ IAS-40.79

A consolidated entity that elects to measure investment property under the cost model shall disclose the elected policy.

NZ IAS-40.75(b)

A consolidated entity that applies the fair value model and has property interests held under operating leases classified and accounted for as investment properties shall disclose that accounting policy.

NZ IAS-40.75(c)

When classification is difficult, an entity shall disclose the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.

(t) Joint ventures

NZ IAS-31

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Source reference

1. Summary of accounting policies (cont'd)

An alternative method is the Proportionate Consolidation method which has not been illusrated in these model financial statements.

A parent entity that elects to measure investments in jointly controlled entities, that are not classified as held for sale, in accordance with NZ IAS-39 'Financial Instruments: Recognition and Measurement', shall disclose the elected policy.

(u) Leased assets

NZ IAS-17

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.

Consolidated entity as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Consolidated entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to note 1(b).

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

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.

NZ SIC-15

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are 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.

(v) Non-current assets held for sale

NZ IFRS-5

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

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

(w) Payables

NZ IAS-32.60(b)

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

Source reference

1. Summary of accounting policies (cont'd)

(x) Presentation currency

NZ IAS-21.53,54

When the presentation currency is different from the functional currency, that fact shall be stated, together with disclosure of the functional currency and the reason for using a different presentation currency.When there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency shall be disclosed.

(y) Principles of consolidation

NZ IAS-27.42(c), NZ IFRS-3

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in NZ IAS-27 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 52 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control the subsidary.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(z) Property, plant and equipment

NZ IAS-16.73(a)

Land and buildings are measured at fair value. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in the financial statements of the consolidated entity, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

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

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

NZ IAS-16.73(b)

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

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

Source reference

1. Summary of accounting policies (cont'd)

NZ IAS-16.73(c)

• Buildings	0 - 30 years
• Leasehold improvements	5 years
• Plant and equipment	5 - 15 years
• Equipment under finance lease	5 years

NZ IAS-16.NZ 5.3

Entities which qualify for differential reporting concessions in accordance with the Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005) are permitted to adopt the same rates of depreciation for financial reporting as for income tax purposes except when assets have been revalued in accordance with the revaluation model in NZ IAS-16. If this exemption is taken, the entity is not required to comply with the requirements of paragraphs 51 and 61 of NZ IAS-16 (below).

NZ IAS-16.51, 61

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

(aa) Provisions

NZ IAS-37

Provisions are recognised when the consolidated entity has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

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

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

Onerous contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Restructuring

The provision for restructuring is recognised when the consolidated entity 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.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the consolidated entity's liability.

NZ IAS-18.35(a)

(ab) Revenue recognition

Sale of goods

NZ IAS-18.14

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Source reference

1. Summary of accounting policies (cont'd)

Rendering of services

NZ IAS-18.20 Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance sheet date.

Royalties

NZ IAS-18.30(b) Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend and interest revenue

NZ IAS-18.30(a), 30(c) Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(ac) Share-based payments

NZ IFRS-2.46, NZ IFRS-1.25B, 25C, 31 Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at transition date. Under the entity's previous policy fair value estimates were not required in accordance with NZ IFRS-2. Therefore the estimates reflect information available at the transition date to determine expected volatility, expected dividends and expected life of the options under the equity-settled transactions. However, some inputs to the valuation model are based purely on contractual or historical fact such as share price; exercise price and risk-free rate are based on information at grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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 consolidated entity's estimate of shares that will eventually vest.

NZ IFRS-2.30, 31, 32, 33 For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date with change in the fair value recognised in the income statement.

(ad) Comparative information – financial instruments

(only applicable for an entity that adopts NZ IFRS before 1 January 2006)

NZ IFRS-1.36A *In its first NZ IFRS financial statements, an entity that adopts NZ IFRS before 1 January 2006 shall present at least one year of comparative information, but this comparative information need not comply with NZ IAS-32 'Financial Instruments: Disclosure and Presentation' and NZ IAS-39 'Financial Instruments: Recognition and Measurement' and NZ IFRS-4: 'Insurance Contracts'. An entity that chooses to present comparative information that does not comply with NZ IAS-32, NZ IAS-39 and NZ IFRS-4 in its first year of transition shall:*

(a) apply its previous GAAP in the comparative information to financial instruments within the scope of NZ IAS-32, NZ IAS-39 and to insurance contracts within the scope of NZ IFRS-4;

(b) disclose this fact, together with the basis used to prepare this information; and

(c) disclose the nature of the main adjustments that would make the information comply with NZ IAS-32, NZ IAS-39 and NZ IFRS-4. The entity need not quantify those adjustments. However, the entity shall treat any adjustment between the balance sheet at the comparative period's reporting date (i.e. the balance sheet that includes comparative information under previous GAAP) and the balance sheet at the start of the first NZ IFRS reporting period (i.e. the first period that includes information that complies with NZ IAS-32, NZ IAS-39 and NZ IFRS-4) as arising from a change in accounting policy and give the following disclosures:

NZ IAS-8.28(a) *i. the title of the Standard or Interpretation*

NZ IAS-8.28(b) *ii. when applicable, that the change in accounting policy is made in accordance with its transitional provisions;*

NZ IAS-8.28(c) *iii. the nature of the change in accounting policy;*

NZ IAS-8.28(d) *iv. when applicable, a description of the transitional provisions;*

Source reference

1. Summary of accounting policies (cont'd)

NZ IAS-8.28(e)

v. when applicable, the transitional provisions that might have an effect on future periods;

NZ IAS-8.28(f)

vi. for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected and if NZ IAS-33 'Earnings per Share' applies to the entity, for basic and diluted earnings per share.

The following note has been prepared to illustrate the disclosures required by an entity that has elected not to restate comparative information for financial instruments under the scope of NZ IAS-32 and NZ IAS-39, as permitted under the first-time adoption transitional provisions in NZ IFRS-1.36A which allows no restatement of comparatives for entities adopting NZ IFRS before 1 January 2006. **Note:** *this exemption will not be applicable for all reporting dates ending on or after 1 January 2006 and comparatives will have to be presented under NZ IFRS.*

The accounting policies disclosed below are consistent with the recognition and measurement requirements under previous NZ GAAP and are applicable to the comparative reporting period. For reference purposes, the source of the comparative requirements has been included.

An entity that restates comparative information for financial instruments under the scope of NZ IAS-32 and NZ IAS-39 from the date of transition of all other Standards shall make disclosures similar to those illustrated in note 60 to these model financial statements.

NZ IFRS-1.36A(b), NZ IAS-8.28(a), (b)

The consolidated entity has elected not to restate comparative information for financial instruments within the scope of NZ IAS-32 'Financial Instruments: Disclosure and Presentation' and NZ IAS-39 'Financial Instruments: Recognition and Measurement', as permitted on the first-time adoption of NZ IFRS.

NZ IFRS-1.36A(b), NZ IAS-8.28(c)

The accounting policies applied to accounting for financial instruments in the current financial year are detailed in notes 1(a) to (ad). The following accounting policies were applied to accounting for financial instruments in the comparative financial year:

(i) Accounts payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(ii) Derivative financial instruments

The group has various financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in foreign currency exchange rates and interest rates. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

Foreign exchange contracts

SSAP-21.5.5

Unrealised gains or loses on forward exchange contracts entered into as hedges of future sales or purchases are deferred and included in the measurement of the purchase or sale transaction.

Interest rate contracts/swaps

SSAP-21.4.18

For interest rate swap agreements entered into in connection with the management of interest rate exposure, the differential to be paid or received is accrued as interest rates change and is recognised as a component of interest income/expense over the life of the agreement. Premiums paid for interest rate options and net settlement on maturity of forward rate agreements (FRAs), futures and options are amortised over the period of the underlying asset/liability hedged by the instrument.

General hedging transactions

SSAP-21.5.5

Forward exchange contracts entered into as hedges of foreign exchange assets or liabilities are valued at the exchange rates prevailing at year end. Any unrealised gains or losses are offset against foreign exchange gains or losses on the related asset or liability.

Source reference	

1. Summary of accounting policies (cont'd)

SSAP-21.4.18

Premiums paid on currency options are amortised over the period to maturity.

Financial instruments purchased with the intention of being held for the long term or until maturity are recorded at cost which is adjusted for the amortisation of premiums and accretion of discounts to maturity.

(iii) Financial instruments issued by the company

Compound Instruments

Convertible notes are regarded as compound instruments, consisting of a liability component and an equity component depending on the specific terms and conditions of the convertible notes. At the date of issue, the fair value of the liability component is determined by discounting the future interest and principal obligations at the market rate of interest applicable to similar non-convertible debt. The interest expense recognised in the statement of financial performance is calculated using the effective interest rate method. The balance of the amount raised is recognised as equity.

(iv) Foreign currency

Foreign Currency Transactions

SSAP-21.5.3

For short term transactions covered by forward exchange contracts, the rates specified in those contracts are used as the basis for measuring and reporting the transactions.

SSAP-21.5.5

Where a hedging transaction is undertaken to establish the price of particular goods or services to be purchased or sold, the exchange difference on the hedging transaction up to the date of purchase or sale and any costs associated with the hedge transaction to that date, is deferred and included in the measurement of the purchase and sale transaction.

(v) Borrowings

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

(vi) Investments

Investments other than investments in subsidiaries, associates and joint venture entities are recorded at cost.

NZ IAS-18.30(a), 30(c)

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(vii) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

Bills of exchange are recorded at amortised cost, with revenue recognised on an effective yield basis.

Effect of changing the accounting policies for financial instruments

NZ IFRS-1.36A(c), NZ IAS-8.28(f)(i)

The effect of changes in the accounting policies for financial instruments on the balance sheet as at 1 January 2005 is shown below:

C

Source reference

1. Summary of accounting policies (cont'd)

NZ IFRS-1.36A(c), NZ IAS-8.28(f)(i)

	Consolidated			Company		
	31 Dec 2004 NZ$'000	Effect of adoption NZ$'000	1 Jan 2005 NZ$'000	31 Dec 2004 NZ$'000	Effect of adoption NZ$'000	1 Jan 2005 NZ$'000
Current assets						
Cash and cash equivalents	19,778	-	19,778	6,681	-	6,681
Trade and other receivables	17,197	-	17,197	14,749	-	14,749
Other financial assets	8,841	163	9,004	30,853	12	30,865
Inventories	30,352	-	30,352	240	-	240
Current tax assets	60	-	60	-	-	-
Other	-	-	-	-	-	-
	76,228	163	76,391	52,523	12	52,535
NZ IFRS-5.38 Non-current assets classified as held for sale	-	-	-	-	-	-
Total current assets	76,228	163	76,391	52,523	12	52,535
Non-current assets						
Trade and other receivables	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Investments accounted for under the equity method	7,269	-	7,269	-	-	-
Other financial assets	7,612	172	7,784	68,450	106	68,556
Property, plant & equipment	134,461	-	134,461	505	-	505
Investment properties	132	-	132	-	-	-
Deferred tax assets*	-	-	-	37	-	37
Goodwill	24,060	-	24,060	-	-	-
Other intangible assets	11,325	-	11,325	-	-	-
Other	-	-	-	-	-	-
Total non-current assets	184,859	172	185,031	68,992	106	69,098
Total assets	261,087	335	261,422	121,515	118	121,633
Current liabilities						
Trade and other payables	15,990	-	15,990	2,269	-	2,269
Borrowings	37,500	-	37,500	23,855	-	23,855
Other financial liabilities	-	-	-	-	-	-
Current tax payables	5,868	-	5,868	4,643	-	4,643
Provisions	3,247	-	3,247	96	-	96
Other	95	(5)	90	-	-	-
	62,700	(5)	62,695	30,863	-	30,863
NZ IFRS-5.38 Liabilities directly associated with non-current assets classified as held for sale	-	-	-	-	-	-
Total current liabilities	62,700	(5)	62,695	30,863	-	30,863
Non-current liabilities						
Trade and other payables	-	-	-	-	-	-
Borrowings	26,078	-	26,078	17,083	-	17,083
Other financial liabilities	-	-	-	-	-	-
Deferred tax liabilities*	3,693	102	3,795	-	38	38
Provisions	2,326	-	2,326	48	-	48
Other	270	10	280	-	-	-
Total non-current liabilities	32,367	112	32,479	17,131	38	17,169
Total liabilities	95,067	107	95,174	47,994	38	48,032
Net assets	166,020	228	166,248	73,521	80	73,601
Equity						
Share capital	49,010	-	49,010	49,010	-	49,010
Reserves	2,207	204	2,411	808	71	879
Retained earnings	94,798	24	94,822	23,703	9	23,712
	146,015	228	146,243	73,521	80	73,601
Equity directly associated with non-current assets classified as held for sale	-	-	-	-	-	-
Parent entity interest	146,015	228	146,243	73,521	80	73,601
Minority interest	20,005	-	20,005	-	-	-
Total equity	166,020	228	166,248	73,521	80	73,601

* For the purposes of this reconciliation, deferred tax balances have been reflected on a gross basis.

Source reference

1. Summary of accounting policies (cont'd)

NZ IFRS-1.43A

The following financial assets and financial liabilities were designated as fair value through profit or loss from 1 January 2005. These financial assets and financial liabilities were previously measured at cost:

	Consolidated		Company	
	Fair value at 1/01/05 NZ$'000	**Carrying amount at 31/12/04 NZ$'000**	**Fair value at 1/01/05 NZ$'000**	**Carrying amount at 31/12/04 NZ$'000**
Financial assets:				
Shares (notes 2, 8)	1,925	1,889	607	595
Other *[describe]*	-	-	-	-
	1,925	1,889	607	595
Financial liabilities:				
Other *[describe]*	-	-	-	-
	-	-	-	-

NZ IFRS-1.43A

The following financial assets were designated as available-for-sale on adoption of NZ IAS-39. These financial assets were previously measured at cost:

	Consolidated		Company	
	Fair value at 1/01/05 NZ$'000	**Carrying amount at 31/12/04 NZ$'000**	**Fair value at 1/01/05 NZ$'000**	**Carrying amount at 31/12/04 NZ$'000**
Convertible notes (note 15)	2,226	2,122	2,226	2,122
Shares (note 15)	3,900	3,832	32	30
Other *[describe]*	-	-	-	-
	6,126	5,954	2,258	2,152

NZ IFRS-1.43A

An entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or as available-for-sale. The entity shall disclose the fair value of any financial assets or financial liabilities designated into each category and the classification and carrying amount in the previous financial statements.

NZ IFRS-1.36A(c), NZ IAS-8.28(e)

The following transitional provisions have an effect on future periods:

(i) the separation of compound financial instruments for which the liability component is no longer outstanding into retained earnings and share capital components has not been performed;

(ii) the effectiveness of hedging relationships are assessed from 1 January 2005; no adjustment is made in relation to hedges under the superseded policies which were not highly effective before 1 January 2005;

(iii) [list other transitional provisions as appropriate, for example, the transitional provisions in relation to 'day 1' gains and losses or to the derecognition of financial assets].

NZ IFRS-1.36A(c)

The main adjustments necessary that would make the comparative financial statements comply with NZ IAS-32 and NZ IAS-39 are listed below. Similar adjustments were made at 1 January 2005 to restate the opening financial position of the company and consolidated entity to a position consistent with the accounting policies specified in note 1(a) to (ad):

(i) the measurement of financial assets designated as held-to-maturity and loans and receivables at amortised cost, rather than at cost or fair value in accordance with the superseded policy;

(ii) the measurement of financial assets designated as fair value through profit or loss or available-for-sale at fair value, with changes in fair value recognised in profit or loss or equity as appropriate, rather than at cost in accordance with the superseded policy;

Source reference

1. Summary of accounting policies (cont'd)

(iii) the measurement of financial liabilities at amortised cost, rather than at cost in accordance with the superseded policy;

(iv) the recognition and measurement of all derivatives (including any embedded derivatives) at fair value;

(v) the recognition in profit or loss of the movement in the fair value of derivatives which did not qualify for hedge accounting or were not designated as hedging instruments;

(vi) the transfer of deferred hedging gains and losses recognised as assets and liabilities arising from a cash flow hedge of a forecast transaction to the hedging reserve;

(vii) the derecognition of other deferred hedging gains and losses recognised as assets and liabilities;

(viii) the deferral in equity of the effective portion of the movement in fair value of derivatives accounted for as a cash flow hedge;

(ix) the recognition in profit or loss of the ineffective portion of the movement in fair value of hedging instruments accounted for as a cash flow hedge;

(x) the recognition in profit or loss of the movement in fair value of derivatives accounted for as a fair value hedge and the fair valuing of hedged items;

(xi) the adjustment to the carrying amount of items that would qualify as a fair value hedge under NZ IFRS and were designated as a hedge under previous GAAP for the lower of the cumulative change in fair value of the hedged item for the designated hedge risk and the cumulative change in fair value of the hedging instrument;

(xii) the recognition of any current or deferred taxes in relation to the adjustments described above;

(xiii) [list other adjustments as appropriate].

The adjustments listed above are not a complete list of all adjustments that may be necessary on adopting the accounting policies specified by NZ IAS-32 and NZ IAS-39, for example, entities that have previously held financial assets measured at fair value, with changes in fair value recognised as revaluation increments and revaluation decrements, shall disclose an appropriate adjustment.

NZ IFRS-1.36A(c), NZ IAS-8.28(f)(i)

Where practicable, for the current period and for each prior period presented, the amount of the adjustment for each financial statement line item affected shall be disclosed. Where it is not practicable for entities to disclose these amounts, entities are encouraged to include a statement explaining why, for example:

NZ IFRS-1.36A(c), NZ IAS-8.28(f)(i)

It is not practicable for the company and the consolidated entity to detail the amounts of the adjustments to profit or loss and to opening retained earnings for the comparative period had the new accounting policies been applied from the beginning of the comparative period. In addition, it is not practicable for the company and the consolidated entity to detail for the current period, the amounts of the adjustments resulting to each financial statement line item as a consequence of applying the accounting policies specified elsewhere in note 1.

(ae) Other changes in accounting policies

Voluntary changes in accounting policies

NZ IAS-8.29

When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the nature of the change in accounting policy;

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

i. for each financial statement line item affected; and

ii. if NZ IAS-33 'Earnings per Share' applies to the entity, for basic and diluted earnings per share;

Source reference	
	1. Summary of accounting policies (cont'd)
	(d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
	(e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.
	Reclassification of financial assets
NZ IAS-39.54, NZ IAS-32.94(j)	*If, as a result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available, or because the 'two preceding annual reporting periods' have passed in relation to a financial asset that could previously not be classified as held-to-maturity, where an entity reclassifies a financial asset as one measured at cost or amortised cost rather than at fair value, it shall disclose the reason for the reclassification.*
	Standards or Interpretations not yet effective
NZ IAS-8.30	*When an entity has not applied a new Standard or Interpretation that has been issued but is not yet effective, the entity shall disclose:*
	(a) this fact; and
	(b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Standard or Interpretation will have on the entity's financial statements in the period of initial application.
NZ IAS-8.31	*In complying with these requirements, an entity considers disclosing:*
	(a) the title of the new Standard or Interpretation;
	(b) the nature of the impending change or changes in accounting policy;
	(c) the date by which application of the Standard or Interpretation is required;
	(d) the date as at which it plans to apply the Standard or Interpretation initially; and
	(e) either:
	(i) a discussion of the impact that initial application of the Standard or Interpretation is expected to have on the entity's financial statements; or
	(ii) if that impact is not known or reasonably estimable, a statement to that effect.
	The following disclosure is recommended where NZ IAS-19 'Employee Benefits' has not been early adopted:
	'NZ IAS-19 'Employee Benefits' (December 2004) has been issued by the ASRB but has not been adopted by the consolidated entity as it is not effective until annual reporting periods beginning on or after 1 January 2006. The consolidated entity will adopt the revised Standard from 1 January 2006. Application of the revised Standard will have no impact on the consolidated entity's financial position and results in the period of initial application as the consolidated entity intends to maintain its policy for defined benefit plans as described in note x, as permitted by the new Standard.'

Source reference

2. Profit from operations

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	(a) Revenue *(i)*				
NZ IFRS-5.30	Revenue from continuing and discontinued operations consisted of the following items:				
NZ IAS-18.35(b)(i)	Revenue from the sale of goods	166,556	179,696	18,488	15,162
NZ IAS-18.35(b)(ii)	Revenue from the rendering of services	38,449	49,785	-	-
		205,005	229,481	18,488	15,162
	Rental revenue:				
NZ IAS-17.47(e)	Finance lease contingent rental revenue	-	-	-	-
	Operating lease rental revenue:	-	-	-	-
NZ IAS-40.75(f)(i)	Investment properties	18	14	-	-
NZ IAS-17.56(b)	Contingent rental revenue	-	-	-	-
	Other	-	-	-	-
		18	14	-	-
NZ IAS-18.35(b)(iii)	Interest revenue:				
	Finance lease interest revenue	-	-	-	-
	Bank deposits	1,650	750	908	310
	Investments	611	549	540	202
NZ IAS-32.94(k)(iii)	Impaired financial assets	-	-	-	-
NZ IAS-24.17(a)	Related parties	54	5	1,800	1,235
NZ IAS-32.94(k)(i)		2,315	1,304	3,248	1,747
NZ IAS-18.35(b)(iv)	Royalties	579	428	-	-
NZ IAS-18.35(b)(v)	Dividends:				
NZ IAS-24.17(a)	Subsidiaries	-	-	8,895	10,914
NZ IAS-24.17(a)	Associates	-	-	25	25
NZ IAS-24.17(a)	Jointly controlled identites	-	-	5	-
NZ IAS-24.17(a)	Other related parties	23	23	23	23
	Other entities	113	108	27	24
		136	131	8,975	10,986
NZ IAS-11.39(a)	Construction contract revenue	318	182	-	-
	Other (aggregate of immaterial items)	560	494	10	8
		208,931	232,034	30,721	27,903
	Attributable to:				
NZ IFRS-5.30	Continuing operations	144,526	154,191	30,721	27,903
	Discontinued operations (note 55)	64,405	77,843	-	-
		208,931	232,034	30,721	27,903
	(b) Profit before income tax				
	Profit/(loss) before income tax has been arrived at after crediting/ (charging) the following gains and losses from continuing and discontinued operations *(ii)*:				
NZ IAS-1.87(c)	Gain/(loss) on disposal of property, plant and equipment *(iii)*	6	67	14	(2)
NZ IAS-1.87(d)	Gain/(loss) on disposal of investments *(iii)*	12	-	10	-
	Gain/(loss) on sale of business (note 58(g))*(iii)*	2,426	-	-	-
		2,444	67	24	(2)

Source reference					

2. Profit from operations (cont'd)

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-20.39(b)	Government grants received for staff re-training ***(iv)***	1,726	979	193	33
NZ IAS-21.52(a)	Net foreign exchange gains/(losses) (note 58(g)) ***(v)***	144	(68)	12	8
	Hedging gains/(losses)	450	-	-	-
NZ IAS-32.94(f)	Change in fair value of financial assets classified as fair value through profit or loss (note 58(g))	(25)	-	23	-
	Reversal of foreign currency translation reserve on disposal of subsidiary (note 58(g))	120	-	-	-
	Other	83	40	-	-
		4,942	1,018	252	39
	Gains attributable to:				
	Continuing operations	2,391	1,037	252	41
NZ IFRS-5.30	Discontinued operations	2,576	49	-	-
		4,967	1,086	252	41
	Losses attributable to:				
	Continuing operations	(25)	(68)	-	(2)
NZ IFRS-5.30	Discontinued operations	-	-	-	-
		(25)	(68)	-	(2)
		4,942	1,018	252	39
	Profit/(loss) before income tax has been arrived at after charging the following expenses. The line items below combine amounts attributable to both continuing operations and discontinued operations ***(ii)***:				
NZ IAS-2.36(d)	Cost of sales ***(vi)***	(87,899)	(91,840)	(2,360)	(2,301)
NZ IAS-2.36(e)	Inventory:				
NZ IAS-1.87(a)	Write-down of inventory to net realisable value	-	-	-	-
NZ IAS-1.87(a), NZ IAS-2.36(f)	Reversal of write-down of inventory ***(vii)***	-	-	-	-
		-	-	-	-
	Finance costs ***(viii)***:				
	Interest on loans	(3,874)	(6,186)	(1,655)	(1,653)
	Other interest expense	(685)	(489)	(334)	(130)
NZ IAS-32.94(k)(i)	Total interest expense	(4,559)	(6,675)	(1,989)	(1,783)
	Dividends on instruments classified as financial liabilities ***(ix)***	(525)	-	(525)	-
	Other finance costs	(75)	(54)	-	-
		(5,159)	(6,729)	(2,514)	(1,783)
NZ IAS-24.17(d)	Net bad and doubtful debts arising from:				
	Key management personnel	-	-	-	-
	Parent entity	-	-	-	-
	Entities with joint control or significant influence over the entity	-	-	-	-
	Subsidiaries	-	-	-	-
	Associates	-	-	-	-

C

Source reference

2. Profit from operations (cont'd)

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	Joint venture entities	-	-	-	-
	Other related parties	-	-	-	-
		-	-	-	-
NZ IAS-40.75(f)(ii), (iii)	Direct operating expenses of investment properties:				
	Properties generating rental income	(4)	(3)	-	-
	Properties not yet generating rental income	-	-	-	-
		(4)	(3)	-	-
NZ IAS-1.93	Depreciation of non-current assets (note 16)	(13,587)	(15,794)	(48)	(45)
NZ IAS-1.93 NZ IAS-38.118(d)	Amortisation of non-current assets (note 19)	(1,592)	(1,556)	-	-
		(15,179)	(17,350)	(48)	(45)
	Attributable to:				
	Continuing operations	(12,193)	(14,239)	(48)	(45)
	Discontinued operations	(2,986)	(3,111)	-	-
		(15,179)	(17,350)	(48)	(45)
NZ IAS-1.87(f)	Settlement of litigation	-	-	-	-
NZ IAS-38.126	Research and development costs immediately expensed ***(x)***	(502)	(440)	-	-
NZ IAS-1.NZ94.2	Donations	391	391	324	67
NZ IAS-36.126(a)	Impairment of non-current assets	(219)	-	-	-
NZ IAS-36.126(b)	Reversals of impairment losses	-	-	-	-
NZ IAS-17.31(c)	Finance lease contingent rental expense	-	-	-	-
NZ IAS-37.54	Provision expenses	629	-	2	-
	Operating lease rental expenses:				
NZ IAS-17.35(c)	Minimum lease payments	(2,008)	(2,092)	(52)	(50)
NZ IAS-17.35(c)	Contingent rentals	-	-	-	-
NZ IAS-17.35(c)	Sub-lease payments received	-	-	-	-
		(2,008)	(2,092)	(52)	(50)
	Share based payment expenses:				
NZ IFRS-2.51(a)	Equity settled share-based payments for consulting services (note 41)	(8)	-	(8)	-
NZ IFRS-2.51(a)	Employee share-based payments (refer below)	(206)	(338)	(206)	(338)
NZ IFRS-2.51(a)		(214)	(338)	(214)	(338)
	Employee benefit expense:				
	Post employment benefits:				
NZ IAS-19.46	Defined contribution plans	(160)	(148)	(25)	(30)
NZ IAS-19.120A(g)	Defined benefit plans (note 37)	(361)	(330)	-	-
		(521)	(478)	(25)	(30)
NZ IFRS-2.50	Share-based payments:				
NZ IFRS-2.51(a)	Equity settled share-based payments (note 58(g))	(206)	(338)	(206)	(338)
	Cash settled share-based payments	-	-	-	-
NZ IAS-19.142	Termination benefits	-	-	-	-
	Other employee benefits	(13,651)	(14,623)	(4,837)	(4,583)
NZ IAS-1.93		(14,378)	(15,439)	(5,068)	(4,951)
	Attributable to:				
	Continuing operations	(9,803)	(11,655)	(5,068)	(4,951)
	Discontinued operations	(4,575)	(3,784)	-	-
		(14,378)	(15,439)	(5,068)	(4,951)

C

Source reference

2. Profit from operations (cont'd)

(c) Revision of accounting estimates (xi)

NZ IAS-8.39

During the financial year the directors reassessed the useful life of certain items of plant and equipment. The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase consolidated depreciation expense in the current financial year and for the next 4 years, by the following amounts:

	NZ$'000 (xii)
2005	9
2006	7
2007	4
2008	2

NZ IAS-8.40

If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

NZ IAS-16.NZ 5.3

Entities which qualify for differential reporting concessions in accordance with the Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005) are permitted to adopt the same rates of depreciation for financial reporting as for income tax purposes except when assets have been revalued in accordance with the revaluation model in NZ IAS-16. If this exemption is taken, the entity is not required to comply with the annual useful life review as required by NZ IAS-16 and as such the above disclosure would not be required.

(i) Exchange of goods or services

NZ IAS-18.35(c)

The amount of revenue arising from exchanges of goods or services included in each significant category of revenue shall be separately disclosed.

(ii) Disclosure of material items of income and expense

NZ IAS-1.86

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

(iii) Gains and losses on disposal of non-current assets

NZ IAS-1.34(a)

Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds from disposal the carrying amount of the assets and related selling expenses.

(iv) Government grants and government assistance

NZ IAS-20.39(b), 39(c)

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited, and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised, shall be disclosed.

(v) Foreign exchange gains and losses

NZ IAS-1.35

Gains and losses arising from a group of similar transactions, such as foreign exchange gains and loss, are reported on a net basis. Such gains and losses are, however, reported separately if they are material.

(vi) Cost of sales

NZ IAS-2.36(d)

The financial statements shall disclose the amount of inventories recognised as an expense during the period.

NZ IAS-2.38

The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consists of those costs previously included in the measurement of inventory that has now been sold and unallocated production overheads and abnormal amounts of production costs of inventories. The circumstances of the entity may also warrant the inclusion of other amounts, such as distribution costs.

(vii) Reversal of previous write-downs of inventory

NZ IAS-2.36(g)

The financial statements shall disclose the circumstances or events that led to the reversal of a write-down of inventories arising from an increase in net realisable value.

Source reference

2. Profit from operations (cont'd)

(viii) Finance costs

NZ IAS-23.4, 5

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds and may include:

(a) interest on bank overdrafts and short-term and long-term borrowings;

(b) amortisation of discounts or premiums relating to borrowings;

(c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings;

(d) finance charges in respect of finance leases recognised in accordance with NZ IAS-17 'Leases'; and

(e) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

NZ IFRS-5.17

In addition to borrowing costs, other costs which may form part of finance costs include:

- *costs arising from the unwinding of the discount on liabilities and provisions; and*
- *any increased in the present value of costs to sell that arises from the passage of time.*

(ix) Presentation of dividends

NZ IAS-32.40

Dividends classified as an expense may be presented in the income statement either with interest on other liabilities or as a separate item. In some circumstances, because of the differences between interest and dividends with respect to matters such as tax deductibility, it is desirable to disclose them separately in the income statement.

(x) Research and development

NZ IAS-38.127

Research and development expenditure comprises all expenditure that is directly attributable to research or development activities.

NZ IAS-38.66

The types of expenditure in respect of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management.

NZ IAS-38.67

However, the following are not components of the cost of an internally generated intangible asset:

(a) selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to preparing the asset for use;

(b) identified inefficiencies and initial operating losses incurred before the asset achieves planned performance; and

(c) expenditure on training staff to operate the asset.

(xi) Changes in accounting estimates

NZ IAS-8.36

The effect of a change in an accounting estimate, other than a change which gives rise to changes in assets or liabilities or relates to an item of equity, shall be recognised prospectively by including it in profit or loss in:

(a) the period of the change, if the change affects that period only; or

(b) the period of the change and future periods, if the change affects both.

NZ IAS-8.37

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

NZ IAS-8.39

An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

NZ IAS-8.40

If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

Source reference

2. Profit from operations (cont'd)

(xii) Change in depreciation charges

NZ IAS-16.76

An entity shall disclose the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:

(a) residual values;

(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;

(c) useful lives; and

(d) depreciation methods.

3. Income taxes

a) Income tax recognised in profit or loss

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	Tax expense/(income) comprises:				
NZ IAS-12.80(a)	Current tax expense/(income)	13,878	14,773	5,991	5,537
NZ IAS-12.80(b)	Adjustments recognised in the current year in relation to the current tax of prior years	-	-	-	-
NZ IAS-12.80(c)	Deferred tax expense/(income) relating to the origination and reversal of temporary differences	588	26	187	10
NZ IAS-12.80(d)	Deferred tax expense/(income) relating to changes in tax rates or imposition of new taxes	-	-	-	-
	Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce:				
NZ IAS-12.80(e)	- current tax expense	-	-	-	-
NZ IAS-12.80(f)	- deferred tax expense	-	-	-	-
NZ IAS-12.80(g)	Deferred tax expense arising from the write-down or reversal of previous write-down of a deferred tax asset	-	-	-	-
NZ IAS-12.80(h)	Tax expense/(income) related to changes in accounting policies and errors that cannot be accounted for retrospectively	-	-	-	-
	Total tax expense/(income)	14,466	14,799	6,178	5,547
	Attributable to:				
NZ IFRS-5.30	Continuing operations	11,306	11,801	6,178	5,547
	Discontinued operations	3,160	2,998	-	-
		14,466	14,799	6,178	5,547

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Source reference

3. Income taxes (cont'd)

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-12.81(c)(i)	The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows: ***(i)***				
NZ IFRS-5.30	(Profit)/loss from continuing operations	(28,942)	(32,138)	(20,069)	(17,973)
	Profit)/loss from discontinued operations	(12,076)	(12,993)	-	-
	(Profit)/loss from operations	(41,018)	(45,131)	(20,069)	(17,973)
	Income tax expense calculated at 33%	13,536	14,893	6,623	5,931
IAS-1.94.2, Companies Act 1993 s.211(1)(h)	Donations	129	129	107	22
	Non-deductible expenses	1,043	1,257	160	149
	Unused tax losses and tax offsets not recognised as deferred tax assets	-	-	-	-
	Previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets	-	-	-	-
	Other	(242)	(1,480)	(712)	(555)
NZ IAS-12.81(d)	Effect on deferred tax balances due to the change in income tax rate from xx% to xx% (effective *[insert date]*)	-	-	-	-
	Effect of different tax rates of subsidiaries operating in other jurisdictions ***(ii)***	-	-	-	-
		14,466	14,799	6,178	5,547
NZ IAS-12.80(b)	(Over)/under provision of income tax in previous year	-	-	-	-
		14,466	14,799	6,178	5,547

NZ IAS-12.81(c)(ii)

(i) An entity may elect to disclose a numerical reconciliation between the average effective tax rate and the applicable tax rate under NZ IAS-12.81(c)(ii) instead of the disclosures made above in respect of NZ IAS-12.81(c)(i).

(ii) Where the entity is subject to a number of different tax rates in the different jurisdictions in which it operates, the above disclosures may need to be expanded to highlight the various rates applicable to the entity, particularly where the effect on aggregate income tax expense is material.

NZ IAS-12.NZ 4.1

Qualifying entities electing to account for income taxes under the income taxes payable method are not required to comply with the disclosure requirements in NZ IAS-12 insofar as they relate to disclosure of deferred tax expense (income).

NZ IAS-12.81(c)

The tax rate used in the above reconciliation is the corporate tax rate of 33% payable by New Zealand corporate entities on taxable profits under New Zealand tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

NZ IAS-12.81(d)

Where there is a change in the applicable tax rate(s) compared to the previous reporting period, an explanation must be given. The following example can be adapted as necessary:

"The corporate tax rate in New Zealand was changed from [x]% to [y]% with effect from [date]. This revised rate has not impacted the current tax payable for the current year but will do so in future periods. However, the impact of the change in tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period."

Source reference

3. Income taxes (cont'd)

(b) Income tax recognised directly in equity

	Consolidated		Company	
	2005 NZ$'000	**2004 NZ$'000**	**2005 NZ$'000**	**2004 NZ$'000**
NZ IAS-12.81(a) The following current and deferred amounts were charged/(credited) directly to equity during the period:				
Current tax: ***(i)***				
Share-issue expenses	-	-	-	-
Share buy-back expenses	-	-	-	-
	-	-	-	-
Deferred tax: ***(i)***				
Property revaluations (note 42(b))	-	543	-	1
Translation of foreign operations (note 42(c))	14	118	-	-
Disposal of foreign operations (note 42(c))	(40)	-	-	-
Revaluations of financial instruments treated as cash flow hedges (note 42(e))	393	-	-	-
Revaluations of available-for-sale securities (note 42(d))	31	-	(8)	-
Equity accounting adjustments	-	-	-	-
Actuarial movements on defined benefit plans (note 43)	(2)	7	-	-
Share issue expenses deductible over 5 years	-	-	-	-
Compound financial instruments	266	-	266	-
Other *[describe]*	-	-	-	-
	662	668	258	1
Adjustments to opening retained earnings associated with changes in accounting policies for financial instruments	102	-	38	-
	764	668	296	1

(i) An entity is only required to disclose the aggregate amount.

(c) Current tax assets and liabilities

Current tax assets:				
Tax refund receivable	85	60	-	-
Other *[describe]*	-	-	-	-
	85	60	-	-
Current tax payables:				
Income tax payable	5,283	5,868	4,624	4,643
Classified as held for sale (note 55)	(150)	-	-	-
Other *[describe]*	-	-	-	-
	5,133	5,868	4,624	4,643

NZ IAS-12.71 *An entity shall offset current tax assets and current tax liabilities if, and only if, the entity:*

(a) has a legally enforceable right to set off the recognised amounts, and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

C

Source reference

3. Income taxes (cont'd)

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
(d) Deferred tax balances				
Deferred tax assets comprise:				
Tax losses	-	-	-	-
Foreign tax credits	-	-	-	-
Temporary differences	-	-	-	37
Other *[describe]*	-	-	-	-
	-	-	-	37
Deferred tax liabilities comprise:				
NZ IAS-12.81(g) Temporary differences	4,591	3,693	423	-
	4,591	3,693	423	-

Taxable and deductible temporary differences arise from the following:

The following illustrative disclosure is considered 'best practice' and in some respects has disclosures in excess of those required by NZ IAS-12 'Income Taxes'. The only requirements for a breakdown by type of temporary difference, i.e. the first column, are the opening and closing balances, and the amount charged to income. The other columns could be amalgamated or excluded so long as the other disclosures required by NZ IAS-12 are made elsewhere in the financial statements in aggregate.

NZ IAS-12.81(a), 81(g)

	Consolidated						
2005	Opening balance NZ$'000	Charged to income NZ$'000	Charged to equity NZ$'000	Acquisitions/ disposals NZ$'000	Exchange differences NZ$'000	Changes in tax rate NZ$'000	Closing balance NZ$'000
Gross deferred tax liabilities:							
Cash flow hedges	(118)	-	(418)	-	-	-	(536)
Investment in associates	(1,394)	(391)	-	-	-	-	(1,785)
NZ IAS-16.42 Property, plant & equipment	(1,063)	(1,880)	-	1,294	-	-	(1,649)
Intangible assets	(3,738)	525	-	-	-	-	(3,213)
Fair value through profit or loss financial assets	(12)	9	-	-	-	-	(3)
Available-for-sale financial assets	(57)	-	(31)	-	-	-	(88)
Convertible notes	-	-	(266)	-	-	-	(266)
Other	464	43	26	(118)	26	-	441
	(5,918)	(1,694)	(689)	1,176	26	-	(7,099)
Gross deferred tax assets:							
Provisions	1,840	65	2	-	-	-	1,907
Doubtful debts & impairment losses	276	(13)	-	-	-	-	263
Foreign currency monetary items	218	(109)	-	-	-	-	109
Cash flow hedges	-	-	25	-	-	-	25
Fair value hedges	-	-	-	-	-	-	-
Other	(211)	(17)	-	4	(2)	-	(226)
	2,123	(74)	27	4	(2)	-	2,078
	(3,795)	(1,768)	(662)	1,180	24	-	(5,021)
Attributable to:							
NZ IFRS-5.30 Continuing operations							(4,591)
Discontinued operations (note 55)							(430)
							(5,021)

Source reference

3. Income taxes (cont'd)

NZ IAS-12.81(a), 81(g)

2004	Consolidated						
	Opening balance NZ$'000	Charged to income NZ$'000	Charged to equity NZ$'000	Acquisi-tions/ disposals NZ$'000	Exchange differences NZ$'000	Changes in tax rate NZ$'000	Closing balance NZ$'000
Gross deferred tax liabilities:							
Hedging instruments	-	(74)	-	-	-	-	(74)
Investments in associates	(870)	(524)	-	-	-	-	(1,394)
NZ IAS-16.42 Property, plant & equipment	(541)	21	(543)	-	-	-	(1,063)
Intangible assets	(4,133)	395	-	-	-	-	(3,738)
Other	504	6	(118)	-	61	-	453
	(5,040)	(176)	(661)	-	61	-	(5,816)
Gross deferred tax assets:							
Provisions	1,925	(78)	(7)	-	-	-	1,840
Doubtful debts & impairment losses	134	142	-	-	-	-	276
Foreign currency monetary items	119	99	-	-	-	-	218
Other	(198)	(13)	-	-	-	-	(211)
	1,980	150	(7)	-	-	-	2,123
	(3,060)	(26)	(668)	-	61	-	(3,693)

NZ IAS-12.81(a), 81(g)

2005	Company						
Gross deferred tax liabilities:							
NZ IAS-16.42 Property, plant & equipment	(8)	1	-	-	-	-	(7)
Fair value through profit or loss financial assets	(3)	(8)	-	-	-	-	(11)
Available-for-sale financial assets	(35)	-	8	-	-	-	(27)
Convertible notes	-	-	(266)	-	-	-	(266)
Other	1	(178)	-	-	23	-	(154)
	(45)	(185)	(258)	-	23	-	(465)
Gross deferred tax assets:							
Provisions	47	(4)	-	-	-	-	43
Doubtful debts & impairment losses	1	(13)	-	-	-	-	(12)
Other	(4)	15	-	-	-	-	11
	44	(2)	-	-	-	-	42
	(1)	(187)	(258)	-	23	-	(423)

C

Source reference

3. Income taxes (cont'd)

NZ IAS-12.81(a), 81(g)

2004	Company						
	Opening balance	Charged to income	Charged to equity	Acquisi-tions/ disposals	Exchange differences	Changes in tax rate	Closing balance
	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Gross deferred tax liabilities:							
NZ IAS-16.42 Property, plant & equipment	(8)	1	(1)	-	-	-	(8)
Other	1	-	-	-	-	-	1
	(7)	1	(1)	-	-	-	(7)
Gross deferred tax assets:							
Provisions	57	(10)	-	-	-	-	47
Doubtful debts & impairment losses	3	(2)	-	-	-	-	1
Other	(5)	1	-	-	-	-	(4)
	55	(11)	-	-	-	-	44
	48	(10)	(1)	-	-	-	37

NZ IAS-12.74

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if, the entity:

(a) has a legally enforceable right to set off the recognised amounts, and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amount of deferred tax liabilities or assets to be settled or recovered.

NZ IAS-12.76

In rare circumstances, an entity may have a legally enforceable right of set-off, and an intention to settle net, for some periods but not for others. In such rare circumstances, detailed scheduling may be required to establish reliably whether the deferred tax liability of one taxable entity will result in increased tax payments in the same period in which a deferred tax asset of another taxable entity will result in decreased payments by that second taxable entity.

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
Unrecognised deferred tax balances				
NZ IAS-12.81(e) The following deferred tax assets have not been brought to account as assets:				
Tax losses	11	11	2	-
Unused tax credits (expires *[date]*)				
Temporary differences	-	-	-	-
	11	11	2	-

NZ IAS-12.81(f)

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $102,000. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of joint ventures and associates for which deferred tax liabilities have not been recognised is $26,000.

Source reference

3. Income taxes (cont'd)

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	(e) Imputation credit account balances				
NZ IAS-12.NZ 81.1	Balance at beginning of the period	49,132	40,615	38,777	30,627
	Attached to dividends received	77	88	4,406	5,399
	Taxation paid	13,824	11,620	8,145	5,942
	Attached to dividends paid	(3,268)	(3,191)	(3,268)	(3,191)
	Balance at end of the period	59,765	49,132	48,060	38,777
	Imputation credits available directly and indirectly to shareholders of the parent company, through:				
	Parent company	48,060	38,777		
	Subsidiaries	11,705	10,355		
		59,765	49,132		

4. Key management personnel compensation

The meaning of 'compensation'

NZ IAS-24.9

Compensation includes all employee benefits (as defined in NZ IAS-19 'Employee Benefits') including employee benefits to which NZ IFRS-2 'Share-based Payment' applies. Employee benefits are all forms of consideration paid in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:

(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;

(d) termination benefits; and

(e) share-based payment.

NZ IAS-24.16

The compensation of the Directors and executives, being the key management personnel of the entity, is set out below:

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
Short-term employee benefits	1,414	1,330	1,414	1,330
Post-employment benefits	81	76	81	76
Other long-term employee benefits	83	79	83	79
Termination benefits	-	-	-	-
Share-based payment	139	58	139	58
	1,717	1,543	1,717	1,543

NZ IAS-24.9

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Source reference

5. Executive share option plan

NZ IFRS-2.44, 46, 50, 52

An entity shall disclose information that enables users of the financial report to understand the nature and extent of share-based payment arrangements that existed during the period, how the fair value of the goods and services received or equity instruments granted during the period were determined, and the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position. Where the specific disclosures required by NZ IFRS-2 'Share-based Payment' does not satisfy these principles, an entity shall disclose such additional information as is necessary to satisfy them.

NZ IFRS-2.45(a)

The consolidated entity has an ownership-based remuneration scheme for executives (including Directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, executives with more than five years service with the company may be granted options to purchase parcels of ordinary shares at an exercise price of $1.00 per ordinary share.

Each executive share option converts into one ordinary share of The Toy Company Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the performance based formula approved by shareholders at a previous annual general meeting and is subject to approval by the Remuneration Committee. The formula rewards executives against the extent of the company's and individual's achievement 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
- warranty claims
- client satisfaction surveys
- rate of staff turnover

The options granted expire within twelve months of their issue, or one month of the resignation of the executive, whichever is the earlier.

NZ IFRS-2.44, 45(a)

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

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
(1) Issued 31 March 2004 (*)	140,000	31/03/04	31/03/05	1.00	1.15
(2) Issued 30 September 2004 (*)	150,000	30/09/04	30/09/05	1.00	1.18
(3) Issued 31 March 2005 (*)	160,000	31/03/05	31/03/06	1.00	1.20
(4) Issued 30 September 2005 (**)	60,000	30/09/05	30/09/06	1.00	1.05

(*) In accordance with the terms of the share-based arrangement, options issued during the financial year ended 31 December 2004, and on 31 March 2005, vest at the date of their issue.

(**) In accordance with the terms of the share-based arrangement, options issued on 30 September 2005 will vest when the share price of The Toy Company Limited, as quoted on the New Zealand Stock Exchange, exceeds $4.00.

NZ IFRS-2.46, 47(a)

The weighted average fair value of the share options granted during the financial year is $1.16 (2004: $1.17). 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 employees would exercise the options after vesting date when the share price was two and a half times the exercise price.

Source reference

5. Executive share option plan (cont'd)

Inputs into the model	Option series			
	Series 1	Series 2	Series 3	Series 4
Grant date share price	2.64	2.67	2.69	2.53
Exercise price	1.00	1.00	1.00	1.00
Expected volatility	15.20%	15.40%	13.10%	13.50%
Option life	1 year	1 year	1 year	1 year
Dividend yield	13.27%	13.12%	13.00%	13.81%
Risk-free interest rate	5.13%	5.14%	5.50%	5.45%
Other *[describe]*	-	-	-	-

The following reconciles the outstanding share options granted under the executive share option plan at the beginning and end of the financial year:

		2005		2004	
		Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
NZ IFRS-2.45(b)(i)	Balance at beginning of the financial year	290,000	1.00	-	-
NZ IFRS-2.45(b)(ii)	Granted during the financial year	220,000	1.00	290,000	1.00
NZ IFRS-2.45(b)(iii)	Forfeited during the financial year	-	-	-	-
NZ IFRS-2.45(b)(iv)	Exercised during the financial year **(i)** (note 41)	(314,000)	1.00	-	-
NZ IFRS-2.45(b)(v)	Expired during the financial year	-	-	-	-
NZ IFRS-2.45(b)(vi)	Balance at end of the financial year **(ii)**	196,000	1.00	290,000	1.00
NZ IFRS-2.45(b)(vii)	Exercisable at end of the financial year	136,000	1.00	290,000	1.00

(i) Exercised during the financial year

NZ IFRS-2.45(c) The following share options granted under the executive share option plan were exercised during the financial year:

2005 Options series	Number exercised	Exercise date	Share price at exercise date $
(1) Issued 31 March 2004	30,000	05/01/05	2.50
(1) Issued 31 March 2004	45,000	31/01/05	2.25
(1) Issued 31 March 2004	65,000	15/03/05	2.75
(2) Issued 30 September 2004	65,000	01/07/05	2.95
(2) Issued 30 September 2004	85,000	28/08/05	3.15
(3) Issued 31 March 2005	24,000	20/12/05	3.50
	314,000		

2004 Options series	Number exercised	Exercise date	Share price at exercise date $
[describe option series]	-	-	-

Source reference

5. Executive share option plan (cont'd)

NZ IFRS-2.45(c) *If options were exercised on a regular basis throughout the period, the entity may instead disclose the weighted average share price during the period, for example:*

'The weighted average share price of the options exercised during the financial year was $2.86 (2004: none exercised).'

(ii) Balance at end of the financial year

NZ IFRS-2.45(d) The share options outstanding at the end of the financial year had an exercise price of $1.00 and a weighted average remaining contractual life of 146 days.

NZ IFRS-2.45(d) *If the range of exercise prices is wide, the outstanding options shall be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.*

Fair value of goods and services determined indirectly by reference to the fair value of equity instruments granted

NZ IFRS-2.47 *Where the fair value of goods and services received as consideration for equity instruments has been measured indirectly by reference to the fair value of the equity instruments granted, an entity shall disclose:*

(a) for share options granted during the period, the weighted average fair value of those options at the measurement date and information on how that fair value was measured, including:

(i) the option pricing model used and the inputs to that model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise;

(ii) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and

(iii) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.

(b) for equity instruments other than share options granted during the period, the number and weighted average fair value of those equity instruments at the measurement date, and information on how that fair value was measured, including:

(i) if fair value was not measured on the basis of an observable market price, how it was determined;

(ii) whether and how expected dividends were incorporated into the measurement of fair value; and

(iii) whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value.

Modified share-based payment arrangements

NZ IFRS-2.47(c) *For share-based payment arrangements that were modified during the period, an entity shall disclose:*

(a) an explanation of those modifications;

(b) the incremental fair value granted (as a result of those modifications); and

(c) information on how the incremental fair value granted was measured, consistently with the requirements set out in (a) and (b) above, where applicable.

Source reference

6. Remuneration of auditors

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
Companies Act 1993 S211(1)(j)	**Auditor of the parent entity**				
NZ IAS-1.NZ94.1(a)(i)	Audit of the financial statements	443	406	125	124
NZ IAS-1.NZ94.1(a)(ii)	Audit related services or review of the financial statements not reported above *(i)*	-	-	-	-
NZ IAS-1. NZ94.1(a)(iii)	Taxation services *(i)*	300	352	-	-
NZ IAS-1. NZ94.1(a)(iv)	Other non-audit services *[describe](i)*	-	-	-	-
		743	758	125	124
NZ IAS-1.NZ94.1(b)	**Auditor(s) of entities in the group (not including the parent entity)**				
	Audit of the financial statements	237	420	-	-
		237	420	-	-

Companies Act 1993 S211(1)(j) The auditor of The Toy Company Limited is Deloitte.

NZ IAS-1.NZ94.1 *(i) The nature and amount of each of the non-audit services (including audit-related services) provided by each auditor of the parent entity shall be disclosed separately in the notes to the financial statements.*

7. Current trade and other receivables

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	Trade receivables (i)	20,436	17,785	16,439	14,738
NZ IAS-39.63	Allowance for doubtful debts	(798)	(838)	(6)	(4)
		19,638	16,947	16,433	14,734
	Classified as held for sale (note 55)	(1,980)	-	-	-
NZ IAS-17.36	Finance lease receivable (note 50)	-	-	-	-
NZ IAS-17.47(d)	Allowance for uncollectible minimum lease payments	-	-	-	-
		-	-	-	-
NZ IFRS-5.30	Deferred sales proceeds (note 58(c)) (ii)	1,566	-	-	-
NZ IAS-17.49	Operating lease receivable	-	-	-	-
NZ IAS-11.42(a)	Amount due from customers under construction contracts (note 38)	240	230	-	-
	Goods and services tax (GST) receivable	-	-	-	-
	Other *[describe]*	54	20	10	15
		19,518	17,197	16,443	14,749

NZ IAS-32.60(a), 94(l) (i) The average credit period on sales of goods is 60 days. No interest is charged on the 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. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. The movement in the allowance of $40,000 (company: $2,000) was recognised in the profit or loss for the current financial year.

NZ IFRS-5.17 *(ii) Any increase in the present value of costs to sell that arises from the passage of time shall be presented in profit or loss as a financing cost.*

Source reference

8. Other current financial assets

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-32.55	**At fair value (2004: cost):**				
NZ IAS-32.94(e)	Shares (i)	1,900	1,889	630	595
	Options (ii)	20	15	25	15
	Foreign currency forward contracts *(iv)*	64	113	-	-
	Interest rate swaps *(iv)*	456	-	-	-
	Currency swaps *(iv)*	52	132	-	-
	Other *[describe]*	-	-	-	-
		2,492	2,149	655	610
	At amortised cost (2004: cost):				
	Bills of exchange:				
	Bills accepted or endorsed by banks	3,720	2,836	18	188
	Other bills	584	768	-	20
		4,304	3,604	18	208
	Debentures	500	-	-	-
NZ IAS-24.17(b)	Interest-bearing loans advanced to:				
	Key management personnel	2,420	-	2,420	-
	Parent entity	-	-	-	-
	Entities with joint control or significant influence over the entity	-	-	-	-
	Subsidiaries (iii)	-	-	24,597	30,035
	Associates	-	-	-	-
	Joint venture entities	-	-	-	-
	Other related parties	1,217	3,088	-	-
	Other entities	-	-	-	-
		3,637	3,088	27,017	30,035
	Other *[describe]*	-	-	-	-
		10,933	8,841	27,690	30,853

NZ IAS-32.94(e) (i) Designated as a financial asset at fair value through profit or loss from 1 January 2005.

NZ IAS-32.66(d), NZ IAS-39.9 This designation was used because a group of financial assets both is managed and its performance is evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

NZ IAS-32.94(e) (ii) Classified as held for trading. European option for purchase of shares in listed companies.

(iii) Receivables from entities within the wholly-owned group include amounts arising under the entity's tax funding arrangement.

(iv) There is no requirement to recognise derivatives under the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of NZ IAS-39 'Financial Instruments: Recognition and Measurement'). Such derivatives are recognised in the current period under NZ IAS-39 as hedging financial instruments. This was because the company has elected to apply the optional exemption under NZ IFRS-1.36A allowing no restatement of comparatives for entities adopting NZ IFRS before 1 January 2006. Note: this exemption will not be applicable for all reporting dates ending on or after 1 January 2006 and comparatives will have to be restated under NZ IFRS.

Source reference					

9. Current inventories

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-2.NZ5.2, 36(b)	**Raw materials:**				
	At cost	9,142	10,322	42	44
NZ IAS-2.36(b)	**Work in progress:**				
	At cost	4,490	4,354	36	46
NZ IAS-2.36(b)	**Finished goods:**				
	At cost	18,610	15,458	142	150
NZ IFRS-5.30	Classified as held for sale (note 55)	(830)	-	-	-
NZ IAS-2.36(c)	At net realisable value	132	218	-	-
		17,912	15,676	142	150
NZ IAS-2.36(b)		31,544	30,352	220	240

10. Other current assets

Deferred loss on foreign currency contracts (i)	-	-	-	-
Prepayments	-	-	-	-
Other *[describe]*	-	-	-	-
	-	-	-	-

(i) Deferred losses on foreign currency hedging contracts are recognised as assets in the comparative period in accordance with the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of NZ IAS-39 'Financial Instruments: Recognition and Measurement'). Such losses are not recognised as assets in the current period under NZ IAS-39, but are deferred in equity or recognised in profit or loss, as appropriate. This was because the company has elected to apply the optional exemption under NZ IFRS-1.36A allowing no restatement of comparatives for entities adopting NZ IFRS before 1 January 2006. Note: this exemption will not be applicable for all reporting dates ending on or after 1 January 2006 and comparatives will have to be restated under NZ IFRS.

NZ IFRS-5.30

11. Non-current assets held for sale

Land held for sale (i) (note 16)	1,260	-	-	-
Discontinued operations (note 55)	21,076	-	-	-
	22,336	-	-	-

NZ IFRS-5.41

(i) The consolidated entity intends to dispose of a parcel of land it no longer utilises in the next 10 months. The property was previously used in the consolidated entity's toy operations. A search is underway for a buyer. No impairment loss was recognised on reclassification of the land as held for sale or at the reporting date.

C

Source reference

12. Non-current trade and other receivables

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	Trade receivables	-	-	-	-
NZ IAS-39.63	Allowance for doubtful debts	-	-	-	-
NZ IAS-17.36	Finance lease receivable (note 50)	-	-	-	-
NZ IAS-17.47(d)	Allowance for uncollectible minimum lease payments	-	-	-	-
		-	-	-	-
	Operating lease receivable	-	-	-	-
NZ IAS-11.42(a)	Amount due from customers under construction contracts (note 38)	-	-	-	-
	Other *[describe]*	-	-	-	-
		-	-	-	-

13. Non-current inventories

NZ IAS-2. NZ5.2, 36(b)	**Raw materials:**				
	At cost	-	-	-	-
NZ IAS-2.36(b)	**Work in progress:**				
	At cost	-	-	-	-
NZ IAS-2.36(b)	**Finished goods:**				
	At cost	-	-	-	-
NZ IAS-2.36(c)	At net realisable value	-	-	-	-
		-	-	-	-
NZ IAS-2.36(b)		-	-	-	-

14. Investments accounted for using the equity method

NZ IAS-28.38	Investments in associates	6,721	5,811	-	-
NZ IAS-31	Investments in jointly controlled entities	1,704	1,458	-	-
		8,425	7,269	-	-

NZ IAS-27.42(b)	Name of entity	Country of Incorporation	Ownership interest (iii) 2005 %		Ownership interest (iii) 2004 %	Published fair value (iv) 2005 NZ$'000	Published fair value (iv) 2004 NZ$'000
	Associates						
NZ IAS-28.37(a)	TC Germany Limited	Germany	35	(i)	35	2,231	2,069
	TC Trust	New Zealand	27		27	-	-
	TC Finance Limited	New Zealand	40		40	-	-
	TC Geneva Limited	Switzerland	25		25	-	-
NZ IAS-31.56	**Jointly controlled entities**						
	TC China Limited	China	20	(ii)	20	-	-
	TC Partnership	New Zealand	25		25	-	-
	TC India Limited	India	15		15	587	536

Source reference

14. Investments accounted for using the equity method (cont'd)

(i) Pursuant to a shareholder agreement the company has the right to cast 37% of the votes at shareholder meetings.

(ii) Pursuant to a shareholder agreement the company has the right to cast 25% of the votes at shareholder meetings.

NZ IAS-28.37(c)

(iii) An investor shall disclose the reasons why the presumption that it does not have significant influence is overcome if it holds, directly, or indirectly through subsidiaries, less than 20% of the voting or potential voting power of the investee but concludes that it has significant influence.

NZIAS-28.37(a), NZ IAS-31

(iv) The fair value of interests in associates and jointly controlled entities for which there are published price quotations shall be disclosed.

		Consolidated	
		2005 NZ$'000	2004 NZ$'000
	Summarised financial information of associates:		
	Current assets	11,740	10,960
	Non-current assets	28,666	24,950
NZ IAS-28.37(b)		40,406	35,910
	Current liabilities	(6,042)	(6,259)
	Non-current liabilities	(3,005)	(3,358)
NZ IAS-28.37(b)		(9,047)	(9,617)
	Net assets	31,359	26,293
NZ IAS-28.37(b)	**Revenue**	5,645	6,984
NZ IAS-28.37(b)	**Net profit**	3,212	3,694
NZ IAS-28.38	Share of associate's profit/(loss)	935	1,589

NZ IAS-31.56

Summarised financial information of jointly controlled entities:		
Current assets	734	708
Non-current assets	1,792	1,560
	2,526	2,268
Current liabilities	(376)	(391)
Non-current liabilities	(184)	(210)
	(560)	(601)
Net assets	1,966	1,667
Income	6,409	4,920
Expenses	3,047	2,725
Share of jointly controlled entities' profit/(loss)	251	-
Share of associates and jointly controlled entities' profit/(loss)	1,186	1,589

C

Source reference	

14. Investments accounted for using the equity method (cont'd)

Dividends received from associates and joint ventures

NZ IAS-24.17(a) During the year, the consolidated entity received dividends of $25,000 (2004: $25,000) from its associates and dividends of $5,000 (2004: nil) from its jointly controlled entities.

NZ IAS-28.40(a), NZ IAS-31.54(a), (b),55 **Contingent liabilities and capital commitments**

The consolidated entity's share of the capital commitments, other expenditure commitments and contingent liabilities of associates and jointly controlled entities are disclosed in notes 48 and 49 respectively.

NZ IAS-28.40(b), NZ IAS-31.54(c) The company is joint and severally liable for all the liabilities of TC Finance Limited; these are disclosed in note 49.

Disclosure in aggregate or individually

NZ IAS-28.NZ 37.1 *NZ IAS-28 'Investments in Associates' and NZ IAS-31 'Interests in Joint Ventures' do not explicitly state whether the disclosure of summarised financial information is to be made individually or in aggregate except where the equity method is applied to associates in which case it must be disclosed on an aggregate basis. An entity shall consider disclosing information on an individual basis where this is material to the evaluation of operating performance and financial position of the investor.*

Restrictions on fund transfers

NZ IAS-28.37(f) *The entity shall disclose the nature and extent of any significant restrictions (for example, resulting from borrowing arrangements or regulatory requirements) on the ability of an associate or a jointly controlled entity to transfer funds to the entity in the form of cash dividends, or repayment of loans or advances.*

Unrecognised share of losses

NZ IAS-28.37(g) *The entity shall disclose the unrecognised share of losses of an associate or jointly controlled entity, both for the period and cumulatively, if recognition of the associate's or jointly controlled entity's share of losses has been discontinued.*

Different reporting dates or reporting periods

NZ IAS-28.24, 25 *The most recent available financial statements of the associate are used by the investor in applying the equity method. When the reporting dates of the investor and the associate are different, the associate prepares, for the use of the investor, financial statements as of the same date as the financial statements of the investor unless it is impracticable to do so.*

When the financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the investor, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements. In any case, the difference between the reporting date of the associate and that of the investor shall be no more than three months. The length of reporting periods and any difference in the reporting dates shall be the same from period to period.

NZ IAS-28.37(e) *The entity shall disclose the reporting date of the financial statements of an associate or jointly controlled entity, when such financial statements are used in applying the equity method and are as of a reporting date or for a period that is different from that of the investor or venturer, and the reason for using a different reporting date or different period.*

Discontinued operations of associates and joint ventures

NZ IAS-28.38, NZ IFRS-5.30 *The entity's share of any discontinued operations of associates or joint ventures shall be separately disclosed.*

Equity accounted investment reduced to zero

NZ IAS-28.29 *If an investor's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associate.*

Source reference	

14. Investments accounted for using the equity method (cont'd)

Such items may include preference shares and long-term receivables or loans but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans. Losses recognised under the equity method in excess of the investor's investment in ordinary shares are applied to the other components of the investor's interest in an associate in the reverse order of their seniority (i.e. priority in liquidation).

NZ IAS-28.30

After the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Ceasing to have significant influence or joint control

NZ IAS-28.18, 19,
NZ IAS-31.41, 45

An investor shall discontinue the use of the equity method from the date that it ceases to have significant influence over an associate and shall account for the investment in accordance with NZ IAS-39 'Financial Instruments: Recognition and Measurement' from that date, provided the associate does not become a subsidiary or a joint venture. The carrying amount of the investment at the date that it ceases to be an associate shall be regarded as its cost on initial measurement as a financial asset in accordance with NZ IAS-39.
Similar requirements apply to jointly controlled entities that cease to be jointly controlled or significantly influenced by the venturer.

Exceptions to equity method

NZ IAS-28.13,
NZ IAS-31.2

An entity is exempted from applying the equity method to account for an interest in a jointly controlled entity or an associate when the interest is classified as held for sale in accordance with NZ IFRS-5 'Non-current Assets Held for Sale and Discontinued Operations'; or if all of the following apply:

- *(ii) the investor's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);*
- *(i) the investor is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not applying the equity method;*
- *(iii) the investor did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and*
- *(iv) the ultimate or any intermediate parent of the entity produces consolidated financial statements available for public use that comply with NZ IFRS.*

NZ IFRS-5.15,30,
NZ IAS-28.14,
NZ IAS-31.42

Where the interest is classified as held for sale, the interest shall be measured at the lower of carrying amount and fair value less costs to sell. Otherwise, the entity shall account for the interest at cost, or in accordance with NZ IAS-39.

NZ IAS-28.37(h), (i),
NZ IAS-31.NZ40.1

The entity shall disclose the fact that the interest has not been accounted for using the equity method and shall provide summarised financial information of such entities, either individually or in groups, including the amounts of total assets and total liabilities.

NZ IAS-28.15,
NZ IAS-31.43

When an interest in a jointly controlled entity or an associate previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

Source reference	

15. Other non-current financial assets

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	Shares in controlled entities	-	-	66,298	66,298
	At fair value (2004: cost):				
NZ IAS-32.55	Available-for-sale:				
	Convertible notes (i)	2,200	2,122	2,200	2,122
	Shares (ii)	4,020	3,832	34	30
	Other *[describe]*	-	-	-	-
		6,220	5,954	2,234	2,152
	Foreign currency forward contracts	-	-	-	-
	Interest rate swaps *(iii)*	1,065	-	-	-
	Currency swaps *(iii)*	-	-	-	-
	Other *[describe]*	-	-	-	-
	At amortised cost (2004: cost):				
	Bills of exchange:				
	Bills accepted or endorsed by banks	2,059	1,658	-	-
	Other bills	-	-	-	-
		2,059	1,658	-	-
	Debentures	-	-	-	-
NZ IAS-24.17(b)	Interest-bearing loans advanced to:				
	Key management personnel	-	-	-	-
	Parent entity	-	-	-	-
	Entities with joint control or significant influence over the entity	-	-	-	-
	Subsidiaries	-	-	-	-
	Associates	-	-	-	-
	Joint venture entities	-	-	-	-
	Other related parties	-	-	-	-
		-	-	-	-
	Other *[describe]*	-	-	-	-
		9,344	7,612	68,532	68,450

NZ IAS-32.60(a)

(i) The consolidated entity holds listed convertible notes returning 7% p.a. The convertible notes convert into ordinary shares of the entities in which the notes are held in 2008.

NZ IAS-28.37(d)

(ii) The consolidated entity holds 20% (2004: 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 consolidated entity do not believe that the consolidated entity is able to exert significant influence over Rocket Corp Limited as the other 80% is controlled by one shareholder, who also manages the day-to-day operations of the company.

(iii) There is no requirement to recognise swaps under the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of NZ IAS-39 'Financial Instruments: Recognition and Measurement'). Such swaps are recognised in the current period under NZ IAS-39. This was because the company has elected to apply the optional exemption under NZ IFRS-1.36A allowing no restatement of comparatives for entities adopting NZ IFRS before 1 January 2006. Note: this exemption will not be applicable for all reporting dates ending on or after 1 January 2006 and comparatives will have to be restated under NZ IFRS.

Source reference

16. Property, plant and equipment

		Consolidated					
		Freehold land at fair value NZ$'000	Buildings at fair value NZ$'000	Leasehold improve-ments at cost NZ$'000	Plant and equipment at cost NZ$'000	Equipment under finance lease at cost NZ$'000	Total NZ$'000
	Gross carrying amount						
NZ IAS-16.73(d)	**Balance at 1 January 2004**	14,750	12,145	276	136,515	630	164,316
NZ IAS-16.73(e)(i)	Additions	-	1,205	-	10,657	40	11,902
	Disposals	-	-	-	(27,286)	-	(27,286)
NZ IAS-16.73(e)(iii)	Acquisitions through business combinations	-	-	-	-	-	-
NZ IAS-16.73(e)(ii)	Classified as held for sale	-	-	-	-	-	-
NZ IAS-16.73(e)(iv)	Net revaluation increments/ (decrements)	1,608	37	-	-	-	1,645
NZ IAS-16.73(e)(viii)	Net foreign currency exchange differences	-	-	-	-	-	-
NZ IAS-16.73(e)(ix)	Other *[describe]*	-	-	-	-	-	-
NZ IAS-16.73(d)	**Balance at 1 January 2005**	16,358	13,387	276	119,886	670	150,577
NZ IAS-16.73(e)(i)	Additions	-	-	-	22,983	-	22,983
	Disposals	(1,230)	(1,084)	(16)	(19,147)	(624)	(22,101)
NZ IAS-16.73(e)(iii)	Acquisitions through business combinations	(300)	(100)	-	454	-	54
NZ IAS-16.73(e)(ii)	Classified as held for sale	(1,260)	(1,357)	-	(20,785)	-	(23,402)
NZ IAS-16.73(e)(iv)	Net revaluation increments/ (decrements)	-	-	-	-	-	-
NZ IAS-16.73(e)(viii)	Net foreign currency exchange differences	-	-	-	-	-	-
NZ IAS-16.73(e)(ix)	Other *[describe]*	-	-	-	-	-	-
NZ IAS-16.73(d)	**Balance at 31 December 2005**	13,568	10,846	260	103,391	46	128,111
	Accumulated depreciation/amortisation and impairment						
NZ IAS-16.73(d)	**Balance at 1 January 2004**	-	-	-	-	(378)	(378)
	Disposals	-	-	-	58	-	58
NZ IAS-16.73(e)(iv)	Net adjustments from revaluation increments/ (decrements)	-	(2)	-	-	-	(2)
NZ IAS-16.73(e)(ii)	Classified as held for sale	-	-	-	-	-	-
NZ IAS-16.73(e)(v), NZ IAS-36.126(a), NZ IAS-1.87(a)	Impairment losses charged to profit (i)	-	-	-	-	-	-
NZ IAS-16.73(e)(vi), NZ IAS-36.126(b), NZ IAS-1.87(a)	Reversals of impairment losses charged to profit (i)	-	-	-	-	-	-
NZ IAS-16.73(e)(vii)	Depreciation expense	-	(892)	(55)	(14,717)	(130)	(15,794)
NZ IAS-16.73(e)(viii)	Net foreign currency exchange differences	-	-	-	-	-	-
NZ IAS-16.73(e)(ix)	Other *[describe]*	-	-	-	-	-	-
NZ IAS-16.73(d)	**Balance at 1 January 2005**	-	(894)	(55)	(14,659)	(508)	(16,116)
	Disposals	-	102	4	5,967	500	6,573
NZ IAS-16.73(e)(iv)	Net adjustments from revaluation increments/ (decrements)	-	-	-	-	-	-
NZ IAS-16.73(e)(ii)	Classified as held for sale	-	153	-	6,305	-	6,458

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Source reference

16. Property, plant and equipment (cont'd)

		Consolidated					
		Freehold land at fair value NZ$'000	Buildings at fair value NZ$'000	Leasehold improve-ments at cost NZ$'000	Plant and equipment at cost NZ$'000	Equipment under finance lease at cost NZ$'000	Total NZ$'000
NZ IAS-16.73(e)(v), NZ IAS-36.126(a), NZ IAS-1.87(a)	Impairment losses charged to profit (i)	-	-	-	(204)	-	(204)
NZ IAS-16.73(e)(vi), NZ IAS-36.126(b), NZ IAS-1.87(a)	Reversals of impairment losses charged to profit (i)	-	-	-	-	-	-
NZ IAS-16.73(e)(vii)	Depreciation expense	-	(721)	(53)	(12,803)	(10)	(13,587)
NZ IAS-16.73(e)(viii)	Net foreign currency exchange differences	-	-	-	-	-	-
NZ IAS-16.73(e)(ix)	Other *[describe]*	-	-	-	-	-	-
NZ IAS-16.73(d)	**Balance at 31 December 2005**	-	(1,360)	(104)	(15,394)	(18)	(16,876)
NZ IAS-17.31(a)	**Net book value**						
	As at 31 December 2004	16,358	12,493	221	105,227	162	134,461
	As at 31 December 2005	13,568	9,486	156	87,997	28	111,235
		Company					
	Gross carrying amount						
NZ IAS-16.73(d)	**Balance at 1 January 2004**	44	78	-	507	-	629
NZ IAS-16.73(e)(i)	Additions	-	-	-	28	-	28
	Disposals	-	-	-	(117)	-	(117)
NZ IAS-16.73(e)(iii)	Acquisitions through business combinations	-	-	-	-	-	-
NZ IAS-16.73(e)(ii)	Classified as held for sale	-	-	-	-	-	-
NZ IAS-16.73(e)(iv)	Net revaluation increments/ (decrements)	2	-	-	-	-	2
NZ IAS-16.73(e)(viii)	Net foreign currency exchange differences	-	-	-	-	-	-
NZ IAS-16.73(e)(ix)	Other *[describe]*	-	-	-	-	-	-
NZ IAS-16.73(d)	**Balance at 1 January 2005**	46	78	-	418	-	542
NZ IAS-16.73(e)(i)	Additions	5	20	-	30	-	55
	Disposals	(10)	(20)	-	(14)	-	(44)
NZ IAS-16.73(e)(iii)	Acquisitions through business combinations	-	-	-	-	-	-
NZ IAS-16.73(e)(ii)	Classified as held for sale	-	-	-	-	-	-
NZ IAS-16.73(e)(iv)	Net revaluation increments/ (decrements)	-	-	-	-	-	-
NZ IAS-16.73(e)(viii)	Net foreign currency exchange differences	-	-	-	-	-	-
NZ IAS-16.73(e)(ix)	Other *[describe]*	-	-	-	-	-	-
NZ IAS-16.73(d)	**Balance at 31 December 2005**	41	78	-	434	-	553

Source reference								

16. Property, plant and equipment (cont'd)

		Company					
		Freehold land at fair value NZ$'000	Buildings at fair value NZ$'000	Leasehold improve-ments at cost NZ$'000	Plant and equipment at cost NZ$'000	Equipment under finance lease at cost NZ$'000	Total NZ$'000
	Accumulated depreciation/amortisation and impairment						
NZ IAS-16.73(d)	**Balance at 1 January 2004**	-	-	-	-	-	-
	Disposals	-	-	-	8	-	8
NZ IAS-16.73(e)(iv)	Net adjustments from revaluation increments/ (decrements)	-	-	-	-	-	-
NZ IAS-16.73(e)(ii)	Classified as held for sale	-	-	-	-	-	-
NZ IAS-16.73(e)(v), NZ IAS-36.126(a), NZ IAS-1.87(a)	Impairment losses charged to profit (i)	-	-	-	-	-	-
NZ IAS-16.73(e)(vi), NZ IAS-36.126(b), NZ IAS-1.87(a)	Reversals of impairment losses charged to profit (i)	-	-	-	-	-	-
NZ IAS-16.73(e)(vii)	Depreciation expense	-	(7)	-	(38)	-	(45)
NZ IAS-16.73(e)(viii)	Net foreign currency exchange differences	-	-	-	-	-	-
NZ IAS-16.73(e)(ix)	Other *[describe]*	-	-	-	-	-	-
NZ IAS-16.73(d)	**Balance at 1 January 2005**	-	(7)	-	(30)	-	(37)
	Disposals	-	1	-	7	-	8
NZ IAS-16.73(e)(iv)	Net adjustments from revaluation increments/ (decrements)	-	-	-	-	-	-
NZ IAS-16.73(e)(ii)	Classified as held for sale	-	-	-	-	-	-
NZ IAS-16.73(e)(v), NZ IAS-36.126(a), NZ IAS-1.87(a)	Impairment losses charged to profit (i)	-	-	-	-	-	-
NZ IAS-16.73(e)(vi), NZ IAS-36.126(b), NZ IAS-1.87(a)	Reversals of impairment losses charged to profit (i)	-	-	-	-	-	-
NZ IAS-16.73(e)(vii)	Depreciation expense	-	(8)	-	(40)	-	(48)
NZ IAS-16.73(e)(viii)	Net foreign currency exchange differences	-	-	-	-	-	-
NZ IAS-16.73(e)(ix)	Other *[describe]*	-	-	-	-	-	-
NZ IAS-16.73(d)	**Balance at 31 December 2005**	-	(14)	-	(63)	-	(77)
NZ IAS-17.31(a)	**Net book value**						
	As at 31 December 2004	46	71	-	388	-	505
	As at 31 December 2005	41	64	-	371	-	476

NZ IAS-36.126(a), 131
NZ IAS-16.78

(i) Impairment losses are included in the line item 'impairment of non-current assets' in the income statement. The impairment losses recognised during the period of $204,000 (2004: nil) relate to write-downs of various items of plant and equipment that were storm damaged during the period.

NZ IAS-36.126(a), (b)

The line item(s) of the income statement in which impairment losses are recognised or reversed shall be disclosed. Entities disclosing expenses by function may wish to use the following wording as a guide:

'Of the charge for the year, impairment losses of [amount] (2004: [amount]) have been included in occupancy expenses and the remainder in other expenses.'

C

Source reference

16. Property, plant and equipment (cont'd)

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-16.74(b), 75(a)	Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
	Buildings	721	892	8	7
	Leasehold improvements	53	55	-	-
	Plant and equipment	12,803	14,717	40	38
	Equipment under finance lease	10	130	-	-
		13,587	15,794	48	45

Where note 2 to the financial statements separately discloses total depreciation by class of asset, the following disclosure may be made instead of the above aggregate depreciation disclosure:

'Aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.'

Freehold land and buildings carried at fair value

NZ IAS-16.77(a), (b), (c), (d), NZ 77.2(a), (b), (b), (e)

An independent valuation of the consolidated entity's land and buildings was performed by Messrs R & P Trent, (ANZPI) independent registered valuers not related to the consolidated entity, to determine the fair value of the land and buildings. The valuation, which conforms to the New Zealand Property Institute Practice Standard 3 – Valuations for Financial Reporting Purposes, was determined by reference to discounted cash flows using a discount rate of 10%. Under the New Zealand Property Institute Practice Standard 1, which came into force from 1 May 2004, all valuations must be assessed as at the date of inspection of the property, except where the valuation instructions are to assess the value at a retrospective date.

Accordingly, the valuation date is the date of inspection. The valuers determined that characteristics of the properties were such that under stable market conditions the value was unlikely to materially vary from their valuation conclusion between the date of valuation, being 23 December 2005, and the reporting date of 31 December 2005 (2004: The date of inspection and hence valuation was 31 December 2004).

NZ IAS-16.77(e)

The carrying amount of land and buildings had they been recognised under the cost model are as follows:				
Freehold land	11,957	14,750	39	44
Buildings	9,455	12,460	64	71

Alternative presentation format

The reconciliation of the movement in the carrying amount of each class of assets can be presented in alternative formats.

Assets under construction

NZ IAS-16.74(b)

The amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction shall be disclosed.

Compensation from third parties

NZ IAS-16.74(d)

If not disclosed separately on the face of the income statement, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss shall be disclosed.

Property, plant and equipment stated at revalued amounts

NZ IAS-16.77

If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c) the methods and significant assumptions applied in estimating the items' fair values;

Source reference

16. Property, plant and equipment (cont'd)

(d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;

(e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and

(f) the revaluation reserve, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

NZ IAS-16.35

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

(a) restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to its depreciated replacement cost; or

(b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. This method is often used for buildings.

The amount of the adjustment arising on the restatement or elimination of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with NZ IAS-16 'Property, Plant and Equipment'.

Impairment of revalued property, plant and equipment

NZ IAS-36.5

Property, plant and equipment carried at revalued amounts shall also be tested for impairment. Identifying whether a revalued asset may be impaired depends on the basis used to determine fair value:

(a) if the asset's fair value is its market value, the only difference between the asset's fair value and its fair value less costs to sell is the direct incremental costs to dispose of the asset:

(i) if the disposal costs are negligible, the recoverable amount of the revalued asset is necessarily close to, or greater than, its revalued amount (i.e. fair value). In this case, after the revaluation requirements have been applied, it is unlikely that the revalued asset is impaired and recoverable amount need not be estimated;

(ii) if the disposal costs are not negligible, the fair value less costs to sell of the revalued asset is necessarily less than its fair value. Therefore, the revalued asset will be impaired if its value in use is less than its revalued amount (i.e. fair value). In this case, after the revaluation requirements have been applied, an entity applies NZ IAS-36 'Impairment of Assets' to determine whether the asset may be impaired; and

(b) if the asset's fair value is determined on a basis other than its market value, its revalued amount (i.e. fair value) may be greater or lower than its recoverable amount. Hence, after the revaluation requirements have been applied, an entity applies NZ IAS-36 to determine whether the asset may be impaired.

Disclosure of impairment of property, plant and equipment

NZ IAS-36.130

An entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit:

(a) the events and circumstances that led to the recognition or reversal of the impairment loss;

(b) the amount of the impairment loss recognised or reversed; and

(c) for an individual asset:

(i) the nature of the asset; and

(ii) if the entity reports segment information, the reportable segment to which the asset belongs, based on the entity's primary reporting format;

Source reference

16. Property, plant and equipment (cont'd)

(d) for a cash-generating unit:

(i) a description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment);

(ii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information, by reportable segment based on the entity's primary reporting format; and

(iii) if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified; and

(e) whether the recoverable amount of the asset (or cash-generating unit) is its fair value less costs to sell or its value in use;

(f) if recoverable amount is fair value less costs to sell, the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference to an active market); and

(g) if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.

NZ IAS-36.131

An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with paragraph 130:

(a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses; and

(b) the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.

Presentation of gains and losses arising on derecognition

NZ IAS-16.67

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

NZ IAS-16.68, 69

The gain or loss arising from the derecognition shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and should be included in the profit and loss when the item is derecognised. Gains shall not be classified as revenue.

Additional disclosures

NZ IAS-16.79

Entities are encouraged to disclose the following information, as users of the financial report may find the information relevant to their needs:

(a) the carrying amount of temporarily idle property, plant and equipment;

(b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use;

(c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with NZ IFRS-5 'Non-current Assets Held for Sale and Discontinued Operations'; and

(d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.

Source reference

17. Investment property

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-40.76	Balance at beginning of financial year	132	112	-	-
NZ IAS-40.76(a)	Additions from subsequent expenditure	10	12	-	-
NZ IAS-40.76(b)	Acquisitions through businesses combinations	-	-	-	-
NZ IAS-40.76(a)	Other acquisitions	-	-	-	-
NZ IAS-40.76(c), NZ IFRS-5.30	Disposals and property held for sale	-	-	-	-
NZ IAS-40.76(d)	Net gain/(loss) from fair value adjustments (note 58(g))	(6)	8	-	-
NZ IAS-40.76(e)	Net foreign currency exchange differences	-	-	-	-
NZ IAS-40.76(f)	Transfers to and from inventories and owner occupied property	-	-	-	-
NZ IAS-40.76(g)	Other changes	-	-	-	-
NZ IAS-40.76	Balance at end of financial year	136	132	-	-

NZ IAS-40.75(d), (e), NZ 33.1(a), NZ 75.1

The fair value of the consolidated entity's investment property at 31 December 2005 (31 December 2004) has been arrived at on the basis of a valuation carried out at that date by Messrs R & P Trent (ANZPI), independent registered valuers not related to the consolidated entity. The valuation, which conforms to the New Zealand Property Institute Practice Standard 3 – Valuations for Financial Reporting Purposes, was arrived at by reference to market evidence of transaction prices for similar properties.

Messrs R P Trent has in excess of 20 years of experience valuing similar commercial properties in the Auckland CBD.

NZ IAS-40.75(d)

An entity shall disclose the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data.

NZ IAS-40.75(e), (f)

The extent to which the fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued shall be disclosed. If there has been no such valuation, that fact shall be disclosed.

NZ IAS-40.75.1

An entity shall disclose in respect of each valuer employed:

(a) the name of the valuer;

(b) the total fair value of property valued by that valuer; and

(c) the date(s) of such valuations.

Adjustment to valuation obtained for investment property

NZ IAS-40.77

When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back, and any other significant adjustments.

Inability to determine fair value reliably

NZ IAS-40.78

In the exceptional cases where an entity is unable to reliably determine the fair value of an investment property, and accordingly measures that investment property using the cost model, the reconciliation illustrated above shall disclose amounts relating to that investment property separately from amounts relating to other investment property. In addition, an entity shall disclose:

Source reference

17. Investment property (cont'd)

(a) a description of the investment property;
(b) an explanation of why fair value cannot be determined reliably;
(c) if possible, the range of estimates within which fair value is highly likely to lie; and
(d) on disposal of investment property not carried at fair value:
(i) the fact that the entity has disposed of investment property not carried at fair value
(ii) the carrying amount of that investment property at the time of sale; and
(iii) the amount of gain or loss recognised.

Investment properties measured under the cost model

NZ IAS-40.79 *An entity that applies the cost model shall also disclose:*
(a) the depreciation methods used;
(b) the useful lives or the depreciation rates used;
(c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

Contractual obligations

NZ IAS-40.75(h) *An entity shall disclose any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.*

18. Goodwill

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	Gross carrying amount				
NZ IFRS-3.75(a)	Balance at beginning of financial year	24,060	24,060	-	-
NZ IFRS-3.75(b)	Additional amounts recognised from business combinations occurring during the period (note 53)	390	-	-	-
NZ IFRS-3.75(c)	Reduction arising from realisation of deferred tax assets not previously recognised (note 58(c))	-	-	-	-
NZ IFRS-3.75(d)	Derecognised on disposal of a subsidiary	(3,080)	-	-	-
NZ IFRS-3.75(d), NZ IFRS-5.38	Derecognised on reclassification of investment as held for sale (note 55)	(1,147)	-	-	-
NZ IFRS-3.75(f)	Effects of foreign currency exchange differences	-	-	-	-
NZ IFRS-3.75(g)	Other	-	-	-	-
NZ IFRS-3.75(h)	Balance at end of financial year	20,223	24,060	-	-
	Accumulated impairment losses				
NZ IFRS-3.75(a)	Balance at beginning of financial year	-	-	-	-
NZ IFRS-3.75(e), NZ IAS-36.126(a), 130(b)	Impairment losses for the year (i)	(15)	-	-	-
NZ IFRS-3.75(d)	Eliminated on disposal of a subsidiary	-	-	-	-
NZ IFRS-3.75(d), NZ IFRS-5.38	Eliminated on reclassification of investment as held for sale	-	-	-	-
NZ IFRS-3.75(f)	Effect of foreign currency exchange differences	-	-	-	-
NZ IFRS-3.75(h)	Balance at end of financial year	(15)	-	-	-
	Net book value				
NZ IFRS-3.74, 75	At the beginning of the financial year	24,060	24,060	-	-
NZ IFRS-3.74, 75	At the end of the financial year	20,208	24,060	-	-

Source reference

18. Goodwill (cont'd)

NZ IFRS-3.76, NZ IAS-36.130

(i) During the financial year, the consolidated entity assessed the recoverable amount of goodwill, and determined that goodwill associated with the sales office in Germany was impaired by $15,000 (2004: nil). Impairment losses are included in the line item 'impairment of non-current assets' in the income statement.

The recoverable amount of the cash-generating unit, being the assets of the sales office and goodwill, was assessed by reference to the cash-generating unit's value in use. A discount factor of 10% (2004: 9.5%) was applied in the value in use model.

The main factor contributing to the impairment of the cash-generating unit was a slowing down of widget sales in Germany. No write-down of the carrying amounts of other assets in the cash-generating unit was necessary.

The goodwill is included in the 'widgets' reportable segment disclosed in note 54.

Allocation of goodwill to cash-generating units

NZ IAS-36.135

Goodwill has been allocated for impairment testing purposes to two individual cash-generating units and to four groups of cash-generating units, as follows:

Individual cash-generating units

- Construction operations – New Zealand
- Widget operations in Canada

Groups of cash-generating units

- Widget operations in Europe
- Toys operations – global
- Bicycle operations – global (disposed in 2005)
- Widget operations – global excl Canada and Europe

The carrying amount of goodwill allocated to the global widget cash-generating units, the global toys cash-generating units and to the global bicycle cash-generating units is significant in comparison with the total carrying amount of goodwill. The carrying amount of goodwill allocated to other cash-generating units is not. However, the recoverable amounts of the widget operations in Canada and Europe are based on some of the same key assumptions, and the aggregate carrying amount of goodwill allocated to those units is significant.

The carrying amount of goodwill allocated to cash-generating units that are significant individually or in aggregate is as follows:

	Consolidated	
	2005 NZ$'000	**2004 NZ$'000**
Widget operations – Canada	6,685	6,685
Widget operations – Europe	9,300	9,315
Widget operations – global	2,515	2,515
Bicycle operations – global	-	3,080
Toys operations – global	1,318	1,318
Construction operations – New Zealand	-	1,147

Source reference

18. Goodwill (cont'd)

Widget operations – Canada and Europe

NZ IAS-36.135(c), (d), (e)

The widget operations in Canada and Europe produce similar products, and their recoverable amounts are based on some of the same key assumptions. The recoverable amount of both the cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10%p.a. (2004: 9.5%p.a.).

Cash flow projections during the budget period for both cash-generating units are also based on the same expected gross margins during the budget period and the same raw materials price inflation during the budget period. Both sets of cash flows beyond that five year period have been extrapolated using a steady 11%p.a. growth rate. This growth rate exceeds by 5 percentage points the long-term average growth rate for the international widgets market, however, management believes, as described in 'widget operations – global' below, that this rate is reasonable. Management believes 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 those cash-generating units.

Widget operations – global

The recoverable amount of the widget operations – global units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10%p.a. (2004: 10%p.a.). Cash flows beyond that five year period have been extrapolated using a steady 11%p.a. growth rate. This growth rate exceeds by 5 percentage points the long-term average growth rate for the international widgets market. However, among other factors, the widgets operations – global benefits from the protection of a 20-year patent on its Series Z widgets, granted in 1990, which is still acknowledged as being one of the top widget models in the market. Management believes that an 11%p.a. growth rate is reasonable in the light of that patent, and of other widget-related products being developed, and its intentions of focussing its operations in this industry. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the widget operations – global carrying amount to exceed its recoverable amount.

Bicycle operations – global

The recoverable amount of the bicycle operations – global units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a two-year period (2004-2005), and a discount rate of 9.6%p.a. (2004: 9.6%p.a.).

The bicycle segment was sold during the current financial year.

Toys operations - global

The recoverable amount of the toys operations – global units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10%p.a. (2004: 10%p.a.). Cash flows beyond that five year period have been extrapolated using a steady 8%p.a. growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the toys operations – global units operates. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the toys operations – global carrying amount to exceed its recoverable amount.

Source reference

18. Goodwill (cont'd)

The key assumptions used in the value in use calculations for the various significant cash-generating units are as follows:

NZ IAS-36.135(c)

Key assumption	Widgets – Canada & Europe	Widgets – Global	Toys – Global	Bicycles – Global
Budgeted market share	Average market share in the period immediately before the budget period, plus a growth of 5-7% of market share per year. The values assigned to the assumption reflects past experience, except for the growth factor, which is consistent with management plans for focussing operations in the widget and toy industries. Management believes that the planned market share growth per year for the next five years is reasonably achievable.			Average market share in the period immediately before the budget period, which is consistent with past experience.
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. Management expects 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.			

Goodwill not yet allocated to a cash-generating unit

NZ IAS-36.133

If any portion of the goodwill acquired in a business combination during the period has not been allocated to a cash-generating unit (or group of units) at the reporting date, the amount of the unallocated goodwill shall be disclosed together with the reasons why that amount remains unallocated.

Impairment of cash-generating units including goodwill

NZ IAS-36.130

An entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit:

(a) the events and circumstances that led to the recognition or reversal of the impairment loss;

(b) the amount of the impairment loss recognised or reversed;

(c) for a cash-generating unit:

(i) a description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment as defined in NZ IAS-14 'Segment Reporting');

(ii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information in accordance with NZ IAS-14, by reportable segment based on the entity's primary reporting format; and

(iii) if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified;

(d) whether the recoverable amount of the asset (or cash-generating unit) is its fair value less costs to sell or its value in use;

(e) if recoverable amount is fair value less costs to sell, the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference to an active market); and

(f) if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.

Source reference

18. Goodwill (cont'd)

NZ IAS-36.131

An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with NZ IAS-36.130:

(a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses; and

(b) the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.

Estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives

NZ IAS-36.134

An entity shall disclose the following information for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives:

(a) the carrying amount of goodwill allocated to the unit (group of units);

(b) the carrying amount of intangible assets with indefinite useful lives allocated to the unit (group of units);

(c) the basis on which the unit's (group of units') recoverable amount has been determined (i.e. value in use or fair value less costs to sell);

(d) if the unit's (group of units') recoverable amount is based on value in use:

- *(i) a description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive;*
- *(ii) a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;*
- *(iii) the period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified;*
- *(iv) the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated; and*
- *(v) the discount rate(s) applied to the cash flow projections;*

(e) if the unit's (group of units') recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed:

- *(i) a description of each key assumption on which management has based its determination of fair value less costs to sell. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive; and*
- *(ii) a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;*

Source reference

18. Goodwill (cont'd)

(f) if a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount:

(i) the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount;

(ii) the value assigned to the key assumption; and

(iii) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (or group of units') recoverable amount to be equal to its carrying amount.

NZ IAS-36.135

If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (groups of units). In addition, if the recoverable amounts of any of those units (groups of units) are based on the same key assumption(s) and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, an entity shall disclose that fact, together with:

(a) the aggregate carrying amount of goodwill allocated to those units (groups of units);

(b) the aggregate carrying amount of intangible assets with indefinite useful lives allocated to those units (groups of units);

(c) a description of the key assumption(s);

(d) a description of management's approach to determining the value(s) assigned to the key assumption(s), whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;

(e) if a reasonably possible change in the key assumption(s) would cause the aggregate of the units' (groups of units') carrying amounts to exceed the aggregate of their recoverable amounts:

(i) the amount by which the aggregate of the units' (groups of units') recoverable amounts exceeds the aggregate of their carrying amounts;

(ii) the value(s) assigned to the key assumption(s); and

(iii) the amount by which the value(s) assigned to the key assumption(s) must change, after incorporating any consequential effects of the change on the other variables used to measure recoverable amount, in order for the aggregate of the units' (groups of units') recoverable amounts to be equal to the aggregate of their carrying amounts.

Source reference

19. Other intangible assets

		Consolidated				
		Capitalised development	Patents	Trademarks	Licences	Total
		NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
	Gross carrying amount					
NZ IAS-38.118(c)	**Balance at 1 January 2004**	3,230	5,825	4,711	6,940	20,706
NZ IAS-38.118(e)(i)	Additions	-	-	-	-	-
NZ IAS-38.118(e)(i)	Additions from internal developments	358	-	-	-	358
NZ IAS-38.118(e)(i)	Acquisitions through business combinations	-	-	-	-	-
NZ IAS-38.118(e)(ii) NZ IFRS-5.38	Disposals or classified as held for sale	-	-	-	-	-
NZ IAS-38.118(e)(iii)	Net revaluation increments/ (decrements)	-	-	-	-	-
NZ IAS-38.118(e)(vii)	Net foreign currency exchange differences	-	-	-	-	-
NZ IAS-38.118(e)(viii)	Other *[describe]*	-	-	-	-	-
NZ IAS-38.118(c)	**Balance at 1 January 2005**	3,588	5,825	4,711	6,940	21,064
NZ IAS-38.118(e)(i)	Additions	-	-	-	-	-
NZ IAS-38.118(e)(i)	Additions from internal developments	6	-	-	-	6
NZ IAS-38.118(e)(i)	Acquisitions through business combinations	-	-	-	-	-
NZ IAS-38.118(e)(ii) NZ IFRS-5.38	Disposals or classified as held for sale	-	-	-	-	-
NZ IAS-38.118(e)(iii)	Net revaluation increments/ (decrements)	-	-	-	-	-
NZ IAS-38.118(e)(vii)	Net foreign currency exchange differences	-	-	-	-	-
NZ IAS-38.118(e)(viii)	Other *[describe]*	-	-	-	-	-
NZ IAS-38.118(c)	**Balance at 31 December 2005**	3,594	5,825	4,711	6,940	21,070
	Accumulated amortisation and impairment					
NZ IAS-38.118(c)	**Balance at 1 January 2004**	(1,000)	(874)	(3,533)	(2,776)	(8,183)
NZ IAS-38.118(e)(vi)	Amortisation expense (i)	(682)	(291)	(236)	(347)	(1,556)
NZ IAS-38.118(e)(ii) NZ IFRS -5.38	Disposals or classified as held for sale	-	-	-	-	-
NZ IAS-38.118(e)(iii)	Net adjustment from revaluation increments/(decrements)	-	-	-	-	-
NZ IAS-38.118(e)(iv), NZ IAS-36.130(b)	Impairment losses charged to profit	-	-	-	-	-
NZ IAS-38.118(e)(v), NZ IAS-36.130(b)	Reversals of impairment losses charged to profit	-	-	-	-	-
NZ IAS-38.118(e)(vii)	Net foreign currency exchange differences	-	-	-	-	-
NZ IAS-38.118(e)(viii)	Other *[describe]*	-	-	-	-	-

Source reference						

19. Other intangible assets (cont'd)

		Consolidated				
		Capitalised development	Patents	Trademarks	Licences	Total
		NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
NZ IAS-38.118(c)	**Balance at 1 January 2005**	(1,682)	(1,165)	(3,769)	(3,123)	(9,739)
NZ IAS-38.118(e)(vi)	Amortisation expense (i)	(718)	(291)	(236)	(347)	(1,592)
NZ IAS-38.118(e)(ii) NZ IFRS -5.38	Disposals or classified as held for sale	-	-	-	-	-
NZ IAS-38.118(e)(iii)	Net adjustment from revaluation increments/(decrements)	-	-	-	-	-
NZ IAS-38.118(e)(iv), NZ IAS-36.130(b)	Impairment losses charged to profit	-	-	-	-	-
NZ IAS-38.118(e)(v), NZ IAS-36.130(b)	Reversals of impairment losses charged to profit	-	-	-	-	-
NZ IAS-38.118(e)(vii)	Net foreign currency exchange differences	-	-	-	-	-
NZ IAS-38.118(e)(viii)	Other *[describe]*	-	-	-	-	-
NZ IAS-38.118(c)	**Balance at 31 December 2005**	(2,400)	(1,456)	(4,005)	(3,470)	(11,331)
	Net book value					
	As at 31 December 2004	1,906	4,660	942	3,817	11,325
	As at 31 December 2005	1,194	4,369	706	3,470	9,739
		Company				
	Gross carrying amount					
NZ IAS-38.118(c)	**Balance at 1 January 2004**	-	-	-	-	-
NZ IAS-38.118(e)(i)	Additions	-	-	-	-	-
NZ IAS-38.118(e)(i)	Additions from internal developments	-	-	-	-	-
NZ IAS-38.118(e)(i)	Acquisitions through business combinations	-	-	-	-	-
NZ IAS-38.118(e)(ii), NZ IFRS-5.38	Disposals or classified as held for sale	-	-	-	-	-
NZ IAS-38.118(e)(iii)	Net revaluation increments/ (decrements)	-	-	-	-	-
NZ IAS-38.118(e)(vii)	Net foreign currency exchange differences	-	-	-	-	-
NZ IAS-38.118(e)(viii)	Other *[describe]*	-	-	-	-	-
NZ IAS-38.118(c)	**Balance at 1 January 2005**	-	-	-	-	-
NZ IAS-38.118(e)(i)	Additions	-	-	-	-	-
NZ IAS-38.118(e)(i)	Additions from internal developments	-	-	-	-	-
NZ IAS-38.118(e)(i)	Acquisitions through business combinations	-	-	-	-	-
NZ IAS-38.118(e)(ii), NZ IFRS-5.38	Disposals or classified as held for sale	-	-	-	-	-
NZ IAS-38.118(e)(iii)	Net revaluation increments/ (decrements)	-	-	-	-	-
NZ IAS-38.118(e)(vii)	Net foreign currency exchange differences	-	-	-	-	-
NZ IAS-38.118(e)(viii)	Other *[describe]*	-	-	-	-	-
NZ IAS-38.118(c)	**Balance at 31 December 2005**	-	-	-	-	-

Source reference

19. Other intangible assets (cont'd)

		Company				
		Capitalised development	Patents	Trademarks	Licences	Total
		NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
	Accumulated amortisation and impairment					
NZ IAS-38.118(c)	**Balance at 1 January 2004**	-	-	-	-	-
NZ IAS-38.118(e)(vi)	Amortisation expense (i)	-	-	-	-	-
NZ IAS-38.118(e)(ii), NZ IFRS-5.38	Disposals or classified as held for sale	-	-	-	-	-
NZ IAS-38.118(e)(iii)	Net adjustment from revaluation increments/(decrements)	-	-	-	-	-
NZ IAS-38.118(e)(iv), NZ IAS-36.130(b)	Impairment losses charged to profit	-	-	-	-	-
NZ IAS-38.118(e)(v), NZ IAS-36.130(b)	Reversals of impairment losses charged to profit	-	-	-	-	-
NZ IAS-38.118(e)(vii)	Net foreign currency exchange differences	-	-	-	-	-
NZ IAS-38.118(e)(viii)	Other *[describe]*	-	-	-	-	-
NZ IAS-38.118(c)	**Balance at 1 January 2005**	-	-	-	-	-
NZ IAS-38.118(e)(vi)	Amortisation expense (i)	-	-	-	-	-
NZ IAS-38.118(e)(ii) NZ IFRS-5.38	Disposals or classified as held for sale	-	-	-	-	-
NZ IAS-38.118(e)(iii)	Net adjustment from revaluation increments/(decrements)	-	-	-	-	-
NZ IAS-38.118(e)(iv), NZ IAS-36.130(b)	Impairment losses charged to profit	-	-	-	-	-
NZ IAS-38.118(e)(v), NZ IAS-36.130(b)	Reversals of impairment losses charged to profit	-	-	-	-	-
NZ IAS-38.118(e)(vii)	Net foreign currency exchange differences	-	-	-	-	-
NZ IAS-38.118(e)(viii)	Other *[describe]*	-	-	-	-	-
NZ IAS-38.118(c)	**Balance at 31 December 2005**	-	-	-	-	-
	Net book value					
	As at 31 December 2004	-	-	-	-	-
	As at 31 December 2005	-	-	-	-	-

NZ IAS-38.118(d) (i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the income statement.

NZ IAS-38.118(d) *An entity shall disclose the line item(s) of the income statement in which any amortisation of intangible assets is included. Entities disclosing expenses by function may wish to use the following wording as a guide:*

'Of the charge for the year, *[amount]* (2004: [*amount*]) has been included in marketing expenses and the remainder in other expenses.'

Significant intangible assets

NZ IAS-38.122(b) The consolidated entity holds a patent for the manufacture of its Series Z widgets. The carrying amount of the patent of $2,250,000 (2004: $2,400,000) will be fully amortised in 15 years (2004: 16 years).

NZ IAS-38.122(b) *An entity shall disclose a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements.*

Source reference	

19. Other intangible assets (cont'd)

Impairment of intangible assets

NZ IAS-38.120 *An entity discloses information on impaired intangible in accordance with NZ IAS-36 'Impairment of Assets' in addition to the information required by NZ IAS-38 'Intangible Assets' (refer also note 18).*

Additional disclosures for indefinite life intangible assets

NZ IAS-38.122(a) *An entity shall disclose, for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life.*

NZ IAS-38.90 *Factors that are considered in determining the useful life of an intangible asset include:*

(a) the expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;

(b) typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;

(c) technical, technological, commercial or other types of obsolescence;

(d) the stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;

(e) expected actions by competitors or potential competitors;

(f) the level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level;

(g) the period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and

(h) whether the useful life of the asset is dependent on the useful life of other assets of the entity.

Additional disclosures for intangible assets acquired by way of a government grant and initially recognised at fair value

NZ IAS-38.122(c) *For intangible assets acquired by way of a government grant and initially recognised at fair value, an entity shall disclose:*

(i) the fair value initially recognised for these assets;

(ii) their carrying amount; and

(iii) whether they are measured after recognition under the cost model or the revaluation model.

Other disclosures

NZ IAS-38.121 *An entity discloses the nature and amount of any change in the accounting estimate relating to intangible assets that has a material effect in the current period or that is expected to have a material effect in subsequent periods, under NZ IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors'.*

Note: Such disclosure may arise from changes in:

(i) the assessment of an intangible asset's useful life;

(ii) the amortisation method; or

(iii) residual values.

NZ IAS-38.122(d) *An entity shall disclose the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities.*

Intangible assets measured after revaluation using the revaluation model

NZ IAS-38.124 *If intangible assets are accounted for at revalued amounts, an entity shall disclose the following:*

(a) by class of intangible assets:

(i) the effective date of the revaluation;

Source reference

19. Other intangible assets (cont'd)

(ii) the carrying amount of revalued intangible assets; and

(iii) the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model;

(b) the amount of the revaluation reserve that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders; and

(c) the methods and significant assumptions applied in estimating the assets' fair values.

Other information

NZ IAS-38.128

An entity is encouraged, but not required, to disclose the following information:

(a) a description of any fully amortised intangible asset that is still in use; and

(b) a brief description of significant intangible assets controlled by the entity but not recognised as assets because they did not meet the recognition criteria in NZ IAS-38.

NZ SIC 32.7

An entity's own web site that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of NZ IAS-38.

Note: A web site arising from development shall be recognised as an intangible asset, if, and only if, in addition to complying with the general requirements described in NZ IAS-38.21, for recognition and initial measurement, an entity can satisfy the requirements in NZ IAS-38.57. In particular, an entity may be able to satisfy the requirement to demonstrate how its web site will generate probable future economic benefits in accordance with NZ IAS-38.57(d) when, for example, the web site is capable of generating revenues, including direct revenues from enabling orders to be placed. An entity is not able to demonstrate however how a web site developed solely or primarily for promoting and advertising its own products and services will generate probable future economic benefits, and consequently all expenditure on developing such a web site shall be recognised as an expenses when incurred.

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20. Other non-current assets

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
Deferred loss on foreign currency contracts (i)	-	-	-	-
Prepayments	-	-	-	-
Other *[describe]*	-	-	-	-
	-	-	-	-

(i) Deferred losses on foreign currency hedging contracts are recognised as assets in the comparative period in accordance with the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of NZ IAS-39 'Financial Instruments: Recognition and Measurement'). Such losses are not recognised as assets in the current period under NZ IAS-39, but are deferred in equity or recognised in profit or loss, as appropriate even if hedge accounting is not applied prospectively under NZ IAS-39.

21. Assets received as collateral

NZ IAS-32.94(c)

When an entity has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral, it shall disclose:

(a) the fair value of the collateral accepted (financial and non-financial assets);

(b) the fair value of any such collateral sold or repledged and whether the entity has an obligation to return it; and

(c) any material terms and conditions associated with its use of this collateral.

Source reference

22. Assets pledged as security

NZ IAS-2.36(h), NZ IAS-16.74(a), NZ IAS-32.94(b), NZ IAS-38.122(d), NZ IAS-40.75(g)

In accordance with the security arrangements of liabilities, as disclosed in notes 25 and 31 to the financial statements, all non-current assets of the consolidated entity, except goodwill and deferred tax assets, have been pledged as security.

The consolidated entity does not hold title to the equipment under finance lease pledged as security.

The financial statements shall disclose the following:

NZ IAS-2.36(h)

(a) the carrying amount of inventories pledged as security for liabilities;

NZ IAS-38.122(d)

(b) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities;

NZ IAS-16.74(a)

(c) the carrying amount of the property, plant and equipment pledged and the related existence and amounts of restrictions on title;

NZ IAS-40.75(g)

(d) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and

NZ IAS-32.94(b)

(e) the carrying amount of financial assets pledged as collateral for liabilities, the carrying amount of financial assets pledged as collateral for contingent liabilities, and any material terms and conditions relating to assets pledged as collateral.

23. Derecognition of financial assets

NZ IAS-32.94(a)

An entity may have either transferred a financial asset or entered into a type of arrangement, in such a way that the arrangement does not qualify as a transfer of a financial asset. If the entity either continues to recognise all of the asset or continues to recognise the asset to the extent of the entity's continuing involvement, it shall disclose for each class of financial asset:

(i) the nature of the assets;

(ii) the nature of the risks and rewards of ownership to which the entity remains exposed;

(iii) when the entity continues to recognise all of the asset, the carrying amounts of the asset and of the associated liability; and

(iv) when the entity continues to recognise the asset to the extent of its continuing involvement, the total amount of the asset, the amount of the asset that the entity continues to recognise and the carrying amount of the associated liability.

Instead of disclosing this information in a separate note, it may be more appropriate to include such disclosures in the relevant asset notes.

24. Current trade and other payables

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	Trade payables (i)	16,576	15,955	643	2,262
NZ IFRS-5.38	Classified as held for sale (note55)	(3,104)	-	-	-
	Deferred purchase consideration (note 58(b))	-	-	-	-
	Cash settled share-based payments (note 36)	-	-	-	-
NZ IAS-11.42(b)	Amounts due to customers under construction contracts (note 38)	36	15	-	-
	Goods and services tax (GST) payable	-	-	-	-
	Other *[describe]*	25	20	5	7
		13,533	15,990	648	2,269

Source reference

24. Current trade and others payables (cont'd)

NZ IAS-32.60(a), 94(k)(iii)

(i) The average credit period on purchases of certain goods from the Netherlands is 13 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 consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

25. Current borrowings

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	Unsecured				
NZ IAS-32.54, 55	**At amortised cost (2004: cost):**				
	Bank overdrafts (note 58(e))	520	314	428	212
	Other loans	3,701	3,518	3,769	3,100
	Bills of exchange (note 58(e))	358	374	-	-
NZ IAS-24.17(b)	Loans from:				
	Key management personnel	-	948	-	948
	Parent entity	-	-	-	-
	Entities with joint control or significant influence over the entity	-	-	-	-
	Subsidiaries (i)	-	-	968	2,841
	Associates	-	-	-	-
	Joint venture entities	-	-	-	-
	Other related parties	12,917	13,984	74	5,354
		12,917	14,932	1,042	9,143
	Other *[describe]*	-	-	-	-
		17,496	19,138	5,239	12,455
	Secured				
NZ IAS-32.54, 55	**At amortised cost (2004: cost):**				
	Bank overdrafts (note 58(e))	18	64	-	-
	Bank loans (ii), (iii) (note 58(e))	14,923	16,344	8,000	9,500
	Debentures (ii), (iv)	1,900	1,900	1,900	1,900
NZ IAS-17.20	Finance lease liabilities (v) (note 50)	9	54	-	-
	Other *[describe]*	-	-	-	-
		16,850	18,362	9,900	11,400
		34,346	37,500	15,139	23,855

(i) Payables to entities within the wholly-owned group.

(ii) Relates to the current portion of long-term borrowings.

NZ IAS-16.74(a) (iii) Secured by a mortgage over the consolidated entity's freehold land and buildings.

(iv) Secured by a floating charge over the consolidated entity's assets.

NZ IAS-16.74(a) (v) Secured by the assets leased.

Defaults and breaches

NZ IAS-32.94(m), 95 *With respect to any defaults of principal, interest, sinking fund, or redemption provisions during the period on loans payable (including issued debt instruments and financial liabilities other than short-term trade payables on normal credit terms) recognised as at the reporting date, and any other breaches during the period of loan agreements when those breaches can permit the lender to demand repayment (except for breaches that are remedied, or in response to which the terms of the loan are renegotiated, on or before the reporting date), an entity shall disclose:*

(i) details of those breaches;

Source reference

25. Current borrowings (cont'd)

(ii) the amount recognised as at the reporting date in respect of the loans payable on which the breaches occurred; and

(iii) with respect to amounts disclosed under (ii), whether the default has been remedied or the terms of the loans payable renegotiated before the date the financial statements were authorised for issue.

26. Other current financial liabilities

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-32.54, 55	**At fair value:**				
	Foreign currency forward contracts	75	-	-	-
	Interest rate swaps (i)	5	-	-	-
	Currency swaps (i)	-	-	-	-
	Other *[describe]*				
		80	-	-	-

(i) There is no requirement to recognise swaps under the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of NZ IAS-39 'Financial Instruments: Recognition and Measurement'). Such swaps are recognised in the current period under NZ IAS-39. This was because the company has elected to apply the optional exemption under NZ IFRS-1.36A allowing no restatement of comparatives for entities adopting NZ IFRS before 1 January 2006. Note: this exemption will not be applicable for all reporting dates ending on or after 1 January 2006 and comparatives will have to be restated under NZ IFRS.

27. Current provisions

NZ IAS-1.75(d)	Employee benefits	2,478	2,492	110	92
	Warranty (note 35)	528	295	-	-
	Onerous lease contracts (notes 35 & 50)	410	460	2	4
	Restructuring and termination costs (note 35)	-	-	-	-
	Decommissioning costs (note 35)	-	-	-	-
	Other *[describe]*	-	-	-	-
		3,416	3,247	112	96

28. Other current liabilities

	Deferred gain on foreign currency contracts (i)	-	5	-	-
	Lease incentives (note 50)	90	90	-	-
NZ IAS-20.39(b)	Deferred government grants	-	-	-	-
	Other *[describe]*	-	-	-	-
		90	95	-	-

(i) Deferred gains on foreign currency hedging contracts are recognised as liabilities in the comparative period in accordance with the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of NZ IAS-39 'Financial Instruments: Recognition and Measurement'). Such gains are not recognised as liabilities in the current period under NZ IAS-39, but are deferred in equity or recognised in profit or loss, as appropriate even if hedge accounting is not applied prospectively under NZ IAS-39.

Source reference

29. Liabilities directly associated with non-current assets classified as held for sale

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IFRS-5.38	Discontinued operations (note 55)	3,684	-	-	-
	Other liabilities	-	-	-	-
		3,684	-	-	-

30. Non-current trade and other payables

	Trade payables	-	-	-	-
	Cash settled share-based payments (note 36)	-	-	-	-
NZ IAS-11.42(b)	Amounts due to customers under construction contracts (note 38)	-	-	-	-
	Other *[describe]*	-	-	-	-
		-	-	-	-

31. Non-current borrowings

	Unsecured				
NZ IAS-32.54, 55	**At amortised cost (2004: cost):**				
	Bills of exchange	-	542	-	-
NZ IAS-24.17(b)	Loans from:				
	Key management personnel	-	-	-	-
	Parent entity	-	-	-	-
	Entities with joint control or significant influence over the entity	-	-	-	-
	Subsidiaries	-	-	15,038	17,083
	Associates	-	-	-	-
	Joint venture entities	-	-	-	-
	Other related parties	-	19,192	-	-
		-	19,192	15,038	17,083
	Redeemable cumulative preference shares (i)	15,000	-	15,000	-
	Convertible notes (ii) (note 41)	4,144	-	4,144	-
	Perpetual notes (iii)	1,905	-	1,905	-
	Other *[describe]*	-	-	-	-
		21,049	19,734	36,087	17,083
	Secured				
NZ IAS-32.54, 55	**At amortised cost (2004: cost):**				
	Bank loans (iv)	982	1,060	-	-
	Debentures (v)	2,700	4,600	-	-
	Other loans (iv)	575	649	-	-
NZ IAS-17.20	Finance lease liabilities (vi) (note 50)	5	35	-	-
	Other *[describe]*	-	-	-	-
		4,262	6,344	-	-
		25,311	26,078	36,087	17,083

Source reference	

31. Non-current borrowings (cont'd)

NZ IAS-32.60(a) (i) 3,000,000 7% redeemable cumulative preference shares were issued on 1 June 2005 at an issue price of $5.00 per share. The shares are redeemable on 31 May 2008 at $3.20 per share.

NZ IAS-32.60(a) (ii) 4,500,000 5.5% convertible notes were issued on 1 September 2005 at an issue price of $1.10 per note. Each note entitles the holder to convert to one ordinary share at a cost of $3.00 per ordinary share. Conversion may occur any time between 1 July 2009 and 31 August 2009. Unconverted notes mature at $1.00 on 1 September 2009.

NZ IAS-32.60(a) (iii) 1,905 6% perpetual notes were issued on 27 August 2005 at $1,000 principal value.

NZ IAS-16.74(a) (iv) Secured by a mortgage over the consolidated entity's freehold land and buildings. This loan has fixed repayment dates with no current portion. Please refer note 59 for maturity profile.

(v) Secured by a floating charge over the consolidated entity's assets.

NZ IAS-16.74(a) (vi) Secured by the assets leased.

Classification of financial instruments

NZ IAS-32.18, 64 *When the balance sheet presentation of a financial instrument differs from the instrument's legal form, it is desirable for an entity to explain in the notes the nature of the financial instrument.*

32. Other non-current financial liabilities

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-32.54, 55 At fair value:				
Foreign currency forward contracts	-	-	-	-
Interest rate swaps (i)	-	-	-	-
Currency swaps (i)	-	-	-	-
Other *[describe]*				
	-	-	-	-

(i) There is no requirement to recognise swaps under the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of NZ IAS-39 'Financial Instruments: Recognition and Measurement'). Such swaps are recognised in the current period under NZ IAS-39.

33. Non-current provisions

NZ IAS-1.75(d) Employee benefits	1,794	1,896	20	48
Warranty (note 35)	-	-	-	-
Onerous lease contracts (notes 35 & 50)	504	430	-	-
Restructuring and termination costs (note 35)	-	-	-	-
Decommissioning costs (note 35)	-	-	-	-
Other *[describe]*	-	-	-	-
	2,298	2,326	20	48

34. Other non-current liabilities

Deferred gain on foreign currency contracts (i)	-	-	-	-
NZ SIC-15 Lease incentives (note 50)	180	270	-	-
NZ IAS-20.39(b) Deferred government grants	-	-	-	-
Other *[describe]*	-	-	-	-
	180	270	-	-

C

Source reference

34. Other non-current liabilities (cont'd)

(i) Deferred gains on foreign currency hedging contracts are recognised as liabilities in the comparative period in accordance with the accounting policies applicable to the comparative period (in the event of the non-restatement of comparative amounts under the scope of NZ IAS-39 'Financial Instruments: Recognition and Measurement'). Such gains are not recognised as liabilities in the current period under NZ IAS-39, but are deferred in equity or recognised in profit or loss, as appropriate.

35. Provisions

		Consolidated			
		Warranty (i) NZ$'000	Onerous lease contracts (ii) NZ$'000	Restructuring and termination costs (iii) NZ$'000	Decommissioning costs (iv) NZ$'000
NZ IAS-37.84(a)	Balance at 1 January 2005	295	890	-	-
NZ IAS-37.84(b), NZ IAS-1.87(b), (g)	Additional provisions recognised (v)	338	406	-	-
NZ IAS-37.84(c)	Reductions arising from payments/ other sacrifices of future economic benefits	(90)	(310)	-	-
NZ IAS-37.84(d), NZ IAS-1.87(b), (g)	Reductions resulting from re-measurement or settlement without cost (v)	(15)	(100)	-	-
NZ IAS-37.60, 84(e)	Unwinding of discount and effect of changes in the discount rate	-	28	-	-
	Other *[describe]*	-	-	-	-
NZ IAS-37.84(a)	Balance at 31 December 2005	528	914	-	-
NZ IAS-1.52	Current (note 27)	528	410	-	-
	Non-current (note 33)	-	504	-	-
		528	914	-	-

		Company			
		Warranty (i) NZ$'000	Onerous lease contracts (ii) NZ$'000	Restructuring and termination costs (iii) NZ$'000	Decommissioning costs (iv) NZ$'000
NZ IAS-37.84(a)	Balance at 1 January 2005	-	4	-	-
NZ IAS-37.84(b), NZ IAS-1.87(b), (g)	Additional provisions recognised (v)	-	2	-	-
NZ IAS-37.84(c)	Reductions arising from payments/ other sacrifices of future economic benefits	-	(4)	-	-
NZ IAS-37.84(d), NZ IAS-1.87(b), (g)	Reductions resulting from re-measurement or settlement without cost (v)	-	-	-	-
NZ IAS-37.84(e)	Unwinding of discount and effect of changes in the discount rate	-	-	-	-
	Other *[describe]*	-	-	-	-
NZ IAS-37.84(a)	Balance at 31 December 2005	-	2	-	-
	Current (note 27)	-	2	-	-
	Non-current (note 33)	-	-	-	-
		-	2	-	-

Source reference

35. Provisions (cont'd)

NZ IAS-37.85(a), (b)

(i) The provision for warranty claims represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required under the consolidated entity's 12-month warranty program for electronic toys. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

NZ IAS-37.85(a), (b)

(ii) The provision for onerous lease contracts represents the present value of the future lease payments that the consolidated entity is presently obligated to make in respect of onerous lease contracts under non-cancellable operating lease agreements, 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 term of the leases range from 3 to 5 years.

NZ IAS-37.85(a), (b)

(iii) The provision for restructuring and termination costs represents the present value of the Directors' best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits. The restructuring is expected to be completed by *[date]*.

NZ IAS-37.85(a), (b)

(iv) The provision for decommissioning costs represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required to remove leasehold improvements from leased property. The estimate has been made on the basis of quotes obtained from various removal companies. The unexpired term of the leases range from 3 to 5 years.

NZ IAS-1.87

(v) If these items are material, their nature and amount shall be disclosed separately irrespective of whether they qualify for differential reporting exemptions.

Reimbursements

NZ IAS-37.85(c)

In respect of each class of provision the financial statements shall disclose the amount of any related reimbursement, stating the amount of any asset recognised for that expected reimbursement.

Exemptions

NZ IAS-37.92

In extremely rare cases, disclosure of some or all of the information required by NZ IAS-37 'Provisions, Contingent Liabilities and Contingent Assets' can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Regardless of how sensitive certain information about provisions may be, this exemption from disclosure does not affect the requirement to recognise provisions that satisfy the criteria for recognition set out in NZ IAS-37.

Contingent liabilities

NZ IAS-37.88

Where a provision and a contingent liability arise from the same set of circumstances, the disclosures in the financial statements shall be made in such a way to show the link between the provision and the contingent liability.

36. Cash settled share-based payments

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
The aggregate cash settled share-based payment liability recognised and included in the financial statements is as follows:				
Current (note 24)	-	-	-	-
Non-current (note 30)	-	-	-	-
	-	-	-	-

NZ IFRS-2.51(b)(i)

Source reference

36. Cash settled share-based payments (cont'd)

NZ IFRS-2.51(b)(ii) At reporting date, the intrinsic value of vested cash settled share-based payments for the company and consolidated entity is *[amount]* (2004: *[amount]*).

37. Defined benefit superannuation plans

These model financial statements assume that entities will early adopt revised NZ IAS-19 'Employee Benefits' (December 2004) to take advantage of the opportunity to adopt the accounting policy of recognising the actuarial gains and losses of defined benefit post-employment plans, either under the 'corridor' approach in the income statement or in full directly through retained earnings.
Entities that have not early adopted the revised Standard shall refer to NZ IAS-19 'Employee Benefits' (July 2004) for the specified disclosures.

NZ IAS-19.122 *When an entity has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful. It may be useful to distinguish groupings by criteria such as the following:*

(a) the geographical location of the plans, for example, by distinguishing domestic plans from foreign plans; or

(b) whether plans are subject to materially different risks, for example, by distinguishing flat salary pension plans from final salary pension plans and from post-employment medical plans.

When an entity provides disclosures in total for a grouping of plans, such disclosures are provided in the form of weighted averages or of relatively narrow ranges.

NZ IAS-19.120A(b) The consolidated entity operates defined benefit superannuation plans for qualifying employees of its subsidiary TC Investments Ltd, and previously for employees of TC Sales Ltd. 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.

NZ IAS-19.52, 121 *A general description of the type of plan shall be disclosed. Such a description distinguishes, for example, flat salary pension plans from final salary pension plans and from post-employment medical plans. The description of the plan shall include informal practices that give rise to constructive obligations included in the measurement of the defined benefit obligation. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.*

		2005 %	2004 %
NZ IAS-19.120A(n)	**Key assumptions used (expressed as weighted averages):**		
NZ IAS-19.120A(n)(i)	Discount rate(s)	5.52	5.20
NZ IAS-19.120A(n)(ii)	Expected return on plan assets	12.08	10.97
NZ IAS-19.120A(n) (iv)	Expected rate(s) of salary increase	5.00	5.00
NZ IAS-19.120A(n)(iii)	Expected return on reimbursement rights	-	-
NZ IAS-19.120A(n) (vi)	*Other [describe] for example:*	-	-
	• *Mortality rate*		
	• *Medical cost trend rate*		

Source reference

37. Defined benefit superannuation plans (cont'd)

NZ IAS-19.120(n) *An entity shall disclose each actuarial assumption in absolute terms (for example, as an absolute percentage) and not just as a margin between different percentages or other variables.*

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	Amounts recognised in income in respect of these defined benefit plans are as follows:				
NZ IAS-19.120A(g)(i)	Current service cost	633	572	-	-
NZ IAS-19.120A(g)(ii)	Interest cost	264	237	-	-
NZ IAS-19.120A(g)(iii)	Expected return on plan assets	(536)	(479)	-	-
NZ IAS-19.120A(g) (iv)	Expected return on reimbursement rights	-	-	-	-
NZ IAS-19.120A(g)(v)	Actuarial losses/(gains)	-	-	-	-
NZ IAS-19.120A(g) (vi)	Past service costs	-	-	-	-
NZ IAS-19.120A(g) (vii)	Losses/(gains) arising from curtailments or settlements	-	-	-	-
NZ IAS-19.120A(g) (viii)	Adjustments for restrictions on the defined benefit asset	-	-	-	-
NZ IAS-19.120A(g)	Total, included in 'employee benefit expense'	361	330	-	-

NZ IAS-19.120A(g) *Entities disclosing expenses by function will need to disclose the line item(s) in which the total expense relating to defined benefit plans is recognised, and may wish to use the following wording as a guide:*

'Of the charge for the year, *[amount]* (2004: *[amount]*) has been included in cost of sales and the remainder in administration expenses.'

NZ IAS-19.120A(h)(i)	Actuarial losses/(gains) incurred during the year and recognised in the statement of recognised income and expense (note 43)	235	226	-	-
NZ IAS-19.120A(h)(ii)	Adjustments recognised in the statement of recognised income and expense for restrictions on the defined benefit asset	-	-	-	-
		235	226	-	-
NZ IAS-19.120A(i)	Cumulative actuarial gains and losses recognised in the statement of recognised income and expense	461	226	-	-

C

Source reference

37. Defined benefit superannuation plans (cont'd)

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-19.120A(f)	The amount included in the balance sheet arising from the entity's obligations in respect of its defined benefit plans is as follows:				
NZ IAS-19.120A(d), 120A(p)(i)	Present value of funded defined benefit obligations (i)	5,380	4,788	-	-
NZ IAS-19.120A(p)(i)	Fair value of plan assets	(4,872)	(4,436)	-	-
		508	352	-	-
NZ IAS-19.120A(d)	Present value of unfunded defined benefit obligations (i)	-	-	-	-
NZ IAS-19.120A(p)(i)	(Surplus)/deficit	508	352	-	-
NZ IAS-19.120A(f)(ii)	Past service costs not recognised	-	-	-	-
NZ IAS-19.120A(f)(iii)	Restrictions on asset recognised	-	-	-	-
NZ IAS-19.120A(f)(iv)	Fair value of reimbursement rights recognised as an asset	-	-	-	-
NZ IAS-19.120A(f)(v)	Other [describe]	-	-	-	-
	Net liability/(asset) arising from defined benefit obligations	508	352	-	-
	Included in the balance sheet:				
	Current provision for employee benefits:				
	Defined benefit obligations	440	352	-	-
	Non-current provision for employee benefits (note 33):				
	Defined benefit obligations	68	-	-	-
	Net liability arising from defined benefit obligations	508	352	-	-

NZ IAS-19.120A(d)

(i) Under differential reporting exemptions no distinction of the defined benefit obligation into amounts arising from plans that are wholly unfunded and those that are wholly or partly funded need be made.

The amount payable during the next financial year should be included within the current provision. This will not necessarily be the amount that the entity would expense in the next year but the amount it would pay to the various benefit funds.

NZ IAS-19.120A(p) (i), NZ IFRS-1.20A

A five year history of the present value of the defined benefit obligation and the surplus or deficit in the plan shall be disclosed. This information may be disclosed as the amounts are determined for each annual reporting period prospectively from the first annual reporting period presented in the financial statements in which the revised NZ IAS-19 is first applied.

Offsetting defined benefit assets against defined benefit liabilities

NZ IAS-19.116

An entity shall offset an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Source reference					
	37. Defined benefit superannuation plans (cont'd)				
		Consolidated		**Company**	
		2005 NZ$'000	**2004 NZ$'000**	**2005 NZ$'000**	**2004 NZ$'000**
NZ IAS-19.120A(c)	Movements in the present value of the defined benefit obligations in the current period were as follows:				
	Opening defined benefit obligation	4,788	4,564	-	-
NZ IAS-19.120A(c)(i)	Current service cost	633	572	-	-
NZ IAS-19.120A(c)(ii)	Interest cost	264	237	-	-
NZ IAS-19.120A(c)(iii)	Contributions from plan participants	-	-	-	-
NZ IAS-19.120A(c)(iv)	Actuarial losses/(gains)	455	135	-	-
NZ IAS-19.120A(c) (vii)	Past service cost	-	-	-	-
NZ IAS-19.120A(c)(ix)	Losses/(gains) on curtailments	-	-	-	-
NZ IAS-19.120A(c)(x)	Liabilities extinguished on settlements	-	-	-	-
NZ IAS-19.120A(c) (viii)	Liabilities assumed in a business combination	-	-	-	-
NZ IAS-19.120A(c)(v)	Exchange differences on foreign plans	-	-	-	-
NZ IAS-19.120A(c)(vi)	Benefits paid	(760)	(720)	-	-
	Other *[describe]*	-	-	-	-
	Closing defined benefit obligation	5,380	4,788	-	-
NZ IAS-19.120A(e)	Movements in the present value of the plan assets in the current period were as follows:				
	Opening fair value of plan assets	4,436	4,368	-	-
NZ IAS-19.120A(e)(i)	Expected return on plan assets	536	479	-	-
NZ IAS-19.120A(e)(ii)	Actuarial gains/(losses)	220	(91)	-	-
NZ IAS-19.120A(e)(iii)	Exchange differences on foreign plans	-	-	-	-
NZ IAS-19.120A(e)(iv)	Contributions from the employer	440	400	-	-
NZ IAS-19.120A(e)(v)	Contributions from plan participants	-	-	-	-
NZ IAS-19.120A(e)(vi)	Benefits paid	(760)	(720)	-	-
NZ IAS-19.120A(e) (vii)	Assets acquired in a business combination	-	-	-	-
NZ IAS-19.120A(e) (viii)	Assets distributed on settlements	-	-	-	-
	Other *[describe]*	-	-	-	-
NZ IAS-19.120A(p)(i)	Closing fair value of plan assets	4,872	4,436	-	-

NZ IAS-19.120A(e) *A similar reconciliation shall be disclosed reconciling the opening and closing balances of any reimbursement rights recognised as an asset in accordance with NZ IAS-19.*

NZ IAS-19.120A(p) (i), NZ IFRS-1.20A *A five year history of the present value of the fair value of the plan assets shall be disclosed. This information may be disclosed as the amounts are determined for each annual reporting period prospectively from the first annual reporting period presented in the financial statements in which the revised NZ IAS-19 is first applied.*

NZ IAS-19.120A(m) The actual return on plan assets was $720,000 (2004: $354,000).

NZ IAS-19.120A(m) *The actual return on reimbursement rights shall also be disclosed.*

NZ IAS-19.120A(q) The consolidated entity expects to make a contribution of $440,000 (2004: $440,000) to the defined benefit plans during the next financial year.

NZ IAS-19.118, 120A(q) *Some entities distinguish current assests and liabilities from non-current assets and liabilities. This Standard does not specify whether on entity should distinguish current and non-current portions of assests and liabilities arising from post-employment benefits. However, the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date must be disclosed.*

Source reference

37. Defined benefit superannuation plans (cont'd)

NZ IAS-19.120A(j), (l) The analysis of the plan assets and the expected rate of return at the balance sheet date is as follows:

	Expected return		Fair value of plan assets	
	2005 %	2004 %	2005 NZ$'000	2004 NZ$'000
Equity instruments	15.01	12.03	1,026	986
Debt instruments	9.59	7.49	1,980	1,850
Property	12.21	12.76	1,866	1,600
Other assets *[describe]*	-	-	-	-
Weighted average expected return	12.08	10.97	4,872	4,436

NZ 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 in the next twelve months.

NZ IAS-19.120A(k) The plan assets include ordinary shares of The Toy Company Limited with a fair value of $380,000 (2004: $252,000) and property occupied by a subsidiary of The Toy Company Limited with a fair value of $622,000 (2004: $620,000).

An entity shall disclose the following in relation to plan assets:

NZ IAS-19.120A(j) *(i) the percentage or amount that each major category of plan assets constitutes of the fair value of the total plan assets;*

NZ IAS-19.120A(k) *(ii) the amounts included in the fair value of plan assets for each category of the entity's own financial instruments and for any property occupied by, or other assets used by, the entity; and*

NZ IAS-19.120A(l) *(iii) a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets.*

The history of experience adjustments is as follows:

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-19.120 A(p)(ii) (A)	Experience adjustments on plan liabilities	455	135	-	-
NZ IAS-19.120A(p)(ii)(B)	Experience adjustments on plan assets	220	(91)	-	-
		235	226	-	-

NZ IAS-19.120A(p), NZ IFRS-1.20A *A five year history of the various experience adjustments shall be disclosed. This information may be disclosed as the amounts are determined for each annual reporting period prospectively from the first annual reporting period presented in the financial statements in which the revised NZ IAS-19 is first applied.*

NZ IAS-19.120A(p)(ii) *Experience adjustments may be expressed either as an amount, or as a percentage of the plan assets or plan liabilities, as appropriate, at the reporting date.*

Plan assets

NZ IAS-19.7 *Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.*

NZ IAS-19.7 *Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that:*

(a) are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and

(b) are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in bankruptcy), and cannot be returned to the reporting entity, unless either:

C

Source reference	

37. Defined benefit superannuation plans (cont'd)

(i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or

(ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

NZ IAS-19.7

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in NZ IAS-24 'Related Party Disclosures' of the entity, if the proceeds of the policy:

(a) can be used only to pay or fund employee benefits under a defined benefit plan; and

(b) are not available to the reporting entity's own creditors (even in bankruptcy) and cannot be paid to the entity, unless either:

(i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or

(ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Post-employment medical benefits plans

Companies with post-employment medical benefit plans shall also disclose:

NZ IAS-19.120A(n)(v)

(a) the assumed medical cost trend rates, together with the other key assumptions used;

NZ IAS-19.120A(o)

(b) the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:

(i) the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs; and

(ii) the accumulated post-employment benefit obligation for medical costs.

For the purpose of this disclosure, all other assumptions shall be held constant.

Multi-employer plans

NZ IAS-19.7

Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:

(a) pool the assets contributed by various entities that are not under common control; and

(b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

NZ IAS-19.33, 34

Multi-employer plans are distinct from group administration plans. Also, defined benefit plans that share risks between various entities under common control, for example, a parent and its subsidiaries, are not multi-employer plans.

NZ IAS-19.31

An example of a defined benefit multi-employer plan is a plan financed on a pay-as-you-go basis such that contributions are set at a level that is expected to be sufficient to pay the benefits falling due in the same period and future benefits earned during the current period will be paid out of future contributions, and where employees' benefits are determined by the length of their service and the participating entities have no realistic means of withdrawing from the plan without paying a contribution for the benefits earned by employees up to the date of withdrawal.

NZ IAS-19.30

When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall account for the plan as though it were a defined contribution plan and disclose in addition to the disclosures illustrated in these model financial statements:

(a) the fact that the plan is a defined benefit plan;

(b) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan; and

(c) to the extent that a surplus or deficit in the plan may affect the amount of future contributions:

(i) any available information about that surplus or deficit;

(ii) the basis used to determine that surplus or deficit; and

(iii) the implications, if any, for the entity.

Source reference						

38. Construction contracts (ii)

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-11.40(a)	Construction work in progress	1,517	1,386	-	-
	Progress billings and advances received (i)	(1,397)	(1,286)	-	-
NZ IAS-11.40(b)	Advances received	84	115	-	-
	Progress billings	(1,313)	(1,171)	-	-
		204	215	-	-
	Recognised and included in the financial statements as amounts due:				
NZ IAS-11.42(a)	From customers under construction contracts:				
	Current (note 7)	240	230	-	-
	Non-current (note 12)	-	-	-	-
NZ IAS-11.42(b)	To customers under construction contracts:				
	Current (note 24)	(36)	(15)	-	-
	Non-current (note 30)	-	-	-	-
		204	215	-	-
NZ IAS-11.40(c)	(i) Retentions included in progress billings	55	68	-	-

NZ IAS-11.NZ1.1 *(ii) Entities which qualify for differential reporting concessions may recognise profit on all construction contracts on a "completed contract method" and need not comply with other paragraphs of NZ IAS-11 and therefore with the disclosure above.*

The completed contract method is a method of accounting by which the profit on a construction contract is recognised only when the contract is completed or substantially completed, subject always to the requirements of paragraph 36 of NZ IAS-11 to recognise any loss as soon as it is foreseen.

39. Capitalised borrowing costs

NZ IAS-23.29(b)	Borrowing costs capitalised during the financial year	11	27	-	-
NZ IAS-23.29(c)	Weighted average capitalisation rate on funds borrowed generally	8.0%	7.5%	-	-

NZ IAS-23.17, 21 *To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be determined by applying a capitalisation rate to the expenditures on that asset. The average carrying amount of the qualifying asset during a period, including borrowing costs previously capitalised, is normally a reasonable approximation of the expenditures to which the capitalisation rate is applied in that period.*

40. Other asset and liability disclosures

NZ IAS-1.52 *For each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the balance sheet date, and (b) more than twelve months after the balance sheet date, an entity shall disclose the amount expected to be recovered or settled after more than twelve months.*

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.

Source reference

41. Capital and other equity instruments

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-1.76(a)(ii)	14,844,000 fully paid ordinary shares (2004: 20,130,000) (a)	29,252	45,797	29,252	45,797
NZ IAS-1.76(a)(ii)	2,500,000 partly paid ordinary shares (2004: 2,500,000) (b)	1,775	1,775	1,775	1,775
NZ IAS-1.76(a)(ii)	1,100,000 fully paid 10% converting cumulative non-participating preference shares (2004: 1,100,000) (c)	1,100	1,100	1,100	1,100
NZ IAS-1.76(a)(ii)	100,000 fully paid converting non-participating preference shares (2004:nil) (d)	95	-	95	-
	Employee equity-settled benefits (e)	206	338	206	338
	Option premium on convertible notes (f)	592	-	592	-
		33,020	49,010	33,020	49,010

NZ IAS-1.76(a)(i), (iii) Changes to the Companies Act in 1993 abolished the authorised capital and par value concept in relation to share capital from 1 July 1994. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

NZ IAS-1.76(a)(i) *An entity shall disclose either on the face of the balance sheet or in the notes to the financial statements, for each class of share capital, the number of shares authorised, if any.*

		Consolidated and Company			
		2005		2004	
		No'000	NZ$'000	No'000	NZ$'000
NZ IAS-1.97(c)	**(a) Fully paid ordinary shares**				
NZ IAS-1.76(a)(iv)	Balance at beginning of financial year	20,130	45,797	20,130	45,797
NZ IAS-1.76(a)(iv)	Issue of shares under executive share option plan (note 5)	314	314	-	-
NZ IAS-1.76(a)(iv)	Transfer from employee equity-settled benefits reserve (e)	-	338	-	-
NZ IAS-1.76(a)(iv)	Issue of shares for consulting services (i)	3	8	-	-
NZ IAS-1.76(a)(iv), 97(a)	Share buy-back	(5,603)	(17,205)	-	-
NZ IAS-1.76(a)(iv)	Balance at end of financial year	14,844	29,252	20,130	45,797

NZ IAS-1.76(a)(v) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

NZ IFRS-2.48 (i) The fair value was determined by reference to the going market rate for similar consulting services.

NZ IFRS-2.49 *If an entity is not able to estimate reliably the fair value of the goods or services received from parties other than employees, it shall disclose this fact, and give an explanation of why it was unable to do so.*

NZ IAS-1.97(c)	**(b) Partly paid ordinary shares**				
NZ IAS-1.76(a)(iv)	Balance at beginning of financial year	2,500	1,775	2,500	1,775
NZ IAS-1.76(a)(iv)	Movements *[describe]*	-	-	-	-
NZ IAS-1.76(a)(iv)	Balance at end of financial year	2,500	1,775	2,500	1,775

NZ IAS-1.76(a)(v) Partly paid ordinary shares carry one vote per share but do not carry the right to dividends.

NZ IAS-1.97(c)	**(c) Converting cumulative non-participating preference shares**				
NZ IAS-1.76(a)(iv)	Balance at beginning of financial year	1,100	1,100	1,100	1,100
NZ IAS-1.76(a)(iv)	Movements *[describe]*	-	-	-	-
NZ IAS-1.76(a)(iv)	Balance at end of financial year	1,100	1,100	1,100	1,100

Source reference

41. Capital and other equity instruments (cont'd)

NZ IAS-1.76(a)(v) Converting cumulative non-participating preference shares convert into ordinary shares on a one for one basis and are due for conversion on 30 September 2008. Converting cumulative non-participating preference shares have no right to share in any surplus assets or profits.

		Consolidated and Company			
		2005		2004	
		No. '000	NZ$'000	No.'000	NZ$'000
NZ IAS-1.97(c)	**(d) Converting non-participating preference shares**				
NZ IAS-1.76(a)(iv)	Balance at beginning of financial year	-	-	-	-
NZ IAS-1.76(a)(iv)	Issue of shares	100	100	-	-
NZ IAS-1.76(a)(iv)	Share issue costs	-	(5)	-	-
NZ IAS-1.76(a)(iv)	Balance at end of financial year	100	95	-	-

NZ IAS-1.76(a)(v) Converting non-participating preference shares convert into ordinary shares on a one for one basis and are due for conversion on 1 November 2010. Converting non-participating preference shares have no right to share in any surplus assets or profits.

Share options

NZ IAS-1.76(a)(vii) In accordance with the provisions of the executive share option plan, as at 31 December 2004, executives have options over 290,000 ordinary shares, in aggregate, with 140,000 of those options expiring 31 March 2005, and the remainder expiring on 30 September 2005. As at 31 December 2005, executives have options over 196,000 ordinary shares (of which 60,000 are unvested), in aggregate, with 136,000 of those options expiring on 31 March 2006, and the remainder expiring on 30 September 2006.

Executive share options carry no rights to dividends and no voting rights. Further details of the executive share option plan are contained in note 5 to the financial statements.

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-1.97(c)	**(e) Employee equity-settled benefits**				
	Balance at beginning of financial year	338	-	338	-
	Share-based payment	206	338	206	338
	Transfer to share capital (a)	(338)	-	(338)	-
	Other movements *[describe]*	-	-	-	-
	Balance at end of financial year	206	338	206	338

NZ IAS-1.76(b) The employee equity-settled benefits arises on the grant of share options to executives under the executive share option plan. Amounts are transferred into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 5 to the financial statements.

NZ IAS-1.97(c)	**(f) Option premium on convertible notes**				
	Balance at beginning of financial year	-	-	-	-
	Issue of convertible notes	834	-	834	-
	Related deferred tax liability	(266)	-	(266)	-
	Other movements *[describe]*	24	-	24	-
	Balance at end of financial year	592	-	592	-

NZ IAS-1.76(b) Option premium on convertible notes represents the conversion rights relating to the 4,500,000 5.5% convertible notes. Each note entitles the holder to convert to one ordinary share at a cost of $3.00 per ordinary share. Conversion may occur at any time between 1 July 2009 and 31 August 2009. Unconverted notes mature at $1.00 on 1 September 2009.

Source reference

41. Capital and other equity instruments (cont'd)

Shares reserved for issue

NZ IAS-1.76(a)(vii) *An entity shall disclose, for each class of share capital, shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts.*

Shares held by subsidiaries or associates

NZ IAS-1.76(vi) *Where the entity itself or a subsidiary or associate holds shares in the entity, the number of shares held shall be disclosed.*

Disclosures by entities without share capital

NZ IAS-1.77 *An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that illustrated above, showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.*

42. Reserves

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	General (a)	807	807	807	807
	Asset revaluation (b)	1,147	1,150	1	1
NZ IAS-21.52(b)	Foreign currency translation (c)	194	250	-	-
	Available-for-sale revaluation (d)	186	-	57	-
	Hedging (e)	1,167	-	-	-
	Other *[describe]*	-	-	-	-
		3,501	2,207	865	808
NZ IAS-1.97(c)	**(a) General reserve**				
	Balance at beginning of financial year	807	807	807	807
	Movements *[describe]*	-	-	-	-
	Balance at end of financial year	807	807	807	807

NZ IAS-1.76(b) The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

NZ IAS-1.97(c)	**(b) Asset revaluation reserve**				
NZ IAS-16.77(f)	Balance at beginning of financial year	1,150	-	1	-
	Revaluation increments/(decrements)	-	1,643	-	2
NZ IAS-36.126(c)	Impairment losses	-	-	-	-
NZ IAS-36.126(d)	Reversals of impairment losses	-	-	-	-
	Deferred tax liability arising on revaluation (note 3(b))	-	(543)	-	(1)
	Reversal of deferred tax liability on revaluation	-	-	-	-
	Transferred to retained earnings (note 43)	(3)	-	-	-
	Transferred to equity relating to non-current assets classified as held for sale	-	-	-	-
	Other movements *[describe]*	-	50	-	-
	Balance at end of financial year	1,147	1,150	1	1

NZ IAS-1.76(b), NZ IAS-16.77(f) The asset revaluation reserve arises on the revaluation of land and buildings. Where a revalued land or building is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits.

Source reference

42. Reserves (cont'd)

NZ IAS-16.41 *The asset revaluation reserve included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.*

NZ IAS-16.77(f) *The financial statements shall disclose any restrictions on the distribution of the balance of the asset revaluation reserve to shareholders.*

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-1.97(c)	**(c) Foreign currency translation reserve**				
NZ IAS-21.52(b)	Balance at beginning of financial year	250	-	-	-
NZ IAS-21.52(b)	Translation of foreign operations	40	357	-	-
NZ IAS-21.52(b)	Deferred tax arising from translation (note 3(b))	(14)	(118)	-	-
NZ IAS-21.52(b)	Disposal of foreign subsidiary	(120)	-	-	-
NZ IAS-21.52(b)	Reversal of deferred tax on disposal (note 3(b))	40	-	-	-
NZ IAS-21.52(b)	Other movement *[describe]*	(2)	11	-	-
NZ IAS-21.52(b)	Balance at end of financial year	194	250	-	-

NZ IAS-21.53, NZ IAS-1.76(b) Exchange differences relating to the translation from US dollars, being the functional currency of the consolidated entity's foreign controlled entities in the USA, into New Zealand dollars are brought to account by entries made directly to the foreign currency translation reserve.

Disposal of a foreign operation

NZ IAS-21.48 *On the disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation shall be recognised in profit or loss when the gain or loss on disposal is recognised.*

NZ IFRS-1.22 *Where a first-time adopter has used the exemption to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to NZ IFRS, the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to NZ IFRS and shall include later translation differences only.*

Presentation currency and functional currency

NZ IAS-21.53 *When the presentation currency is different from the functional currency, that fact shall be stated together with disclosure of the functional currency and the reason for using a differential presentation currency.*

NZ IAS-21.54 *When there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency shall be disclosed.*

NZ IAS-21.55, 57 *When an entity presents its financial statements in a currency that is different from its functional currency, it shall describe the financial statements as complying with NZ IFRS only if they comply with all the requirements of each applicable Standard and each applicable Interpretation of those Standards. When an entity displays its financial statements or other financial information in a currency that is different from either its functional currency or its presentation currency and these requirements are not met, it shall:*

(a) clearly identify the information as supplementary information to distinguish it from the information that complies with NZ IFRS;

(b) disclose the currency in which the supplementary information is displayed; and

(c) disclose the entity's functional currency and the method of translation used to determine the supplementary information.

Source reference						

42. Reserves (cont'd)

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-1.97(c)	**(d) Available-for-sale revaluation reserve**				
	Balance at beginning of financial year	-	-	-	-
	Adjustments on adoption of accounting policies specified by NZ IAS-32 and NZ IAS-39 (refer note 1(ad))	116	-	71	-
	Restated balance at beginning of financial year	116	-	71	-
NZ IAS-32.94(k)(ii)	Valuation gain/(loss) recognised	94	-	(24)	-
NZ IAS-32.94(k)(ii)	Cumulative (gain)/loss transferred to the income statement on sale of financial assets	-	-	-	-
NZ IAS-32.94(k)(ii)	Cumulative (gain)/loss transferred to the income statement on impairment of financial assets	-	-	-	-
	Deferred tax arising on revaluation (note 3 (b))	(31)	-	8	-
	Other	7	-	2	-
	Balance at end of financial year	186	-	57	-
NZ IAS-1.76(b)	The available-for-sale revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.				
NZ IAS-1.97(c)	**(e) Hedging reserve**				
	Balance at beginning of financial year	-	-	-	-
	Adjustments on adoption of accounting policies specified by NZ IAS-32 and NZ IAS-39 (refer note 1(ad))	88	-	-	-
	Restated balance at beginning of financial year	88	-	-	-
NZ IAS-32.59(a)	Gain/(loss) recognised:				
	Forward exchange contracts	(100)	-	-	-
	Interest rate swaps	1,591	-	-	-
	Currency swaps	182	-	-	-
		1,673	-	-	-
NZ IAS-32.59(b)	Transferred to profit or loss:				
	Forward exchange contracts	-	-	-	-
	Interest rate swaps	(230)	-	-	-
	Currency swaps	(100)	-	-	-
		(330)	-	-	-
NZ IAS-32.59(c)	Transferred to initial carrying amount of hedged item:				
	Forward exchange contracts	87	-	-	-
	Deferred tax arising on hedges (note 3(b))	(393)	-	-	-
	Other	42	-	-	-
	Balance at end of financial year	1,167	-	-	-

C

Source reference

42. Reserves (cont'd)

NZ IAS-1.76(b) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

NZ IAS-32.58(d) *A description of any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur shall be disclosed.*

43. Retained earnings

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-1.97(b)	Balance at beginning of financial year	94,798	73,941	23,703	17,756
	Adjustments on adoption of accounting policies specified by NZ IAS-32 and NZ IAS-39 (refer note 1(ad))	24	-	9	-
	Restated balance at beginning of financial year	94,822	73,941	23,712	17,756
NZ IAS-1.97(b)	Net profit attributable to members of the parent entity	22,552	27,569	13,891	12,426
NZ IAS-1.97(a), (b)	Dividends provided for or paid (note 47)	(6,635)	(6,479)	(6,635)	(6,479)
NZ IAS-1.97(b)	Actuarial gains/(losses) (note 37)	(235)	(226)	-	-
NZ IAS-1.97(b)	Deferred tax recognised directly in equity (note 3(b))	2	(7)		
NZ IAS-1.97(b)	Transfer from asset revaluation reserve (note 42(b))	3	-	-	-
NZ IAS-1.97(b)	Other appropriations *[describe]*	5	-	7	-
NZ IAS-1.97(b)	Balance at end of financial year	110,514	94,798	30,975	23,703

44. Amounts recognised directly in equity relating to non-current assets classified as held for sale

Discontinued operations (note 55)	-	-	-	-
Other *[describe]*	-	-	-	-
	-	-	-	-

NZ IFRS-5.38 *An entity shall present separately any cumulative income or expense recognised directly in equity relating to a non-current asset (or disposal group) classified as held for sale.*

45. Earnings per share

NZ IAS-33.2 *The disclosure of earnings per share is only required for entities whose ordinary shares or potential ordinary shares are publicly traded and by entities that are in the process of issuing ordinary shares or potential ordinary shares in public markets.*

NZ IAS-33.3 *Where an entity that is not required to disclose earnings per share chooses to do so, it shall calculate and disclose earnings per share in accordance with the requirements of NZ IAS-33 'Earnings per Share'.*

NZ IAS-33.4 *When an entity presents both consolidated financial statements and separate financial statements, the earnings per share disclosures need be presented only on the basis of the consolidated information. An entity that chooses to disclose earnings per share based on its separate financial statements shall present such earnings per share information only on the face of its separate income statement. An entity shall not present such earnings per share information in the consolidated financial statements.*

Accordingly, entities who present their parent entity financial statements together with their consolidated financial statements shall not present earnings per share disclosures based on those parent entity financial statements in the consolidated financial statements.

Source reference

45. Earnings per share (cont'd)

		Consolidated	
		2005 Cents per share	2004 Cents per share
	Basic earnings per share:		
NZ IAS-33.66	From continuing operations	91.4	87.1
NZ IAS-33.68	From discontinued operations	46.2	42.8
	Total basic earnings per share	137.6	129.9
	Diluted earnings per share:		
NZ IAS-33.66	From continuing operations	74.3	78.1
NZ IAS-33.68	From discontinued operations	37.4	38.5
	Total diluted earnings per share	111.7	116.6

NZ IAS-33.66, 69

An entity shall present on the face of the income statement, even if the amounts are negative (a loss per share), basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for profit or loss attributable to the ordinary equity holders of the parent entity for the period for each class of ordinary shares that has a different right to share in profit for the period. An entity shall present basic and diluted earnings per share with equal prominence for all periods presented.

NZ IAS-33.68

An entity that reports a discontinued operation shall disclose the basic and diluted amounts per share for the discontinued operation either on the face of the income statement or in the notes to the financial statements.

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:

		Consolidated	
		2005 NZ$'000	2004 NZ$'000
NZ IAS-33.70(a)	Earnings (a)	22,552	27,569
NZ IAS-33.70(a)	Earnings from continuing operations (a)	14,979	18,484
NZ IAS-33.70(b)	Weighted average number of ordinary shares for the purposes of basic earnings per share	16,390	21,230

NZ IAS-33.23

The convertible preference shares have been included in the weighted average number because they are mandatorily convertible.

Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are included in the calculation of basic earnings per share from the date the contract is entered into.

NZ IAS-33.70(a)

(a) Earnings used in the calculation of total basic earnings per share and basic earnings per share from continuing operations reconciles to net profit in the income statement as follows:

Net profit	22,552	27,569
Other *[describe]*	-	-
Earnings used in the calculation of basic EPS	22,552	27,569
Adjustments to exclude profit for the period from discontinued operations relating to the parent entity	(7,573)	(9,085)
Earnings used in the calculation of basic EPS from continuing operations	14,979	18,484

NZ IAS-33.70(a)

The reconciliation shall include the individual effect of each class of instruments that affects basic earnings per share.

Source reference

45. Earnings per share (cont'd)

Diluted earnings per share

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

		Consolidated	
		2005 NZ$'000	2004 NZ$'000
NZ IAS-33.70(a)	Earnings (a)	22,612	27,569
NZ IAS-33.70(a)	Earnings from continuing operations (a)	15,039	18,484
NZ IAS-33.70(b)	Weighted average number of ordinary shares for the purposes of diluted earnings per share (b), (c)	20,239	23,644

NZ IAS-33.72 *Financial instruments and other contracts generating potential ordinary shares may incorporate terms and conditions that affect the measurement of basic and diluted earnings per share. These terms and conditions may determine whether any potential ordinary shares are dilutive and, if so, the effect on the weighted average number of shares outstanding and any consequent adjustments to profit or loss attributable to ordinary equity holders. The disclosure of the terms and conditions of such financial instruments and other contracts is encouraged, if not otherwise already disclosed in accordance with NZ IAS-32 'Financial Instruments: Disclosure and Presentation'.*

NZ IAS-33.70(a) (a) Earnings used in the calculation of total diluted earnings per share and diluted earnings per share from continuing operations reconciles to net profit in the income statement as follows:

Net profit	22,552	27,569
Interest after tax saved on convertible notes	60	-
Earnings used in the calculation of diluted EPS	22,612	27,569
Adjustments to exclude profit for the period from discontinued operations relating to the parent entity	(7,573)	(9,085)
Earnings used in the calculation of diluted EPS from continuing operations	15,039	18,484

NZ IAS-33.70(a) *The reconciliation shall include the individual effect of each class of instruments that affects diluted earnings per share.*

NZ IAS-33.70(b) (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:

	Consolidated	
	2005 No. '000	2004 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	16,390	21,230
Shares deemed to be issued for no consideration in respect of:		
Employee options outstanding	88	169
Employee options exercised during the period	16	-
Convertible notes	1,500	-
Partly paid ordinary shares	2,245	2,245
Weighted average number of ordinary shares used in the calculation of diluted EPS	20,239	23,644

NZ IAS-33.70(b) *The reconciliation shall include the individual effect of each class of instruments that affects diluted earnings per share.*

Source reference

45. Earnings per share (cont'd)

NZ IAS-33.70(c)

(c) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	Consolidated	
	2005 No. '000	2004 No. '000
Unvested options	60,000	-
	60,000	-

Ordinary shares and potential ordinary shares transactions occurring after reporting date

NZ IAS-33.70(d)

A description of ordinary share transactions or potential ordinary shares transactions, other than those adjusted for retrospectively (refer below), that occur after the reporting date and that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period shall be disclosed.

Restatement of earnings per share

NZ IAS-33.64

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting date but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed.

NZ IAS-33.64, 65

Basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies, accounted for retrospectively. Diluted earnings per share of any prior period presented are not restated for changes in the assumptions used in earnings per share calculations or for the conversion of potential ordinary shares into ordinary shares.

Use of alternative earnings figures

NZ IAS-33.73

If an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the income statement other than one required by NZ IAS-33, such amounts shall be calculated using the weighted average number of ordinary shares determined in accordance with NZ IAS-33. Basic and diluted amounts per share relating to such a component shall be disclosed with equal prominence and presented in the notes to the financial statements. An entity shall indicate the basis on which the numerator(s) is (are) determined, including whether amounts per share are before tax or after tax. If a component of the income statement is used that is not reported as a line item in the income statement, a reconciliation shall be provided between the component used and a line item that is reported in the income statement.

Comparative information

NZ IAS-33.67

Earnings per share is presented for every period for which an income statement is presented.

Source reference

46. Minority Interest

	Consolidated	
	2005 NZ$'000	2004 NZ$'000
Balance at beginning of financial year	20,005	17,242
Share of profit for the year	4,000	2,763
Balance at the end of financial year	24,005	20,005

47. Dividends

		2005		2004	
		Cents per share	Total NZ$'000	Cents per share	Total NZ$'000
NZ IAS-1.95	**Recognised amounts**				
	Fully paid ordinary shares	37.21	6,515	31.59	6,359
	Converting cumulative non-participating preference shares	10.00	110	10.00	110
	Converting non-participating preference shares	10.00	10	10.00	10
	Unrecognised amounts		6,635		6,479
	Fully paid ordinary shares				
NZ IAS-1.125(a), NZ IAS-10.13	Final dividend	26.31	3,905	19.36	3,897

An entity shall disclose, either on the face of the income statement or the statement of changes in equity, or in the notes, the amount of dividends recognised as distributions to equity holders during the period, and the related amount per share.

NZ IAS-1.95

	Company	
	2005 NZ$'000	2004 NZ$'000
Income tax consequences of unrecognised dividends	-	-

Cumulative preference dividends not recognised

NZ IAS-1.125(b)

An entity shall disclose in the notes to the financial statements the amount of any cumulative preference dividends not recognised.

Income tax consequences of dividends

NZ IAS-12.65A

When an entity pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders, i.e. a withholding tax. Such an amount paid or payable to taxation authorities is charged to equity as part of the dividends.

Source reference

48. Commitments for expenditure

Capital commitments and other expenditure commitments contracted for as at reporting date do not require disclosure where the commitments are for the supply of inventories or have been recognised as liabilities in the balance sheet.

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
	(a) Capital expenditure commitments				
NZ IAS-16.74(c)	Plant and equipment	4,856	6,010	26	70
NZ IAS-40.75(h)	Investment property	860	-	-	-
NZ IAS-38.122(e)	Intangible assets	-	-	-	-
NZ IAS-31.55	Consolidated entity's share of jointly controlled entities' capital commitments	427	357	-	-
NZ IAS-17.47, 56	**(b) Lease commitments**				
	Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 50 to the financial statements.				
	(c) Other expenditure commitments				
NZ IAS-40.75(h)	Investment property	-	-	-	-
NZ IAS-38.122(e)	Intangible assets	-	-	-	-
	Other *[describe]*	-	-	-	-

49. Contingent liabilities and contingent assets

NZ IAS-37.86(a)	**Contingent liabilities**				
	Court proceedings (i)	-	-	-	-
	Housing loan guarantees	720	720	-	-
NZ IAS-37.86(c)	Likely reimbursement (ii)	(720)	(720)	-	-
NZ IAS-28.40(b)	The company is jointly and severally liable for all the liabilities of an associate, TC Finance Limited (iii)	455	413	455	413
NZ IAS-31.54	Guarantees and other contingent liabilities arising from interests in joint ventures (iv)	110	116	-	-
NZ IAS-37	Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group (v)	-	-	11,980	24,580
	Arising from equity accounted investments				
NZ IAS-28.40(a)	Consolidated entity's share of associates' contingent liabilities (vi)	150	14	-	-
NZ IAS-37.89	**Contingent assets**				
	Faulty goods claim (vii)	140	-	-	-

C

Source reference

49. Contingent liabilities and contingent assets (cont'd)

NZ IAS-37.86(b)

(i) An entity in the consolidated entity 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 will be incurred. The legal claim is expected to be settled in the course of the next eighteen months.

(ii) Guarantees are provided on housing loans for employees who have been seconded or transferred to a new locality within The Toy Company group. The amount disclosed as a contingent liability represents the amount guaranteed in respect of housing for employees who would, without the guarantee, not have been granted the housing loans. The Directors believe that if the guarantee is ever called on, the consolidated entity will be able to recover the amounts paid from the employees. The housing loans have terms ranging from three to twenty years.

(iii) The company's joint and several liabilities for the liabilities of TC Finance Limited will only be called upon in the event of default by TC Finance Limited. The term of this arrangement is indefinite. The amount disclosed as a contingent liability is the aggregate liabilities of TC Finance Limited as at 31 December 2005. The extent to which an outflow of funds will be required is dependent on the future operations of TC Finance Limited being more or less favourable than currently expected.

(iv) A number of contingent liabilities arise as a result of the company's interest in joint ventures, including guarantees made directly to financing organisations in respect of the joint ventures. The amount disclosed represents the aggregate amount of such guarantees. 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.

(v) As detailed in note 52, the company has entered into a deed of cross guarantee with certain wholly-owned subsidiaries. The amount disclosed as a contingent liability represents total liabilities of the group of companies party to that, less the liabilities of the company. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of cross guarantee being more or less favourable than currently expected. The deed of cross guarantee will continue to operate indefinitely.

(vi) The consolidated entity'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.

(vii) A company in the consolidated entity has a claim outstanding against a supplier for the supply of faulty products. Based on negotiations to date the Directors believe that it may be possible to recover this amount.

NZ IAS-37.86

Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable:

(a) an estimate of its financial effect;

(b) an indication of the uncertainties relating to the amount or timing of any outflow; and

(c) the possibility of any reimbursement.

NZ IAS-37.91

Where any of the information above is not disclosed because it is not practicable to do so, that fact shall be stated.

NZ IAS-37.87

In determining which contingent liabilities may be aggregated to form a class, it is necessary to consider whether the nature of the items is sufficiently similar for a single statement about them to fulfil the requirements of paragraphs 86(a) and (b) above.

For the purposes of providing illustrative disclosures that will assist users in preparing financial statements the disclosures of contingent liabilities have been illustrated irrespective of whether a situation might give rise to future economic sacrifices which are considered to be remote.

Source reference	

49. Contingent liabilities and contingent assets (cont'd)

Contingent assets

NZ IAS-37.89, 91

Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the reporting date, and, where practicable, an estimate of their financial effect. Where any of this information is not disclosed because it is not practicable to do so, that fact shall be stated.

NZ IAS-37.90

It is important that disclosures for contingent assets avoid giving misleading indications of the likelihood of income arising.

For the purposes of providing illustrative disclosures that will assist users in preparing financial statements the disclosures of contingent assets have been illustrated irrespective of whether a situation might give rise to future economic benefits which are considered to be not probable.

Exemptions

NZ IAS-37.92

In extremely rare cases, disclosure of some or all of the information illustrated above would be expected to seriously prejudice the position of the entity in a dispute with other parties on the subject matter of the contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Provisions

NZ IAS-37.88

Where a provision and a contingent liability arise from the same set of circumstances, an entity makes the required disclosures in a way that shows the link between the provision and the contingent liability.

50. Leases

Disclosures for lessees

Finance leases

(a) Leasing arrangements

NZ IAS-17.31(e), NZ IAS-32.60

Finance leases relate to manufacturing equipment with lease terms of 5 years. The consolidated entity has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

NZ IAS-17.31(e), NZ IAS-32.60

A general description about the lessee's material leasing arrangements shall be disclosed, including:

(a) the basis on which contingent rent payable is determined;

(b) the existence and terms of renewal or purchase options and escalation clauses; and

(c) restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

C

Source reference

50. Leases (cont'd)

(b) Finance lease liabilities

NZ IAS-17.31(b)

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
No later than 1 year	10	58	-	-	9	54	-	-
Later than 1 year and not later than 5 years	6	44	-	-	5	35	-	-
Later than five years	-	-	-	-	-	-	-	-
Minimum lease payments*	16	102	-	-	14	89	-	-
Less future finance charges	(2)	(13)	-	-	-	-	-	-
Present value of minimum lease payments	14	89	-	-	14	89	-	-
Included in the financial statements as:								
Current borrowings (note 25)					9	54	-	-
Non-current borrowings (note 31)					5	35	-	-
					14	89	-	-

* Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

If there are future contingent rentals or future rentals relating to executory costs to be met by the lessees which are known to be payable over the remainder of the lease term, they shall be included in finance lease commitments.

(c) Sub-leases

NZ IAS-17.31(d)

For non-cancellable sub-leases, the total of future minimum lease payments expected to be received shall be disclosed.

Operating leases

(a) Leasing arrangements

NZ IAS-17.35(d), NZ IAS-32.60

Operating leases relate to warehouse facilities with lease terms of between 3 to 5 years, with an option to extend for a further 3 years. All operating lease contracts contain market review clauses in the event that the company/consolidated entity exercises its option to renew. The company/consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

NZ IAS-17.35(d), NZ IAS-32.60

A general description about the lessee's significant leasing arrangements shall be disclosed, including:

(a) the basis on which contingent rent payable is determined;

(b) the existence and terms of renewal or purchase options and escalation clauses; and

(c) restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
(b) Non-cancellable operating lease payments				
Not longer than 1 year	1,734	1,908	52	52
Longer than 1 year and not longer than 5 years	3,568	4,336	88	118
Longer than 5 years	1,618	2,526	-	-
	6,920	8,770	140	170

NZ IAS-17.35(a)

Source reference

50. Leases (cont'd)

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
In respect of non-cancellable operating leases the following liabilities have been recognised:				
Current:				
Onerous lease contracts (note 27)	410	460	2	4
Lease incentives (note 28)	90	90	-	-
Non-current:				
Onerous lease contracts (note 33)	504	430	-	-
Lease incentives (note 34)	180	270	-	-
	1,184	1,250	2	4

Commitments disclosed in respect of non-cancellable operating leases shall not be reduced by the amount of any liabilities recognised in the financial statements.

(c) Sub-leases

NZ IAS-17.35(b) *For non cancellable sub-leases, the total of future minimum leases payments expected to be received shall be disclosed.*

Disclosures for lessors

Finance leases

(a) Leasing arrangements

NZ IAS-17.47(f) *A general description about the lessor's material leasing arrangements shall be disclosed.*

NZ IAS-17.47(a) **(b) Finance lease receivable**

	Minimum future lease payments				Present value of minimum future lease receivables			
	Consolidated		Company		Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
No later than 1 year	-	-	-	-	-	-	-	-
Later than 1 year and not later than 5 years	-	-	-	-	-	-	-	-
Later than five years	-	-	-	-	-	-	-	-
Minimum future lease payments	-	-	-	-	-	-	-	-
NZ IAS-17.47(c) Unguaranteed residual	-	-	-	-	-	-	-	-
Gross finance lease receivables	-	-	-	-	-	-	-	-
Less unearned finance income	-	-	-	-	-	-	-	-
Present value of minimum lease payments	-	-	-	-	-	-	-	-
Included in the financial statements as:					-	-	-	-
Current trade and other receivables (note 7)					-	-	-	-
NZ IAS-17.47(b) Non-current trade and other receivables (note 12)					-	-	-	-

Operating leases

(a) Leasing arrangements

NZ IAS-17.56(c) Operating leases relate to the investment property owned by the consolidated entity 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 consolidated entity exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

NZ IAS-17.56(c) *A general description about the lessor's leasing arrangements shall be disclosed.*

C

Source reference

50. Leases (cont'd)

		Consolidated		Company	
		2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-17.56(a)	**(b) Non-cancellable operating lease receivables**				
	Not longer than 1 year	18	18	-	-
	Longer than 1 year and not longer than 5 years	54	72	-	-
	Longer than 5 years	-	-	-	-
		72	90	-	-

NZ IAS-17.57

Other disclosures

The disclosure requirements specified by the relevant standards in relation to property, plant and equipment, intangible assets, impairment of assets, investment property and agriculture apply to lessors for assets provided under operating leases.

An illustrative example of these disclosure items has not been given in these model financial statements on the basis that such items would normally be incorporated into other existing notes for example note 2 and note 16.

51. Jointly controlled operations and assets

NZ IAS-31.56

Name of entity	Ownership interest 2005 %	Ownership interest 2004 %
TC Gallop	52	50
TC Colour	60	60

NZ IAS-31.56

The following amounts are included in the financial statements and consolidated financial statements under their respective asset categories as a result of the proportionate consolidation of TC Gallop and TC Colour:

	Consolidated 2005 NZ$'000	Consolidated 2004 NZ$'000
Current assets	1,800	1,850
Non-current assets	8,993	9,854
	10,793	11,704
Current liabilities	-	-
Non-current liabilities	-	-
	-	-
Net assets	10,793	11,704
Income	-	-
Expenses	-	-

NZ IAS-31.54, 55

Contingent liabilities and capital commitments

The contingent liabilities and capital commitments arising from the consolidated entity's interests in joint ventures are disclosed in notes 48 and 49 respectively.

Jointly controlled operations

NZ IAS-31.56

A venturer shall disclose a listing and description of interests in significant joint ventures. A venturer that recognises its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method shall disclose the aggregate amounts of each of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses related to its interests in joint ventures.

Source reference

52. Subsidiaries

NZ IAS-27.42(b), NZ IAS-24.12

Name of entity	Country of Incorporation	Ownership interest and voting rights 2005 %	Ownership interest and voting rights 2004 %
Parent entity			
The Toy Company Limited (i)	New Zealand		
Subsidiaries			
TC Investments Ltd (ii)	New Zealand	100	100
TC Finance Ltd (ii)	New Zealand	100	-
TC Sales Ltd	New Zealand	100	100
TC International Ltd	New Zealand	80	80
TC USA Incorporated	USA	100	100
TC Corporation	USA	-	100
TC USA Limited	USA	100	100
TC Production Unit Trust	New Zealand	100	100

NZ IAS-1.126(c) (i) The Toy Company Limited is the head entity within the consolidated group.

NZ IAS-37 (ii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with The Toy Company Limited. TC Finance Ltd became a party to the deed of cross guarantee on 15 June 2005.

Other disclosures

NZ IAS-27.40(c) *The consolidated financial statements shall disclose the nature of the relationship between the parent and a subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power.*

NZ IAS-27.40(d) *The consolidated financial statements shall disclose the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control.*

NZ IAS-27.40(f) *The consolidated financial statements shall disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances.*

NZ IAS-27.42(b) *The consolidated financial statements shall disclose, if different from the proportion of ownership interest held in a subsidiary, the proportion of voting power held.*

53. Acquisition of businesses

NZ IFRS-3.67(a), (b), (c), (d)

Names of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition NZ$'000
2005:				
TC Finance Limited	Financial	15/06/05	100	350
Minus Limited	Distribution	30/11/05	-	a+b = 872
				1,222
2004:				-
[describe]				-

NZ IFRS-3.67(d), (h) The cost of acquisition comprises cash for all of the acquisitions except for the acquisition of the Minus Limited distribution business, which comprises cash of $472[b],000 and land and buildings with an aggregate fair value of $400[a],000. In each acquisition, the consolidated entity has paid a premium for the acquiree as it believes the acquisitions will introduce additional synergies to its existing operations.

NZ IFRS-3.67(i), 70 Included in the net profit for the period is $35,000 attributable to the additional business generated by TC Finance Limited, and $13,000 attributable to the purchase of the distribution businesses of Minus Limited. Had these business combinations been effected at 1 January 2005, the revenue of the consolidated entity would be $145,781,000, and net profit before tax $29,168,000.

C

Source reference

53. Acquisition of businesses (cont'd)

NZ IFRS-3.67(f)

Net assets acquired	TC Finance Limited Book value NZ$'000	TC Finance Limited Fair value adjustment NZ$'000	TC Finance Limited Fair value on acquisition NZ$'000	Minus Limited distribution business Book value NZ$'000	Minus Limited distribution business Fair value adjustment NZ$'000	Minus Limited distribution business Fair value on acquisition NZ$'000	Total fair value on acquisition NZ$'000
Current assets:							
Cash and cash equivalents	120	-	120	80	-	80	200
Trade and other receivables	87	-	87	105	-	105	192
Inventories	-	-	-	78	12	90	90
Non-current assets:							
In-process R&D	-	-	-	-	-	-	-
Plant and equipment	50	35	85	312	57	369	454
Current liabilities:							
Trade and other payables	(23)	-	(23)	(35)	-	(35)	(58)
Non-current liabilities:							
Deferred tax liabilities	(2)	(11)	(13)	(16)	(17)	(33)	(46)
Contingent liabilities	-	-	-	-	-	-	-
	232	24	256	524	52	576	832
Goodwill on acquisition							390
							1,222

Further details of the businesses acquired during the financial year are disclosed in note 58(b).

NZ IFRS-3.67(f)

The financial statements shall disclose, for each business combination effected during the period, the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, and, unless disclosure would be impracticable, the carrying amounts of each of those classes, determined in accordance with NZ IFRSs, immediately before the combination.
If such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.

Issuance of equity instruments as part of the cost of a business combination

NZ IFRS-3.67(d)

When equity instruments are issued or issuable as part of the cost of a business combination, the following shall also be disclosed:

(a) the number of equity instruments issued or issuable; and

(b) the fair value of those instruments and the basis for determining that fair value. If a published price does not exist for the instruments at the date of exchange, the significant assumptions used to determine fair value shall be disclosed. If a published price exists at the date of exchange but was not used as the basis for determining the cost of the combination, that fact shall be disclosed together with: the reasons the published price was not used; the method and significant assumptions used to attribute a value to the equity instruments; and the aggregate amount of the difference between the value attributed to, and the published price of, the equity instruments.

Consequential disposal of operations

NZ IFRS-3.67(e)

Details of any operations the entity has decided to dispose of as a result of a business combination shall be disclosed.

Source reference	

53. Acquisition of businesses (cont'd)

Disclosure of excess on acquisition

NZ IFRS-3.67(g), (h) *The amount of any excess recognised in profit or loss, and the line item in the income statement in which the excess is recognised, shall be disclosed for each business combination. A description of the nature of the excess shall be disclosed.*

Disclosure of factors contributing to goodwill on acquisition

NZ IFRS-3.67(h) *A description of the factors that contributed to a cost that results in the recognition of goodwill and a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably shall be disclosed.*

Effect of business combination on the consolidated financial statements

NZ IFRS-3.67(i) *The amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period shall be disclosed for each business combination, unless disclosure would be impracticable. If such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.*

NZ IFRS-3.70 *The acquirer shall also disclose, unless such disclosure would be impracticable:*

(a) the revenue of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of that period; and

(b) the profit or loss of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period.

If disclosure of this information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.

Initial accounting determined provisionally

NZ IFRS-3.62, 69 *The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, that fact shall also be disclosed together with an explanation of why this is the case.*

Gains, losses, errors and other adjustments relating to business combinations

NZ IFRS-3.72 *An acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of gains, losses, error corrections and other adjustments recognised in the current period that relate to business combinations that were effected in the current or in previous periods.*

NZ IFRS-3.73 *To give effect to this principle, the acquirer shall disclose the following information:*

(a) the amount and an explanation of any gain or loss recognised in the current period that:

(i) relates to the identifiable assets acquired or liabilities or contingent liabilities assumed in a business combination that was effected in the current or a previous period; and

Source reference

53. Acquisition of businesses (cont'd)

(ii) is of such size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance;

(b) if the initial accounting for a business combination that was effected in the immediately preceding period was determined only provisionally at the end of that period, the amounts and explanations of the adjustments to the provisional values recognised during the current period; and

(c) the information about error corrections required to be disclosed by NZ IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors' for any of the acquiree's identifiable assets, liabilities or contingent liabilities, or changes in the values assigned to those items, that the acquirer recognises during the current period as adjustments after the initial accounting for the business combination is complete.

54. Segment information

NZ IAS-14.27

An entity's internal organisational and management structure and its system of internal financial reporting to the Board of Directors and the Chief Executive Officer shall normally be the basis for identifying the predominant source and nature of risks and differing rates of return facing the entity and, therefore, for determining which reporting format is primary and which is secondary, except:

(a) if an entity's risks and rates of return are strongly affected both by differences in the products and services it produces and by differences in the geographical areas in which it operates then the entity shall use business segments as its primary segment reporting format and geographical segments as its secondary reporting format; and

(b) if an entity's internal organisational and management structure and its system of internal financial reporting to the Board of Directors and the Chief Executive Officer are based neither on individual products or services or on groups of related products/services nor on geography, the Directors and management of the entity shall determine whether the entity's risks and returns are related more to the products and services it produces or more to the geographical areas in which it operates and, as a consequence, shall choose either business segments or geographical segments as the entity's primary segment reporting format, with the other as its secondary reporting format.

Information on business segments *(primary reporting format)*

This illustrative example of the disclosure of 'primary' segment information has been presented on the basis that The Toy Company Limited's primary reporting format is business segments. Similar information is required to be disclosed for each geographical segment where an entity's primary reporting format is geographical segments.

NZ IAS-14.3

Segment reporting information has to be presented by entities whose debt or equity securities are publicly traded and by entities that are in the process of issuing equity or debt securities in public securities markets.

Source reference

54. Segment information (cont'd)

NZ IAS-14.51

Segment revenues

	External sales		Inter-segment (i)		Other		Total	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
Widgets	75,370	79,467	2,515	1,872	579	428	78,464	81,767
Bicycles	35,515	49,153	-	-	-	-	35,515	49,153
Construction	28,890	28,690	-	-	-	-	28,890	28,690
Toys	63,273	69,522	988	650	-	-	64,261	70,172
NZ IAS-14.67 Other	2,275	2,831	-	-	558	485	2,833	3,316
Total of all segments							209,963	233,098
Eliminations							(3,503)	(2,522)
Unallocated							2,471	1,458
NZ IAS-14.67 Consolidated							208,931	232,034

NZ IAS-14.75

(i) Inter-segment sales are recorded at amounts equal to competitive market prices charged to external customers for similar goods.

NZ IAS-14.16

Examples of items commonly included in the 'unallocated' line of segment revenues are:

(a) interest income, including interest earned on advances or loans to other segments (except where the segment's operations are primarily of a financial nature);

(b) dividend income (except where the segment's operations are primarily of a financial nature); and

(c) gains on sales of investments or extinguishment of debt (except where the segment's operations are primarily of a financial nature).

NZ IAS-14.75

In measuring and disclosing segment revenues from transactions with other segments, inter-segment transfers shall be measured on the basis that the entity used to price those transfers. The basis of pricing inter-segment transfers and any change therein shall be disclosed in the financial statements.

Segment result

	2005 NZ$'000	2004 NZ$'000
NZ IFRS-5.30 **Continuing operations:**		
Widgets	29,123	29,640
Toys	8,774	10,343
Other	1,011	984
	38,908	40,967
Eliminations	-	-
Unallocated	(9,966)	(8,829)
Profit before income tax expense	28,942	32,138
Income tax expense	(11,306)	(11,801)
NZ IAS-14.67 Profit for the period from continuing operations	17,636	20,337
NZ IFRS-5.30 **Discontinued operations:**		
Bicycles	5,574	9,636
Construction	4,206	3,481
Gain/(loss) on disposal of operation (note 55)	2,426	-
Eliminations	-	-
Unallocated	(130)	(124)
Profit from discontinued operations before income tax expense	12,076	12,993
Income tax expense	(3,160)	(2,998)
NZ IAS-14.67 Profit for the period from discontinued operations	8,916	9,995
NZ IAS-14.67 Profit for the period	26,552	30,332

NZ IAS-14.52, 52A

An entity shall disclose segment result for each reportable segment, presenting the result from continuing operations separately from the result from discontinued operations. An entity shall restate segment result in prior periods presented in the financial statements so that the segment disclosures relating to discontinued operations relate to all operations that had been classified as discontinued at the balance sheet date of the latest period presented.

C

Source reference

54. Segment information (cont'd)

NZ IAS-14.55, 56

Segment assets and liabilities

	Assets		Liabilities	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
Widgets	113,567	96,926	10,003	11,662
Bicycles	-	21,120	-	2,120
Construction	21,076	20,012	3,684	2,552
Toys	72,513	70,658	10,985	8,159
Other	8,346	7,970	1,220	1,014
Total of all segments	215,502	216,686	25,892	25,507
Eliminations	-	-	-	-
Unallocated	48,200	44,401	66,770	69,560
NZ IAS-14.67 Consolidated	263,702	261,087	92,662	95,067

Other segment information

	Widgets 2005 NZ$'000	Bicycle 2005 NZ$'000	Construction 2005 NZ$'000	Toys 2005 NZ$'000	Other 2005 NZ$'000	Total 2005 NZ$'000
NZ IAS-14.66 Carrying value of investments accounted for using the equity method	-	-	-	2,101	6,324	8,425
NZ IAS-14.64 Share of net profit/ (loss) of associates and jointly controlled entities accounted for under the equity method	-	-	-	601	585	1,186
NZ IAS-14.57 Acquisition of segment assets	8,507	-	4,099	7,317	3,060	22,983
NZ IAS-36.129(a) Impairment losses	15	-	-	204	-	219
NZ IAS-36.129(b) Reversals of impairment losses	-	-	-	-	-	-
NZ IAS-14.58 Depreciation and amortisation of segment assets	5,261	3,412	967	3,965	1,574	15,179
NZ IAS-14.61 Significant other non-cash expenses	408	-	-	-	-	408
NZ IAS-14.59 Significant revenues or expenses	-	-	-	-	-	-

	Widgets 2004 NZ$'000	Bicycle 2004 NZ$'000	Construction 2004 NZ$'000	Toys 2004 NZ$'000	Other 2004 NZ$'000	Total 2004 NZ$'000
NZ IAS-14.66 Carrying value of investments accounted for using the equity method	-	-	-	1,500	5,769	7,269
NZ IAS-14.64 Share of net profit/ (loss) of associates and jointly controlled entities accounted for under the equity method	-	-	-	485	1,104	1,589
NZ IAS-14.57 Acquisition of segment assets	6,952	325	1,500	2,500	625	11,902
NZ IAS-36.129(a) Impairment losses	-	-	-	-	-	-
NZ IAS-36.129(b) Reversals of impairment losses	-	-	-	-	-	-
NZ IAS-14.58 Depreciation and amortisation of segment assets	5,988	4,492	1,309	3,502	2,059	17,350
NZ IAS-14.61 Significant other non-cash expenses	-	-	-	-	-	-
NZ IAS-14.59 Significant revenues or expenses	-	-	-	-	-	-

Depreciation, amortisation and other non-cash expenses

NZ IAS-14.63 *An entity that provides the segment cash flow disclosures encouraged by NZ IAS-7 'Cash Flow Statements' need not also disclose segment depreciation and amortisation expense or details of other non-cash expenses.*

Source reference	

54. Segment information (cont'd)

Acquisition of segment assets

NZ IAS-14.57

An entity shall disclose the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant and equipment, and intangible assets) for each reportable segment. While this sometimes is referred to as capital additions or capital expenditure, the measurement required by this principle shall be on an accrual basis, not a cash basis.

Impairment losses, and reversals thereof

NZ IAS-36.129

An entity that reports segment information shall disclose the following for each reportable segment based on an entity's primary reporting format:

(a) the amount of impairment losses recognised in profit or loss and directly in equity during the period; and

(b) the amount of reversals of impairment losses recognised in profit or loss and directly in equity during the period.

Disclosure of specific revenues and expenses

NZ IAS-14.59

An entity is encouraged, but not required to disclose the nature and amount of any items of segment revenue and segment expense that are of such size, nature, or incidence that their disclosure is relevant to explain the performance of each reportable segment for the period.

NZ IAS-14.60

NZ IAS-1 'Presentation of Financial Statements' requires that when items of income and expense are material, their nature and amount shall be disclosed separately. NZ IAS-1 offers a number of examples, including write-downs of inventories and property, plant, and equipment, provisions for restructurings, disposals of property, plant and equipment and long-term investments, discontinued operations, litigation settlements, and reversals of provisions. NZ IAS-14 is not intended to change the classification of any such items or to change the measurement of such items. The disclosure encouraged by NZ IAS-14, however, does change the level at which the significance of such items is evaluated for disclosure purposes from the entity level to the segment level.

NZ IAS-14.62

Disclosure of cash flow information for each reportable segment

Entities are encouraged to disclose cash flow information for each reportable industry and geographical segment as such disclosure is considered relevant to understanding on entity's overall financial position, liquidity and cash flows. Disclosure of significant non-cash revenues that are included in segment revenue and, therefore, added in measuring segment results are also encouraged.

Products and services within each business segment

NZ IAS-14.81,
NZ IAS-1.126(b)

For management purposes, the consolidated entity is organised into four major operating divisions – widgets, bicycles, construction and toys. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Widgets — the manufacture and sale of widgets within New Zealand and overseas.
- Bicycles — the manufacture of bicycles ranging from leisure bicycles, mountain bicycles and childrens bicycles. This division has been sold in 2005.
- Construction — the construction and renovation of New Zealand residential properties for which a plan to dispose has been announced.
- Toys — the manufacture and sale of toys within New Zealand and overseas.

Other operations include the development and sale of computer software for specialised business applications and leasing of specialised storage premises.

During the financial year, the consolidated entity disposed of its bicycle business and the Board of Directors announced a plan to dispose of the construction business (refer note 55).

Source reference

54. Segment information (cont'd)

Information on geographical segments *(secondary reporting format)*

This illustrative example of the disclosure of 'secondary' segment information has been presented on the basis that The Toy Company Limited's secondary reporting format is geographical segments (and its primary reporting format is business segments). Similar information is required to be disclosed for each business segment, where an entity's secondary reporting format is business segments (and its primary reporting format is geographical segments).

NZ IAS-14.69

Geographical segments	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
New Zealand	149,165	152,658	171,080	172,242	10,459	5,760
North America	25,898	43,562	22,345	21,985	7,416	3,380
Europe	25,485	25,687	21,684	22,009	3,897	2,629
Other	5,912	8,669	393	450	1,211	133
Unallocated	2,471	1,458	48,200	44,401	-	-
Total	208,931	232,034	263,702	261,087	22,983	11,902

NZ IAS-14.81

The consolidated entity's four divisions operate in three principal geographical areas – New Zealand, North America and Europe. The composition of each geographical segment is as follows:

- New Zealand — The Toy Company manufactures and sells a broad range of all its products in New Zealand.
- North America — The Toy Company operates widget manufacturing facilities in Canada with sales offices in the United States and Canada. There was also a bicycle manufacturing facility and sales offices located in Wisconsin in the United States.
- Europe — The Toy Company operates widget manufacturing facilities in France and Germany with sales offices in the Netherlands, Belgium, Germany and France.

Information on geographical segments (secondary reporting format)

NZ IAS-14.69

If an entity's primary reporting format for reporting segment information is business segments, it shall also report the following information:

(a) segment revenue from external customers by geographical area based on the geographical location of its customers, for each geographical segment whose revenue from sales to external customers is 10 per cent or more of total entity revenue from sales to all external customers;

(b) the total carrying amount of segment assets by geographical location of assets, for each geographical segment whose segment assets are 10 per cent or more of the total assets of all geographical segments; and

(c) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets) by geographical location of assets, for each geographical segment whose segment assets are 10 per cent or more of the total assets of all geographical segments.

Information on business segments (secondary reporting format)

NZ IAS-14.70

If an entity's primary format for reporting segment information is geographical segments (whether based on location of assets or location of customers), it shall also report the following segment information for each business segment whose revenue from sales to external customers is 10 per cent or more of total entity revenue from sales to all external customers or whose segment assets are 10 per cent or more of the total assets of all business segments:

(a) segment revenue from external customers;

(b) the total carrying amount of segment assets; and

(c) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets).

Source reference	

54. Segment information (cont'd)

Other disclosure requirements

Geographical segments based on location of assets

NZ IAS-14.71 *If an entity's primary format for reporting segment information is geographical segments that are based on location of assets, and if the location of its customers is different from the location of its assets, then the entity shall also report revenue from sales to external customers for each customer-based geographical segment whose revenue from sales to external customers is 10 per cent or more of total entity revenue from sales to all external customers.*

Geographical segments based on location of customers

NZ IAS-14.72 *If an entity's primary format for reporting segment information is geographical segments that are based on location of customers, and if the entity's assets are located in different geographical areas from its customers, then the entity shall also report the following segment information for each asset-based geographical segment whose revenue from sales to external customers or segment assets are 10 per cent or more of related consolidated or total entity amounts:*

(a) the total carrying amount of segment assets by geographical location of the assets; and

(b) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets) by location of the assets.

Disclosure of particulars of other segments

NZ IAS-14.74 *If a business segment or geographical segment for which information is reported to the board of directors and chief executive officer is not a reportable segment because it earns a majority of its revenue from sales to other segments, but nonetheless its revenue from sales to external customers is 10 per cent or more of total entity revenue from sales to all external customers, the entity shall disclose that fact and the amounts of revenue from:*

(a) sales to external customers; and

(b) internal sales to other segments.

Changes in accounting policies

NZ IAS-14.25 *While the accounting policies used in preparing and presenting the financial statements of the entity as a whole are also the fundamental segment accounting policies, segment accounting policies include, in addition, policies that relate specifically to segment reporting, such as identification of segments, method of pricing inter-segment transfers, and basis for allocating revenues and expenses to segments that need to be disclosed.*

NZ IAS-14.76 *Changes in accounting policies adopted for segment reporting that have a material effect on segment information shall be disclosed, and prior period segment information presented for comparative purposes shall be restated unless it is impracticable to do so. Such disclosure shall include a description of the nature of the change, the reasons for the change, the fact that comparative information has been restated or that it is impracticable to do so, and the financial effect of the change, if it is reasonably determinable. If an entity changes the identification of its segments and it does not restate prior period segment information on the new basis because it is impracticable to do so, then for the purpose of comparison the entity shall report segment data for both the old and the new bases of segmentation in the period in which it changes the identification of its segments.*

Comparative information

NZ IAS-14.43 *If a segment is identified as a reportable segment in the current period because it satisfies the relevant 10 per cent thresholds, prior period segment data that is presented for comparative purposes shall be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the 10 per cent thresholds in the prior period, unless it is impracticable to do so.*

Source reference	

54. Segment information (cont'd)

Inter-segment transactions within the consolidated entity

NZ IAS-14.24 *Segment revenue, segment expense, segment assets and segment liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.*

Substantially similar reported segments

NZ IAS-14.34 *Two or more internally reported business segments or geographical segments that are substantially similar may be combined as a single business segment or geographical segment. Segments are substantially similar only if:*

(a) they exhibit similar long-term financial performance; and

(b) they are similar in all of the factors in the appropriate definition in paragraph 9 of NZ IAS-14 'Segment Reporting'.

Previously reported segments

NZ IAS-14.83 *Previously reported segments that no longer satisfy the quantitative thresholds are not reported separately. For example, because of a decline in demand or a change in management strategy or because a part of the operations of the segment has been sold or combined with other segments. An explanation of the reasons why a previously reported segment is no longer reported may be useful in confirming expectations regarding declining markets and changes in entity strategies.*

55. Discontinued operations

Definition of a discontinued operation

NZ IFRS-5.32 *A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:*

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

NZ IFRS-5.31 *A component of an entity means operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.*

Disclosure of discontinued operations

NZ IFRS-5.33 *An entity shall disclose:*

(a) a single amount on the face of the income statement comprising the total of:

(i) the post-tax profit or loss of discontinued operations; and

ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation;

Source reference	
	55. Discontinued operations (cont'd)
	(b) an analysis of the single amount in (a) into:
	(i) the revenue, expenses and pre-tax profit or loss of discontinued operations;
NZ IAS-12.81(h)(ii)	*(ii) the tax expense relating to the profit or loss from the discontinued operation for the period, together with the corresponding amounts for each prior period presented;*
	(iii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and
NZ IAS-12.81(h)(i)	*(iv) the tax expense relating to the gain or loss on discontinuance.*
	The analysis may be presented in the notes or on the face of the income statement, and is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.
	(c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations. These disclosures may be presented either in the notes or on the face of the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.
NZ IFRS-5.34	*An entity shall re-present the disclosures above for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the balance sheet date for the latest period presented.*
NZ IFRS-5.12	*When, after the balance sheet date, but before the financial statements are authorised for issue, the asset becomes available for immediate sale and there is a committed plan to sell the asset by management the entity shall disclose the information specified in paragraphs 41(a), (b) and (d) of NZ IFRS-5, below, in the notes to the financial statements.*
	Disposal groups that are to be abandoned
NZ IFRS-5.13	*An entity shall not classify as held for sale a non current asset (or disposal group) that is to be abandoned. However, a disposal group to be abandoned that meets the criteria of a discontinued operation shall present the results and cash flows of the disposal group as discontinued operations in accordance with the requirements above at the date on which it ceases to be used.*
	Non current assets (or disposal groups) to be abandoned include non-current assets (or disposal groups) that are to be used to the end of their economic life and non-current assets (or disposal groups) that are to be closed rather than sold.
	Adjustments relating to the disposal of a discontinued operation in a prior period
NZ IFRS-5.35	*Adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period shall be classified separately in discontinued operations. The nature and amount of such adjustments shall be disclosed. Examples of circumstances in which these adjustments may arise include the following:*
	(a) the resolution of uncertainties that arise from the terms of the disposal transaction, such as the resolution of purchase price adjustments and indemnification issues with the purchaser;
	(b) the resolution of uncertainties that arise from and are directly related to the operations of the component before its disposal, such as environmental and product warranty obligations retained by the seller; and
	(c) the settlement of employee benefit plan obligations, provided that the settlement is directly related to the disposal transaction.

Source reference

55. Discontinued operations (cont'd)

Additional disclosures

NZ IFRS-5.41

An entity shall disclose the following information in the notes to the financial statements in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:

(a) a description of the non-current asset (or disposal group);

(b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal;

(c) the gain or loss recognised on recognition of impairment losses or reversals thereof, and, if not separately presented on the face of the income statement, the caption in the income statement that includes that gain or loss; and

(d) if applicable, the segment in which the non-current asset (or disposal group) is presented in accordance with NZ IAS-14 'Segment Reporting'.

Changes to a plan of sale

NZ IFRS-5.42

If there are changes to a plan of sale such that an entity ceases to classify an asset (or disposal group) as held for sale, or removes an individual asset or liability from a disposal group classified as held for sale, an entity shall disclose, in the period of the decision to change the plan to sell the non-current asset (or disposal group), a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented.

NZ IFRS-5.36

If an entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

NZ IFRS-5.37

Any gain or loss on the remeasurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation shall be included in profit or loss from continuing operations.

Disposal of the bicycle business

NZ IFRS-5.41,
NZ IAS-1.87(e)

On 28 September 2005, the Board of Directors entered into a sale agreement to dispose of the consolidated entity's bicycle business. The proceeds on the sale substantially exceeded the book value 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 bicycle business is consistent with the consolidated entity's long-term policy to focus its activities in the widget and toy manufacturing industries. The disposal was completed on 30 November 2005, on which date control of the bicycle business passed to the acquirer. The total proceeds on sale were $9,420,000 of which $1,566,000 were deferred (refer note 58(c)).

Plan to dispose of the construction business

NZ IFRS-5.41,
NZ IAS-1.87(e)

On 30 November 2005, the Board of Directors announced a plan to dispose of the consolidated entity's construction business, which involves the construction and renovation of New Zealand residential properties. The disposal is consistent with the consolidated entity's long-term policy to focus its activities in the widget and toy manufacturing industries. The consolidated entity is actively seeking a buyer for its construction business and expects to complete the sale by 31 July 2006.

On initial reclassification of these operations as held for sale, the consolidated entity has not recognised any impairment losses.

NZ IFRS-5.34

The results of the discontinued operations which have been included in the income statement are as follows. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period:

Source reference

55. Discontinued operations (cont'd)

		Consolidated	
		2005 NZ$'000	2004 NZ$'000
NZ IFRS-5.33(b)	**Profit from discontinued operations:**		
NZ IAS-1.87(e)	Revenue	64,405	77,843
	Other income	150	49
		64,555	77,892
	Expenses	(54,905)	(64,899)
	Profit before income tax expense	9,650	12,993
	Attributable income tax expense	(2,560)	(2,998)
		7,090	9,995
	Gain/(loss) on remeasurement to fair value less costs to sell	-	-
	Gain/(loss) on disposal of operation	2,426	-
		2,426	-
	Attributable income tax expense	(600)	-
		1,826	-
	Profit from discontinued operations	8,916	9,995
NZ IFRS-5.33(c)	**Cash flows from discontinued operations:**		
	Net cash flows from operating activities	6,381	7,068
	Net cash flows from investing activities	2,767	-
	Net cash flows from financing activities	(5,000)	-
	Net cash flows	4,148	7,068

NZ IFRS-5.33(b), (c) *An analysis of the profit from discontinued operations and disclosure of the net cash flows is not required for newly acquired subsidiaries classified as held for sale on acquisition.*

NZ IFRS-5.38 *Any cumulative income or expense recognised directly in equity relating to a non-current asset (or disposal group) classified as held for sale shall be presented separately.*

NZ IFRS-5.38 The major classes of assets and liabilities comprising the operations classified as held for sale at balance date are as follows:

		Consolidated	
		2005 NZ$'000	2004 NZ$'000
	Goodwill (note18)	1,147	-
	Property, plant and equipment	15,684	-
NZ IAS-2.36(c)	Inventories (note 9)	830	-
	Trade and other receivables (note 7)	1,980	-
	Cash and cash equivalents (note 58)	1,435	-
	Total assets classified as held for sale (note 11)	21,076	-
	Trade and other payables (note 24)	(3,104)	-
	Current tax payables	(150)	-
	Deferred tax liabilities (note 3)	(430)	-
	Total liabilities associated with assets classified as held for sale (note 29)	(3,684)	-
	Net assets held for sale	17,392	-

NZ IFRS-5.38, 39 *An entity shall present a non-current asset classified as held for sale and the assets and liabilities of a disposal group classified as held for sale separately from other assets and liabilities in the balance sheet. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either on the face of the balance sheet or in the notes, except where the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition.*

C

Source reference	

55. Discontinued operations (cont'd)

NZ IFRS-5.40

An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented.

NZ IFRS-5.28

Where a non-current asset or disposal group is remeasured when it ceases to be classified as held for sale on the basis that it no longer meets the criteria as held for sale:

(a) if the asset is property, plant and equipment or an intangible asset that had been revalued in accordance with NZ IAS-16 'Property, Plant and Equipment' or NZ IAS-38 'Intangible Assets' before classification as held for sale, the adjustment to the carrying amount of the asset shall be treated as revaluation increase or decrease;

(b) otherwise the entity shall:

i. include any required adjustment to the carrying amount of the non-current asset as income from continuing operations in the period in which the criteria are no longer met; and

ii. present that adjustment in the same income statement caption used to present a gain or loss, if any, recognised.

56. Related party disclosures

Comparative information

Entities shall include comparative information for all disclosures specified by NZ IAS-24 'Related Party Disclosures'.

Related parties

NZ IAS-24.9

'Related party' – a party is related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(ii) has an interest in the entity that gives it significant influence over the entity; or

(iii) has joint control over the entity;

(b) the party is an associate of the entity;

(c) the party is a joint venture in which the entity is a venturer;

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

NZ IAS-24.9

'Close members of the family of an individual' are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include:

(a) the individual's domestic partner and children;

(b) children of the individual's domestic partner; and

(c) dependants of the individual or the individual's domestic partner.

NZ IAS-24.9

'Key management personnel' are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

Source reference

56. Related party disclosures (cont'd)

Related party categories

NZ IAS-24.18 *When disclosing information in relation to related parties, information shall be disclosed separately for each of the following categories:*

- *the parent;*
- *entities with joint control or significant influence over the entity;*
- *subsidiaries;*
- *associates;*
- *joint ventures in which the entity is a venturer;*
- *key management personnel of the entity or its parent; and*
- *other related parties.*

Entities shall make the following disclosures of key management personnel in the notes to the financial statements:

NZ IAS-24.16 *(a) key management personnel compensation, in total, and for each of short-term employee benefits, post-employment benefits, other long-term employee benefits, termination benefits and share-based payment (illustrated in note 4); and*

NZ IAS-24.17, 18(f *(b) if there have been any related party transactions, the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. At a minimum disclosure should include the amount of the transactions, the amount of outstanding balances and their terms and conditions including whether they are secured, the nature of the consideration to be provided in settlement and details of any guarantees given or received, any related provisions for doubtful debts, and the expense recognised during the period in respect of bad or doubtful debts due from key management personnel. These shall be disclosed together with disclosures made in respect of the key management personnel of the reporting entity's parent entity.*

(a) Parent entities

NZ IAS-24.12 The parent entity in the consolidated entity is The Toy Company Limited, which is 100% owned by the ultimate parent entity, TC Overseas plc.

If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use the name of the next most senior parent that does so shall also be disclosed.

(b) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 52 to the financial statements.

In addition, The Toy Company Limited holds 100% of the ordinary share options of TC International Limited giving the company the right to purchase an additional 500,000 ordinary shares at $1.20 each. The ordinary share options may be exercised during the period from 1 July 2006 and 31 December 2006.

Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 14 to the financial statements.

Equity interests in other related parties

The Toy Company Limited holds 3% of the ordinary share capital of TC Related plc, a subsidiary of the ultimate parent entity, TC Overseas plc.

(c) Transactions with related parties

Transactions involving the parent entity

Amounts receivable from and payable to related parties at balance date are disclosed in notes 8, 15, 25 and 31 of these financial statements.

NZ IAS-24.17(b) During the financial year, The Toy Company Limited recognised a net receivable of $3,602,000 (2004: $3,628,000) from its wholly-owned subsidiaries for their tax payable for the current period.

Source reference	

56. Related party disclosures (cont'd)

NZ IAS-24.17(a) During the financial year, The Toy Company Limited received dividends of $8,895,000 (2004: $10,914,000) from its subsidiaries. It received dividends of $23,000 (2004: $23,000) from TC Related plc.

NZ IAS-24.17(a) During the financial year, The Toy Company Limited provided accounting and administration services to its subsidiaries for no consideration.

NZ IAS-24.17(a) During the financial year, The Toy Company Limited rented premises from an associate totalling $20,000 (2004: $18,000).

NZ IAS-24.17(a) During the financial year, The Toy Company Limited received management services from the ultimate New Zealand parent entity, TC Ultimate Limited, for no charge. The total value of the services received was $522,000 (2004:$495,000).

NZ IAS-24.17(a) During the financial year, The Toy Company Limited contributed $25,000 (2004:$30,000) to its defined contribution plan.

Other transactions involving related parties

NZ IAS-24.17(a) During the financial year, subsidiaries of The Toy Company Limited contributed cash totalling $440,000 to the consolidated entity's defined benefit superannuation plans (2004: $400,000). Cash contributions of $135,000 (2004: $118,000) were made to the defined contribution plan.

NZ IAS-24.17(a) During the financial year, former directors of The Toy Company Limited purchased goods from associates totalling $1,955,000 (2004: $1,805,000).

NZ IAS-24.17(a) During the financial year, associates of The Toy Company Limited sold goods to associates totalling $3,991,000 (2004: $3,494,000).

There were no transactions with joint ventures with which the entity is a venturer.

Terms/price under which related party transactions were entered into

NZ IAS-24.17(b)(i) All loans advanced to and payable to related parties are unsecured and subordinate to other liabilities. Interest is charged monthly on the outstanding intercompany loan balances and other related party loans at commercial interest rates. During the financial year, The Toy Company Limited received interest of $1,800,000 (2004: $1,235,000) from loans to subsidiaries, and paid interest of $1,900,000 (2004: $2,020,000) to subsidiaries. The Toy Company Limited also paid interest of $6,000 (2004: $156,000) in relation to other related party loans. The consolidated entity received interest of $54,000 (2004: $5,000) from loans to other related parties and paid interest of $2,195,000 (2004: $2,401,000) to other related parties.

NZ IAS-24.17(c), 17(d) Details of write-downs of receivables in respect of transactions with these related parties are disclosed in note 2 to the financial statements. No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2004: nil).

NZ IAS-24.21 *Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.*

Separate disclosure of individual transactions

NZ IAS-24.22 *Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.*

Transactions eliminated on consolidation

NZ IAS-24.4 *Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group.*

Guarantees provided or received

NZ IAS-24.17(b)(ii) *Details of any guarantees given or received in relation to outstanding related party balances shall be disclosed.*

(d) Key management personnel remuneration

NZ IAS-24.16 Details of key management personnel remuneration are disclosed in note 4 to the financial statements.

Source reference

56. Related party disclosures (cont'd)

NZ IAS-24.20(g)

(e) Loan disclosures

2005	Balance at beginning $	Interest charged $	Interest not charged $	Write-off $	Balance at end $
Key management personnel	-	33,167	-	-	2,420,000
Total	-	33,167	-	-	2,420,000

2004	Balance at beginning $	Interest charged $	Interest not charged $	Write-off $	Balance at end $
Key management personnel	-	-	-	-	-
Total	-	-	-	-	-

NZ IAS-24.17

Key management personnel are charged interest on loans provided by the company at 12%p.a., which is comparable to the average commercial rate of interest. Interest on the loan is payable monthly. Loans are provided for a maximum period of 12 months.

57. Subsequent events

NZ IAS-10.21

The financial statements shall disclose for each material category of subsequent events (other than those events whose financial effects have already been brought to account):

(a) the nature of the event; and

(b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

NZ IAS-10.22

Examples of events occurring after reporting date that do not provide evidence about conditions existing at the reporting date include:

- *a major business combination after the reporting date or disposing of a major subsidiary;*
- *announcing a plan to discontinue an operation;*
- *major purchases of assets, classifications of assets as held for sale, other disposals of assets, or expropriation of major assets by government;*
- *the destruction of a major production plant by a fire after the reporting date;*
- *announcing, or commencing the implementation of, a major restructuring;*
- *major ordinary share transactions and potential ordinary share transactions after the reporting date;*
- *abnormally large changes after the reporting date in asset prices or foreign exchange rates;*
- *changes in tax rates or tax laws enacted or announced after the reporting date that have a significant effect on current and deferred tax assets and liabilities;*
- *entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and*
- *commencing major litigation arising solely out of events that occurred after the reporting date.*

NZ IAS-10.8, 19

The effects of events after reporting date providing evidence of conditions that existed at the reporting date shall be brought to account rather than disclosed by way of note to the financial statements. If an entity receives information after the reporting date about conditions that existed at the reporting date, it shall update disclosures that relate to these conditions, in the light of the new information.

Acquisition of businesses

NZ IFRS-3.66(b), 67, 71

An entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that were effected after the reporting date but before the financial statements were authorised for issue. To give effect to this principle, the acquirer shall disclose, for each business combination, unless such disclosure would be impractical:

Source reference

57. Subsequent events (cont'd)

(a) the names and descriptions of the combining entities or businesses;

(b) the acquisition date;

(c) the percentage of voting equity instruments acquired;

(d) the cost of the combination and a description of the components of that cost, including any costs directly attributable to the combination. When equity instruments are issued or issuable as part of the cost, the following shall also be disclosed:

(i) the number of equity instruments issued or issuable; and

(ii) the fair value of those instruments and the basis for determining that fair value. If a published price does not exist for the instruments at the date of exchange, the significant assumptions used to determine fair value shall be disclosed. If a published price exists at the date of exchange but was not used as the basis for determining the cost of the combination, that fact shall be disclosed together with: the reasons the published price was not used; the method and significant assumptions used to attribute a value to the equity instruments; and the aggregate amount of the difference between the value attributed to, and the published price of, the equity instruments;

(e) details of any operations the entity has decided to dispose of as a result of the combination;

(f) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, and the carrying amounts of each of those classes, determined in accordance with NZ IFRS, immediately before the combination;

(g) the amount of any excess recognised in profit or loss, and the line item in the income statement in which the excess is recognised;

(h) a description of the factors that contributed to a cost that results in the recognition of goodwill – a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably – or a description of the nature of any excess recognised in profit or loss; and

(i) the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period.

If disclosure of any of this information would be impractical, that fact shall be disclosed, together with an explanation of why this is the case.

Source reference

58. Notes to the cash flow statement

NZ IAS-7.45

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
Cash and cash equivalents	20,199	19,778	8,552	6,681
Bank overdraft (note 25)	(538)	(378)	(428)	(212)
	19,661	19,400	8,124	6,469
NZ IIFRS-5.30 Cash and cash equivalents attributable to discontinued operations (note 55)	1,435	-	-	-
	21,096	19,400	8,124	6,469

NZ IAS-7.40

(b) Businesses acquired

During the financial year, two businesses were acquired. Details of the acquisition are as follows (note 53):

Consideration				
Cash and cash equivalents	822	-	-	-
Land and buildings	400	-	-	-
Ordinary shares	-	-	-	-
Deferred purchase consideration (note 24)	-	-	-	-
Other *[describe]*	-	-	-	-
	1,222	-	-	-
Fair value of net assets acquired				
Current assets:				
Cash and cash equivalents	200	-	-	-
Receivables	192	-	-	-
Inventories	90	-	-	-
Non-current assets:				
Property, plant and equipment	454	-	-	-
Current liabilities:				
Payables	(58)	-	-	-
Non-current liabilities:				
Deferred tax liability	(46)	-	-	-
Net assets acquired	832	-	-	-
Goodwill on acquisition	390	-	-	-
	1,222	-	-	-
Net cash outflow on acquisition				
Cash and cash equivalents consideration	822	-	-	-
Less cash and cash equivalent balances acquired	(200)	-	-	-
	622	-	-	-

C

Source reference

58. Notes to the cash flow statement (cont'd)

NZ IAS-7.40

(c) Business disposed

During the financial year, the consolidated entity disposed of its bicycle business. Details of the disposal are as follows:

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
Consideration				
Cash and cash equivalents	7,854	-	-	-
Deferred sales proceeds (note 7)	1,566	-	-	-
	9,420	-	-	-
Book value of net assets sold				
Current assets:				
Cash and cash equivalents	988	-	-	-
Receivables	1,034	-	-	-
Inventories	2,716	-	-	-
Non-current assets:				
Property, plant and equipment	5,662	-	-	-
Goodwill on consolidation (note 18)	3,080	-	-	-
Current liabilities:				
Payables	(918)	-	-	-
Non-current liabilities:				
Borrowings	(4,342)	-	-	-
Deferred tax liabilities	(1,226)	-	-	-
Net assets disposed	6,994	-	-	-
Gain on disposal:	2,426	-	-	-
	9,420	-	-	-
Net cash inflow on disposal				
Cash and cash equivalents consideration	7,854	-	-	-
Less cash and cash equivalent balances disposed	(988)	-	-	-
	6,866	-	-	-

NZ IAS-7.43, 50(a)

(d) Non-cash financing and investing activities

During the financial year, the consolidated entity disposed of property, plant and equipment with an aggregate fair value of $400,000 to acquire the business indicated in note 53. This disposal is not reflected in the cash flow statement.

During the financial year, the consolidated entity paid for consulting services with an aggregate value of $8,000 by way of equity instruments of the company. This expense is not reflected in the cash flow statement.

Source reference

58. Notes to the cash flow statement (cont'd)

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
(e) Financing facilities				
NZ IAS-7.50(a) Unsecured bank overdraft facility, reviewed annually and payable at call:				
• amount used (note 25)	520	314	428	212
• amount unused	1,540	2,776	572	788
	2,060	3,090	1,000	1,000
Unsecured bill acceptance facility, reviewed annually:				
• amount used (note 25)	358	374	-	-
• amount unused	1,142	1,184	-	-
	1,500	1,558	-	-
Secured bank overdraft facility, reviewed annually and payable at call:				
• amount used (note 25)	18	64	-	-
• amount unused	-	-	-	-
	18	64	-	-
Secured bank loan facilities with various maturity dates through to 2008 and which may be extended by mutual agreement:				
• amount used (note 25)	14,923	16,344	8,000	9,500
• amount unused	5,604	7,811	2,000	3,000
	20,527	24,155	10,000	12,500

(f) Cash balances not available for use

NZ IAS-7.48 *An entity shall disclose, together with commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the consolidated entity.*

C

Source reference

58. Notes to the cash flow statement (cont'd)

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-7.NZ 20.1 **(g) Reconciliation of profit for the period to net cash flows from operating activities**				
Profit after tax for the period	26,552	30,332	13,891	12,426
(Gain)/loss on sale or disposal of non-current assets (note 2)	(18)	(67)	(24)	2
(Gain)/loss on revaluation of investment property (note 17)	6	(8)	-	-
(Gain)/loss on disposal of business (note 2)	(2,426)	-	-	-
(Gain)/loss on revaluation of fair value through profit or loss financial assets (note 2)	25	-	(23)	-
Cumulative (gain)/loss transferred from equity on sale of available-for-sale financial assets	-	-	-	-
Cumulative (gain)/loss transferred from equity on impairment of available-for-sale financial assets	-	-	-	-
Share of associates' profit (less dividends)	(910)	(1,564)	-	-
Share of jointly controlled entities' profit (less dividends)	(246)	-	-	-
Depreciation and amortisation of non-current assets (note 2)	15,179	17,350	48	45
Foreign exchange (gain)/loss (note 2)	(144)	68	(12)	(8)
Foreign exchange (gain)/loss recognised on disposal (note 2)	(120)	-	-	-
Equity settled share-based payment (note 2)	206	338	206	338
Interest income received and receivable	(5)	(20)	(2)	(8)
Impairment of non-current assets	219	-	-	-
Other	28	-	28	-
Increase/(decrease) in current tax balances	(760)	3,179	(19)	2,645
Increase/(decrease) in deferred tax balances	898	(633)	460	(11)
Changes in net assets and liabilities:				
(Increase)/decrease in assets:				
Current receivables	(2,321)	865	(1,694)	(499)
Current inventories	(1,192)	(2,118)	20	(40)
Other current assets	-	-	-	-
Non-current receivables	-	-	-	-
Non-current inventories	-	-	-	-

Source reference

58. Notes to the cash flow statement (cont'd)

	Consolidated		Company	
	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
Increase/(decrease) in liabilities:				
Current payables	(2,457)	(9,910)	(1,621)	15
Current provisions	169	42	16	20
Other current liabilities	(5)	5	-	-
Non-current payables	-	-	-	-
Non-current provisions	(28)	(108)	(28)	(50)
Other non-current liabilities	(90)	(80)	-	-
Deduct items reclassified as financing activities	679	-	-	-
Net cash from operating activities	33,239	37,671	11,246	14,875

Other disclosures

NZ IAS-7.50(a)

Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is encouraged and may include:

(a) the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities;

(b) the aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity; and

(c) the amount of the cash flows arising from the operating, investing and financing activities of each reported industry and geographical segment (refer also note 54).

NZ IAS-7.NZ 20.2

The adjustments in the reconciliation of profit (loss) after taxation with the net cash flow from operating activities may be grouped as follows:

(a) non-cash items included in the profit (loss) after taxation; for example, depreciation;

(b) any deferrals or accruals of past or future operating cash receipts or payments; for example, changes in accounts receivable and in accounts payable;

(c) revenue and expense items classified as investing or financing activities in the statement of cash flows; for example, the cash flow from the sale of plant may be presented as an investing cash flow but the gain or loss on the sale will be included in the determination of the profit (loss) after taxation; and

(d) other adjustments appropriately described.

59. Financial instruments

An entity that elects not to restate comparative information under the scope of NZ IAS-32 'Financial Instruments: Disclosure and Presentation' and NZ IAS-39 'Financial Instruments: Recognition and Measurement' shall provide comparative disclosures that comply with the requirements in the superseded Standards. For reference purposes, these model financial statements reflect the source of the applicable illustrative disclosures relating to the comparative period. This was because the company has elected to apply the optional exemption under NZ IFRS-1.36A allowing no restatement of comparatives for entities adopting NZ IFRS before 1 January 2006. ***Note:*** *this exemption will not be applicable for all reporting dates ending on or after 1 January 2006 and comparatives will have to be restated under NZ IFRS.*

Source reference

59. Financial instruments (cont'd)

NZ IAS-32.54

Determination of the level of disclosure is a matter of professional judgement taking into account the relevant significance of the financial instruments.

The following illustrations are quoted by way of example only, and do not necessarily represent the only disclosures which may be appropriate for particular financial instruments and do not cover all financial instruments that may be used in practice.

(a) Financial risk management objectives

NZ IAS-32.56, 57

An entity shall describe its financial risk management objectives and policies, including its policy for hedging each main type of forecast transaction for which hedge accounting is used.

An entity provides a discussion of the extent to which financial instruments are used, the associated risks and the business purposes served. A discussion of management's policies for controlling the risks associated with financial instruments includes policies on matters such as hedging of risk exposures, avoidance of undue concentrations of risk and requirements for collateral to mitigate credit risk.

The consolidated entity's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

NZ IAS-32.56, 57

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of widgets to the United States and Japan;
- currency swaps to manage the foreign currency risk associated with foreign currency denominated borrowings;
- forward interest rate contracts to manage interest rate risk; and
- interest rate swaps to mitigate the risk of rising interest rates.

(b) Significant accounting policies

NZ IAS-32.60(b)

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

NZ IAS-32.56,57

(c) Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and currency swap agreements.

Forward foreign exchange contracts

NZ IAS-32.56, 58, 60(a)

It is the policy of the consolidated entity to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 70% to 80% of the exposure generated. The consolidated entity 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.

Source reference

59. Financial instruments (cont'd)

The following table details the forward foreign currency contracts outstanding as at reporting date:

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2005	2004	2005 FC'000	2004 FC'000	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-32.58, 60(a), 63 **Buy US Dollars**								
Less than 3 months	0.695	0.683	2,493	2,010	3,238	2,617	64	60
3 to 6 months	0.688	0.684	1,974	1,958	2,570	2,611	(40)	34
Sell US Dollars								
Less than 3 months	0.707	0.695	982	1,028	1,259	1,337	(30)	9
3 to 6 months	-	-	-	-	-	-	-	-
Sell Japanese Yen								
Less than 3 months	78.03	73.04	12,850	9,780	149	108	(5)	7
3 to 6 months	-	-	-	-	-	-	-	-
							(11)	110

NZ IAS-32.58(d) As at reporting date the aggregate amount of unrealised losses under forward foreign exchange contracts relating to anticipated future transactions is $11,000 (2004: recognised: nil, unrecognised profit of $110,000). In the current year, these unrealised gains have been deferred in the hedging reserve to the extent the hedge is effective.

NZ IAS-32.58(d) *A description of any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur shall be disclosed.*

Currency swaps

NZ IAS-32.58 60(a) Under currency swap contracts, the consolidated entity agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. Such contracts enable the consolidated entity to mitigate the risk of adverse movements in foreign exchange rates. The currency swap is hedging the current portion of other loans which are denominated in US dollars.

The following table details the currency swaps outstanding as at reporting date.

Note: 2004 fair values of currency swaps are not recognised as the company has elected to apply the optional exemption under NZ IFRS-1.36A.

Outstanding floating for floating contracts	Average interest rate		Average exchange rate		Contract value		Fair value	
	2005 %	2004 %	2005 $	2004 $	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
NZ IAS-32.63 **Buy US Dollars**								
Less than 1 year	LIBOR +5bp.	LIBOR +8bp.	0.684	0.692	2,054	3,607	52	102
					2,054	3,607	52	102

(d) Interest rate risk management

NZ IAS-32.67 *Information about the consolidated entity's exposure to interest rate risk shall include:*

- *contractual repricing or maturity dates, whichever dates are earlier; and*
- *effective interest rates, when applicable.*

NZ IAS-32.74 *The nature of an entity's business and the extent of its activity in financial instruments determine whether information about interest rate risk is present in narrative form, in tables or by using a combination of the two.*

C

Source reference

59. Financial instruments (cont'd)

NZ IAS-32.56, 58(b), 58(c)

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts.

Interest rate swap contracts

NZ IAS-32.58(a), 58(b), 58(d), 60(a)

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

NZ IAS-32.74(a)

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2005 %	2004 %	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
Less than 1 year	7.45	6.75	5,650	1,590	456	20
1 to 2 years	7.15	7.05	5,457	1,620	391	30
2 to 5 years	6.75	6.50	5,290	1,890	464	110
5 years +	7.05	7.15	5,978	-	210	-
			22,375	5,100	1,521	160

From 1 January 2005, interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated and effective as cash flow hedges. Interest rate swaps outstanding at 31 December 2004 were recognised as financial assets on adoption of the accounting policies specified in note 1(ad)).

Outstanding fixed for floating contracts	Average contracted floating interest rate		Notional principal amount		Fair value	
	2005 %	2004 %	2005 NZ$'000	2004 NZ$'000	2005 NZ$'000	2004 NZ$'000
Less than 1 year	7.62	-	10,000	-	(5)	-
[describe]	-	-	-	-	-	-
			10,000	-	(5)	-

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges. The swap is hedging $10,000 of bank loans. Refer to maturity profile of financial instruments.

Maturity profile of financial instruments

NZ IAS-32.67, 71, 74

The following table details the consolidated entity's exposure to interest rate risk as at 31 December 2005:

59. Financial instruments (cont'd)

2005	Weighted average effective interest rate	Variable interest rate	Fixed maturity dates						Non interest bearing	Total
			Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years		
	%	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Financial assets:										
Cash and cash equivalents	5.20	21,634	-	-	-	-	-	-	-	21,634
Trade receivables	-	-	-	-	-	-	-	-	19,638	19,638
Finance lease receivables	-	-	-	-	-	-	-	-	-	-
Operating lease receivables	-	-	-	-	-	-	-	-	-	-
Foreign currency forward contracts	-	-	-	-	-	-	-	-	64	64
Interest rate swaps	-	-	-	-	-	-	-	-	1,521	1,521
Currency swaps	-	-	-	-	-	-	-	-	52	52
Other receivables	-	-	-	-	-	-	-	-	1,860	1,860
Shares and options	-	-	-	-	-	-	-	-	5,940	5,940
Bills of exchange	7.10	6,363	-	-	-	-	-	-	-	6,363
Debentures	6.00	-	500	-	-	-	-	-	-	500
Related party loans	12.00	-	3,637	-	-	-	-	-	-	3,637
Convertible notes	7.00	-	-	-	2,200	-	-	-	-	2,200
		27,997	4,137	-	2,200	-	-	-	29,075	63,409
Financial liabilities:										
Trade payables	-	-	-	-	-	-	-	-	16,576	16,576
Foreign currency forward contracts	-	-	-	-	-	-	-	-	75	75
Interest rate swaps	-	-	-	-	-	-	-	-	5	5
Currency swaps	-	-	-	-	-	-	-	-	-	-
Cash settled share-based payment	-	-	-	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-	-	61	61
Bank overdraft	10.50	538	-	-	-	-	-	-	-	538
Bank loans	11.21	10,000	4,923	682	300	-	-	-	-	15,905
Related party loans	10.90	12,917	-	-	-	-	-	-	-	12,917
Other loans	11.20	-	3,701	201	374	-	-	-	-	4,276
Bills of exchange	6.80	358	-	-	-	-	-	-	-	358
Debentures	6.00	-	1,900	1,900	800	-	-	-	-	4,600
Finance lease liabilities	7.00	-	9	5	-	-	-	-	-	14
Redeemable cumulative preference shares	7.00	-	-	-	15,000	-	-	-	-	15,000
Convertible notes	5.50	-	-	-	-	4,144	-	-	-	4,144
Perpetual notes	6.00	-	-	-	-	-	-	1,905	-	1,905
Employee benefits	-	-	-	-	-	-	-	-	4,272	4,272
Other provisions	-	-	-	-	-	-	-	-	1,442	1,442
		23,813	10,533	2,788	16,474	4,144	-	1,905	22,431	82,088

59. Financial instruments (cont'd)

The following table details the consolidated entity's exposure to interest rate risk as at 31 December 2004:

2004	Weighted average effective interest rate %	Variable interest rate NZ$'000	Maturity dates: Less than 1 year NZ$'000	Maturity dates: 1-5 years NZ$'000	Maturity dates: More than 5 years NZ$'000	Non interest bearing NZ$'000	Total NZ$'000
Financial assets:							
Cash and cash equivalents	6.00	19,778	-	-	-	-	19,778
Trade receivables	-	-	-	-	-	16,947	16,947
Finance lease receivables	-	-	-	-	-	-	-
Operating lease receivables	-	-	-	-	-	-	-
Foreign currency forward contracts	-	-	-	-	-	113	113
Interest rate swaps	-	-	-	-	-	-	-
Currency swaps	-	-	-	-	-	132	132
Other receivables	-	-	-	-	-	250	250
Shares and options	-	-	-	-	-	5,736	5,736
Bills of exchange	7.00	5,262	-	-	-	-	5,262
Debentures	-	-	-	-	-	-	-
Related party loans	12.00	-	3,088	-	-	-	3,088
Convertible notes	7.00	-	-	2,122	-	-	2,122
		25,040	3,088	2,122	-	23,178	53,428
Financial liabilities:							
Trade payables	-	-	-	-	-	15,955	15,955
Foreign currency forward contracts	-	-	-	-	-	-	-
Interest rate swaps	6.85	(5,100)	1,590	3,510	-	-	-
Currency swaps	-	-	-	-	-	-	-
Cash settled share-based payment	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	35	35
Bank overdraft	10.50	378	-	-	-	-	378
Bank loans	11.00	5,100	11,244	1,060	-	-	17,404
Related party loans	11.20	34,124	-	-	-	-	34,124
Other loans	10.80	-	3,518	649	-	-	4,167
Bills of exchange	6.50	916		-	-	-	916
Debentures	6.00	-	1,900	4,600	-	-	6,500
Finance lease liabilities	7.00	-	54	35	-	-	89
Redeemable cumulative preference shares	-	-	-	-	-	-	-
Convertible notes	-	-	-	-	-	-	-
Perpetual notes	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	4,388	4,388
Other provisions	-	-	-	-	-	1,185	1,185
		35,418	18,306	9,854	-	21,563	85,141

59. Financial instruments (cont'd)

The following table details the parent entity's exposure to interest rate risk as at 31 December 2005:

2005	Weighted average effective interest rate	Variable interest rate	Fixed maturity dates						Non interest bearing	Total
			Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years		
	%	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Financial assets:										
Cash and cash equivalents	5.20	8,552	-	-	-	-	-	-	-	8,552
Trade receivables	-	-	-	-	-	-	-	-	16,433	16,433
Finance lease receivables	-	-	-	-	-	-	-	-	-	-
Operating lease receivables	-	-	-	-	-	-	-	-	-	-
Foreign currency forward contracts	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-	-	-
Currency swaps	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	10	10
Shares and options	-	-	-	-	-	-	-	-	689	689
Bills of exchange	7.10	18	-	-	-	-	-	-	-	18
Debentures	-	-	-	-	-	-	-	-	-	-
Related party loans	12.00	-	27,017	-	-	-	-	-	-	27,017
Convertible notes	7.00	-	-	-	2,200	-	-	-	-	2,200
		8,570	27,017	-	2,200	-	-	-	17,132	54,919
Financial liabilities:										
Trade payables	-	-	-	-	-	-	-	-	643	643
Foreign currency forward contracts	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-	-	-
Currency swaps	-	-	-	-	-	-	-	-	-	-
Cash settled share-based payment	-	-	-	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-	-	5	5
Bank overdraft	10.50	428	-	-	-	-	-	-	-	428
Bank loans	11.21	8,000	-	-	-	-	-	-	-	8,000
Related party loans	11.50	-	1,042	5,038	5,000	5,000	-	-	-	16,080
Other loans	11.20	-	3,769	-	-	-	-	-	-	3,769
Bills of exchange	-	-	-	-	-	-	-	-	-	-
Debentures	6.00	-	1,900	-	-	-	-	-	-	1,900
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-
Redeemable cumulative preference shares	7.00	-	-	-	15,000	-	-	-	-	15,000
Convertible notes	5.50	-	-	-	-	4,144	-	-	-	4,144
Perpetual notes	6.00	-	-	-	-	-	-	1,905	-	1,905
Employee benefits	-	-	-	-	-	-	-	-	130	130
Other provisions	-	-	-	-	-	-	-	-	2	2
		8,428	6,711	5,038	20,000	9,144	-	1,905	780	52,006

59. Financial instruments (cont'd)

The following table details the parent entity's exposure to interest rate risk as at 31 December 2004:

2004	Weighted average effective interest rate	Variable interest rate	Maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	More than 5 years		
	%	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Financial assets:							
Cash and cash equivalents	6.00	6,681	-	-	-	-	6,681
Trade receivables	-	-	-	-	-	14,734	14,734
Finance lease receivables	-	-	-	-	-	-	-
Operating lease receivables	-	-	-	-	-	-	-
Foreign currency forward contracts	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-
Currency swaps	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	15	15
Shares and options	-	-	-	-	-	640	640
Bills of exchange	7.00	208	-	-	-	-	208
Debentures	-	-	-	-	-	-	-
Related party loans	12.00	-	30,035	-	-	-	30,035
Convertible notes	7.00	-	-	2,122	-	-	2,122
		6,889	30,035	2,122	-	15,389	54,435
Financial liabilities:							
Trade payables	-	-	-	-	-	2,262	2,262
Foreign currency forward contracts	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-
Currency swaps	-	-	-	-	-	-	-
Cash settled share-based payment	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	7	7
Bank overdraft	10.50	212	-	-	-	-	212
Bank loans	11.00	9,500	-	-	-	-	9,500
Related party loans	11.20	-	9,143	17,083	-	-	26,226
Other loans	10.80	-	3,100	-	-	-	3,100
Bills of exchange	-	-	-	-	-	-	-
Debentures	6.00	-	1,900	-	-	-	1,900
Finance lease liabilities	-	-	-	-	-	-	-
Redeemable cumulative preference shares	-	-	-	-	-	-	-
Convertible notes	-	-	-	-	-	-	-
Perpetual notes	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	140	140
Other provisions	-	-	-	-	-	4	4
		9,712	14,143	17,083	-	2,413	43,351

Source reference

59. Financial instruments (cont'd)

(e) Credit risk management

NZ IAS-32.56, 57, 76

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity 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 consolidated entity exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The consolidated entity measures credit risk on a fair value basis.

Trade accounts receivable 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.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. 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.

Financial assets and other credit exposures	Maximum credit risk	
	2005 NZ$'000	2004 NZ$'000
Unrecognised favourable interest rate swaps (i)	-	160
Other *[describe]* (ii)	-	-
	-	160

(i) The favourable interest rate swaps were recognised as a financial asset on 1 January 2005 on adoption of the accounting policies specified in note 1(ad).

NZ IAS-32.82

(ii) An entity may be exposed to credit risk as a result of a transaction in which no financial asset is recognised on its balance sheet, such as for a financial guarantee or credit derivative contract. Guaranteeing an obligation of another party creates a liability and exposes the guarantor to credit risk that is taken into account in making the disclosures required by NZ IAS-32.

Significant concentrations of credit risk

NZ IAS-32.83

Concentrations of credit risk are disclosed when they are not apparent from other disclosures about the nature of the business and financial position of the entity and result in a significant exposure to loss in the event of default by other parties. Identification of such concentrations requires judgement by management taking into account the circumstances of the entity and its debtors. NZ IAS-14 'Segment Reporting' provides guidance in identifying industry and geographical segments within which credit risk concentrations may arise.

NZ IAS-32.84

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having such a similar characteristic that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. Characteristics that may give rise to a concentration of risk include the nature of the activities undertaken by debtors, such as the industry in which they operate, the geographical area in which activities are undertaken and the level of creditworthiness of groups of borrowers.

NZ IAS-32.85

Disclosure of concentrations of credit risk includes a description of the shared characteristic that identifies each concentration and the amount of the maximum credit risk exposure associated with all financial assets sharing that characteristic.

Source reference

59. Financial instruments (cont'd)

(f) Fair value of financial instruments

NZ IAS-32.87, 88

When an entity does not measure a financial asset or financial liability in its balance sheet at fair value, it provides fair value information through supplementary disclosures. For financial instruments such as short-term trade receivables and payables, no disclosure is required when the carrying amount is a reasonable approximation of fair value.

Except as detailed in the following table, the directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2004: net fair value).

NZ IAS-32.92(a), (b)

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

- the fair value 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;
- the fair value of other financial assets and financial liabilities are calculated using market-quoted rates based on discounted cash flow analysis; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

NZ IAS-32.86

The following table details the fair value (2004: net fair value) of the consolidated entity's financial assets and financial liabilities where their carrying value differs from their fair value:

2005	Carrying amount NZ$'000	Fair value NZ$'000
Financial assets		
Bills of exchange	6,363	6,370
Convertible notes	2,200	2,100
Debentures	500	502
Related party loans	3,637	5,130
	12,700	14,102
Financial liabilities		
Bills of exchange	358	360
Debentures	4,600	4,650
Redeemable cumulative preference shares	15,000	14,950
Convertible notes	4,144	4,150
Perpetual notes	1,905	2,500
Related party loans	12,917	12,917
	38,924	39,527

2004	Carrying amount NZ$'000	Net fair value NZ$'000
Financial assets		
Shares and options	5,736	5,840
Bills of exchange	5,262	5,263
Convertible notes	2,122	2,123
Forward foreign exchange contracts	113	110
Currency swaps	132	102
Interest rate swaps	-	160
Related party loans	3,088	3,100
	16,453	16,698
Financial liabilities		
Bills of exchange	916	920
Debentures	6,500	6,520
Related party loans	34,124	34,124
	41,540	41,564

Source reference

59. Financial instruments (cont'd

NZ IAS-32.92(c)

The financial statements include holdings in unlisted shares and options (note 8). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. Changes in these assumptions do not significantly change the fair value recognised.

NZ IAS-32.92(d)

Changes in the fair value of unlisted shares and options are recognised through the profit or loss. The fair value movement recognised in the income statement for the period was a loss of $25,000.

NZ IAS-32.86

The following table details the fair value (2004: net fair value) of the parent entity's financial assets and financial liabilities where their carrying value differs from their fair value:

2005	Carrying amount NZ$'000	Fair value NZ$'000
Financial assets		
Bills of exchange	18	19
Convertible Notes	2,200	2,100
Related party loans	27,017	26,900
	29,235	29,019
Financial liabilities		
Debentures	1,900	1,950
Redeemable cumulative preference shares	15,000	14,950
Convertible notes	4,144	4,150
Perpetual notes	1,905	2,500
Related party loans	16,080	15,500
	39,029	39,050

2004	Carrying amount NZ$'000	Net fair value NZ$'000
Financial assets		
Shares and options	640	654
Bills of exchange	208	195
Convertible notes	2,122	2,123
Related party loans	30,035	30,050
	33,005	33,022
Financial liabilities		
Debentures	1,900	1,920
Related party loans	26,226	24,980
	28,126	26,900

NZ IAS-32.92(c)

The financial statements include holdings in unlisted shares and options (note 8). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. Changes in these assumptions do not significantly change the fair value recognised.

NZ IAS-32.92(d)

Changes in the fair value of unlisted shares and options are recognised through the profit or loss. The fair value movement recognised in the income statement for the period was a loss of $9,000.

Fair value determined using valuation techniques

NZ IAS-32.92(c)

The consolidated entity shall disclose whether its financial statements include financial instruments measured at fair values that are determined in full or in part using a valuation technique based on assumptions that are not supported by observable market prices or rates. If changing any such assumption to a reasonably possible alternative would result in a significantly different fair value, the entity shall state this fact and disclose the effect on the fair value of a range of reasonably possible alternative assumptions. For this purpose, significance shall be judged with respect to profit or loss and total assets or total liabilities.

C

Source reference	

59. Financial instruments (cont'd)

NZ IAS-32.92(d)

The consolidated entity shall disclose the total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period.

Fair value not reliably determinable

NZ IAS-32.90

If investments in unquoted equity instruments or derivatives linked to such equity instruments are measured at cost under NZ IAS-39 because their fair value cannot be measured reliably, that fact shall be disclosed together with a description of the financial instruments, their carrying amount, an explanation of why fair value cannot be measured reliably and, if possible, the range of estimates within which fair value is highly likely to lie. Furthermore, if financial assets whose fair value previously could not be reliably measured are sold, that fact, the carrying amount of such financial assets at the time of sale and the amount of gain or loss recognised shall be disclosed.

(g) Liquidity risk management

NZ IAS-32.56

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Commodity contracts

NZ IAS-32.8

NZ IAS-32 shall be applied to those contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

Financial instruments designated as at fair value through profit or loss

NZ IAS-32.94(e)

An entity shall disclose the carrying amounts of financial assets and financial liabilities that:

- *are classified as held for trading; and*
- *were, upon initial recognition, designated by the entity as financial assets and financial liabilities at fair value through profit or loss (i.e. those that are not financial instruments classified as held for trading).*

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

NZ IAS-32.94(h), (i)

If the entity has designated a financial liability as at fair value through profit or loss, it shall disclose:

- *the amount of change in its fair value that is not attributable to changes in a benchmark interest rate (e.g. LIBOR); and*
- *the difference between its carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.*

Compound financial instruments with multiple embedded derivatives

NZ IAS-32.94(d)

If an entity has issued an instrument that contains both a liability and an equity component and the instrument has multiple embedded derivative features whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features and the effective interest rate on the liability component (excluding any embedded derivatives that are accounted for separately).

Instead of disclosing this information in a separate note, it may be more appropriate to include such disclosures in the relevant liability and equity notes.

Source reference

60. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards

NZ IFRS-1.38 *An entity shall explain how the transition from previous GAAP to NZ IFRS affected its reported financial position, financial performance and cash flows.*

NZ IFRS-1.43 *If an entity did not present financial statements for previous periods, its first NZ IFRS financial statements shall disclose that fact.*

NZ IFRS-1.39(a), 39(b) *An entity shall provide:*

(a) a reconciliations of its equity reported under previous GAAP to its equity under NZ IFRS for both of the following dates:

(i) the date of transition to NZ IFRS; and

(ii) the end of the latest period presented in the entity's most recent annual financial statements under previous GAAP;

(b) a reconciliation of the profit or loss reported under previous GAAP for the latest period in the entity's most recent annual financial statements to its profit or loss under NZ IFRS for the same period.

NZ IFRS-1.40 *The reconciliations shall give sufficient detail to enable users to understand the material adjustments to the balance sheet and income statement. If an entity presented a cash flow statement under its previous GAAP, it shall also explain the material adjustments to the cash flow statement.*

Correction of errors v changes in accounting policies

NZ IFRS-1.41 *The reconciliations of equity and of profit or loss shall distinguish correction of errors made under previous GAAP, if any, from changes in accounting policies on the adoption of NZ IFRS.*

Recognition or reversal of impairment losses in the opening balance sheet

NZ IFRS-1.39(c) *If the entity recognised or reversed any impairment losses for the first time in preparing its opening NZ IFRS balance sheet, the entity shall make the disclosures that NZ IAS-36 'Impairment of Assets' would have required if the entity had recognised those impairment losses or reversals in the period beginning with the date of transition to NZ IFRS.*

This disclosure has not been illustrated in these model financial statements.

Designation of financial instruments in the opening balance sheet

NZ IFRS-1.43A *An entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or as available-for-sale. The entity shall disclose the fair value of any financial assets or financial liabilities designated into each category and the classification and carrying amount in the previous financial statements.*

This disclosure requirement is illustrated in note 1(ad).

Use of fair value as deemed cost

NZ IFRS-1.44 *If an entity uses fair value in its opening NZ IFRS balance sheet as deemed cost for an item of property, plant and equipment, an investment property or an intangible asset, the entity's first NZ IFRS financial statements shall disclose, for each line item in the opening NZ IFRS balance sheet:*

(a) the aggregate of those fair values; and

(b) the aggregate adjustment to the carrying amounts reported under previous GAAP.

Source reference

60. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards (cont'd)

The consolidated entity changed its accounting policies on 1 January 2005 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 *'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards'*, with 1 January 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 January 2005 (refer note 1(ad)).

An explanation of how the transition from superseded policies to NZ IFRS has affected the company and consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

NZ IFRS-1.39(a)(i)

Effect of NZ IFRS on the balance sheet as at 1 January 2004

		Consolidated			Company		
	Note	Super-seded policies* NZ$'000	Effect of transition to NZ IFRS NZ$'000	NZ IFRS NZ$'000	Super-seded policies* NZ$'000	Effect of transition to NZ IFRS NZ$'000	NZ IFRS NZ$'000
Current assets							
Cash & cash equivalents		15,260	-	15,260	4,117	-	4,117
Trade & other receivables		18,062	-	18,062	14,250	-	14,250
Other financial assets		7,500	-	7,500	32,853	-	32,853
Inventories		28,234	-	28,234	200	-	200
Current tax assets		-	-	-	-	-	-
Other		-	-	-	-	-	-
		69,056	-	69,056	51,420	-	51,420
Non-current assets classified as held for sale		-	-	-	-	-	-
Total current assets		69,056	-	69,056	51,420	-	51,420
Non-current assets							
Trade & other receivables		-	-	-	-	-	-
Inventories		-	-	-	-	-	-
Investments accounted for using the equity method		5,680	-	5,680	-	-	-
Other financial assets		6,582	-	6,582	68,450	-	68,450
Property, plant and equipment	g	163,915	23	163,938	619	10	629
Investment properties	f	112	-	112	-	-	-
Deferred tax assets	i	-	-	-	-	48	48
Goodwill	d	24,060	-	24,060	-	-	-
Other intangible assets		12,523	-	12,523	-	-	-
Other		-	-	-	-	-	-
Total non-current assets		212,872	23	212,895	69,069	58	69,127
Total assets		281,928	23	281,951	120,489	58	120,547
Current liabilities							
Trade & other payables		25,900	-	25,900	2,254	-	2,254
Borrowings		57,124	-	57,124	25,432	-	25,432
Other financial liabilities		-	-	-	-	-	-
Current tax payables		2,689	-	2,689	1,998	-	1,998
Provisions	b	3,205	196	3,401	76	-	76
Other		90	-	90	-	-	-
		89,008	196	89,204	29,760	-	29,760
Liabilities directly associated with non-current assets classified as held for sale		-	-	-	-	-	-
Total current liabilities		89,008	196	89,204	29,760	-	29,760

Source reference

60. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards (cont'd)

	Note	Consolidated			Company		
		Superseded policies * NZ$'000	Effect of transition to NZ IFRS NZ$'000	NZ IFRS NZ$'000	Superseded policies * NZ$'000	Effect of transition to NZ IFRS NZ$'000	NZ IFRS NZ$'000
Non-current liabilities							
Trade & other payables		607	-	607	-	-	-
Borrowings		45,634	-	45,634	23,454	-	23,454
Other financial liabilities		-	-	-	-	-	-
Deferred tax liabilities	i	1,324	1,736	3,060	1,520	(1,520)	-
Provisions		2,434	-	2,434	98	-	98
Other		350	-	350	-	-	-
Total non-current liabilities		50,349	1,736	52,085	25,072	(1,520)	23,552
Total liabilities		139,357	1,932	141,289	54,832	(1,520)	53,312
Net assets		142,571	(1,909)	140,662	65,657	1,578	67,235
Equity							
Share capital		48,672	-	48,672	48,672	-	48,672
Asset revaluation reserve	f, g	5,987	(5,987)	-	12	(12)	-
Foreign currency translation reserve	a	10,257	(10,257)	-	-	-	-
Employee equity-settled benefits reserve		-	-	-	-	-	-
Other reserves		807	-	807	807	-	807
Retained earnings	j	59,586	14,355	73,941	16,166	1,590	17,756
		125,309	(1,889)	123,420	65,657	1,578	67,235
Amounts recognised directly in equity relating to non-current assets classified as held for sale		-	-	-	-	-	-
Parent entity interest		125,309	(1,889)	123,420	65,657	1,578	67,235
Minority interest		17,262	(20)	17,242	-	-	-
Total equity		142,571	(1,909)	140,662	65,657	1,578	67,235

* Reported financial position for the financial year ended 31 December 2003.

Source reference

60. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards (cont'd)

NZ IFRS-1.39(b)

Effect of NZ IFRS on the income statement for the financial year ended 31 December 2004

The following illustrative reconciliation is based on the disclosure of expenses by nature. A similar reconciliation shall be disclosed by entities disclosing expenses by function.

		Consolidated			Company		
	Note	Super-seded policies* NZ$'000	Effect of transition to NZ IFRS NZ$'000	NZ IFRS NZ$'000	Super-seded policies* NZ$'000	Effect of transition to NZ IFRS NZ$'000	NZ IFRS NZ$'000
Revenue	c	232,034	(77,843)	154,191	27,903	-	27,903
Other income	c	1,086	(49)	1,037	41	-	41
Share of profits of associates and jointly controlled entities accounted for using the equity method		1,589	-	1,589	-	-	-
Changes in inventories of finished goods and work in progress	c	(6,469)	8,587	2,118	40	-	40
Raw materials and consumables used	c	(130,842)	45,436	(85,406)	(2,332)	-	(2,332)
Employee benefits expense	b, h, c	(15,031)	3,376	(11,655)	(4,613)	(338)	(4,951)
Depreciation and amortisation expense	d, g, c	(18,056)	3,817	(14,239)	(44)	(1)	(45)
Finance costs	c	(7,396)	667	(6,729)	(1,783)	-	(1,783)
Impairment of non-current assets		-	-	-	-	-	-
Consulting expenses		(1,220)	-	(1,220)	-	-	-
Other expenses	c	(11,029)	3,481	(7,548)	(900)	-	(900)
Profit before income tax expense		44,666	(12,528)	32,138	18,312	(339)	17,973
Income tax expense	i, c	(15,661)	3,860	(11,801)	(6,441)	894	(5,547)
Profit from continuing operations		29,005	(8,668)	20,337	11,871	555	12,426
Profit from discontinued operations	c	-	9,995	9,995	-	-	-
Profit for the period		29,005	1,327	30,332	11,871	555	12,426
Profit attributable to:							
Minority interest		2,763	-	2,763			
Members of the parent entity		26,242	1,327	27,569			
		29,005	1,327	30,332			

* Reported financial results for the year ended 31 December 2004.

Source reference

60. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards (cont'd)

NZ IFRS-1.39(a)(ii)

Effect of NZ IFRS on the balance sheet as at 31 December 2004

		Consolidated			Company		
	Note	Super-seded policies* NZ$'000	Effect of transition to NZ IFRS NZ$'000	NZ IFRS NZ$'000	Super-seded policies* NZ$'000	Effect of transition to NZ IFRS NZ$'000	NZ IFRS NZ$'000
Current assets							
Cash & cash equivalents		19,778	-	19,778	6,681	-	6,681
Trade & other receivables		17,197	-	17,197	14,749	-	14,749
Other financial assets		8,841	-	8,841	30,853	-	30,853
Inventories		30,352	-	30,352	240	-	240
Current tax assets		60	-	60	-	-	-
Other		-	-	-	-	-	-
		76,228	-	76,228	52,523	-	52,523
Non-current assets classified as held for sale		-	-	-	-	-	-
Total current assets		76,228	-	76,228	52,523	-	52,523
Non-current assets							
Trade & other receivables		-	-	-	-	-	-
Inventories		-	-	-	-	-	-
Investments accounted for using the equity method		7,269	-	7,269	-	-	-
Other financial assets		7,612	-	7,612	68,450	-	68,450
Property, plant and equipment	g	134,442	19	134,461	496	9	505
Investment properties		132	-	132	-	-	-
Deferred tax assets	i	-	-	-	-	37	37
Goodwill	d	23,350	710	24,060	-	-	-
Other intangible assets		11,325	-	11,325	-	-	-
Other		-	-	-	-	-	-
Total non-current assets		184,130	729	184,859	68,946	46	68,992
Total assets		260,358	729	261,087	121,469	46	121,515
Current liabilities							
Trade & other payables		15,990	-	15,990	2,269	-	2,269
Borrowings		37,500	-	37,500	23,855	-	23,855
Other financial liabilities		-	-	-	-	-	-
Current tax payables		5,868	-	5,868	4,643	-	4,643
Provisions	b	2,895	352	3,247	96	-	96
Other		95	-	95	-	-	-
		62,348	352	62,700	30,863	-	30,863
Liabilities directly associated with non-current assets classified as held for sale		-	-	-	-	-	-
Total current liabilities		62,348	352	62,700	30,863	-	30,863
Non-current liabilities							
Trade & other payables		-	-	-	-	-	-
Borrowings		26,078	-	26,078	17,083	-	17,083
Other financial liabilities		-	-	-	-	-	-
Deferred tax liabilities	i	2,231	1,462	3,693	2,424	(2,424)	-
Provisions	b	2,326	-	2,326	48	-	48
Other		270	-	270	-	-	-
Total non-current liabilities		30,905	1,462	32,367	19,555	(2,424)	17,131
Total liabilities		93,253	1,814	95,067	50,418	(2,424)	47,994
Net assets		167,105	(1,085)	166,020	71,051	2,470	73,521

Source reference

60. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards (cont'd)

NZ IFRS-1.39(a)(ii)

Effect of NZ IFRS on the balance sheet as at 31 December 2004

	Note	Consolidated			Company		
		Superseded policies* NZ$'000	Effect of transition to NZ IFRS NZ$'000	NZ IFRS NZ$'000	Superseded policies* NZ$'000	Effect of transition to NZ IFRS NZ$'000	NZ IFRS NZ$'000
Equity							
Share capital	h	48,672	338	49,010	48,672	338	49,010
Asset revaluation reserve	f, g	7,638	(6,488)	1,150	14	(13)	1
Foreign currency translation reserve	a	10,614	(10,364)	250	-	-	-
Other reserves		807	-	807	807	-	807
Retained earnings	j	79,349	15,449	94,798	21,558	2,145	23,703
		147,080	(1,065)	146,015	71,051	2,470	73,521
Amounts recognised directly in equity relating to non-current assets classified as held for sale		-	-	-	-	-	-
Parent entity interest		147,080	(1,065)	146,015	71,051	2,470	73,521
Minority interest	j	20,025	(20)	20,005	-	-	-
Total equity		167,105	(1,085)	166,020	71,051	2,470	73,521

* Reported financial position for the financial year ended 31 December 2004.

Effect of NZ IFRS on the cash flow statement for the financial year ended 31 December 2004

NZ IFRS-1.40

There are no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliations of income and equity

NZ IFRS-1.40

The explanatory notes shall provide sufficient detail to enable users to understand the material adjustments to the balance sheet, income statement and, if applicable, cash flow statement. The following explanatory notes shall be used as a guide to the level of detail required. Further explanations are illustrated in NZ IFRS-1.

(a) Cumulative exchange differences

At the date of transition, the consolidated entity elected to reset the foreign currency translation reserve to zero. An amount of $10,257,000 (company: nil) was reclassified from the foreign currency translation reserve to retained earnings. These translation differences will be excluded from the calculation of any gain or loss on a subsequent disposal of the foreign operation.

For the financial year ended 31 December 2004, as the consolidated entity's foreign operations had always been translated through the foreign currency translation reserve, the adjustment required under NZ IFRS is the $10,257,000 (company: nil) opening adjustment and the recognition of the tax effect of the current year translation recognised under previous GAAP in the foreign currency translation reserve.

An entity that has foreign operations which were not translated through the foreign currency translation reserve under the superseded policies shall disclose an appropriate explanatory note to explain movements in the foreign currency translation reserve under NZ IFRS for the comparative financial year.

Source reference

60. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards (cont'd)

(b) Defined benefit superannuation plans

A defined benefit obligation, included in the provision for employee benefits, of $196,000 (company: nil) was recognised on 1 January 2004 on transition to NZ IFRS. Under superseded policies, contributions to defined benefit superannuation plans were expensed when due and payable and no assets or liabilities were recognised in relation to the plans.

For the financial year ended 31 December 2004, the defined benefit obligation increased by a further $156,000 to $352,000 (company: nil). Adjustments were made to recognise actuarial losses of $226,000 (company: nil) directly in retained earnings, and to decrease employee benefit expenses by $70,000 (company: nil) for the financial year ended 31 December 2004.

(c) Discontinued operations

Under NZ IFRS, the consolidated entity recognises revenue and expenses, including tax expenses, attributable to discontinued operations as part of a single line item 'profit from discontinued operations' on the income statement. There was no requirement under previous GAAP to split out revenue and expenses attributable to discontinued operations in this manner, and accordingly, amounts are reclassified from the various line items in which they were recognised under previous GAAP to 'profit from discontinued operations' on adoption of NZ IFRS.

(d) Goodwill

The consolidated entity has elected not to restate business combinations that occurred prior to the date of transition to NZ IFRS, and accordingly, the carrying amount of goodwill at the date of transition has not changed. In addition, goodwill arising from these business combinations that involved the acquisition of foreign businesses will be treated as a New Zealand dollar denominated asset.

However, goodwill, which was amortised under superseded policies, is not amortised under NZ IFRS from the date of transition. The effect of the change is an increase in the carrying amount of goodwill by $710,000 (company:nil) and an increase in net profit before tax of $710,000 (company:nil) for the financial year ended 31 December 2004. There is no tax effect as deferred taxes are not recognised for temporary differences arising from goodwill for which amortisation is not deductible for tax purposes.

(e) Impairment of assets

An entity that recognises impairment losses (or reversals thereof) on the date of transition, or additional impairment write-downs (or reversals thereof) during the comparative financial year shall disclose an appropriate explanation.

NZ IFRS-1.39(c)

Where an impairment loss is recognised in the opening NZ IFRS balance sheet the entity shall provide all the disclosures required by NZ IAS-36 'Impairment of Assets'.

C

Source reference

60. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards (cont'd)

(f) Investment properties

Under NZ IFRS investment properties are valued at fair value. Under previous GAAP investment properties were accounted for at their net current value (including estimated disposal costs). At the date of transition this change in valuation method did not result in a change in value. The amount in the asset revaluation reserve associated with the investment property was transferred to retained earnings.

For the financial year ended 31 December 2004, an amount of $8,000 (company: nil), being the increase in fair value, was recognised in the profit or loss for the year. This amount was recognised in the asset revaluation reserve under the superseded policies.

(g) Property, plant and equipment

The company and consolidated entity elected to measure property, plant and equipment other than equipment under finance leases on transition to NZ IFRS at fair value and has used that fair value as the item's deemed cost at that date. The effect of the revaluation to fair value for property, plant and equipment previously held at cost is an increase in the carrying amount of property, plant and equipment of $23,000 (company: $10,000) at 1 January 2004 and a reclassification of any amounts in the asset revaluation reserve associated with these items to retained earnings. Additional depreciation expense of $4,000 (company: $1,000) is recognised under NZ IFRS for the financial year ended 31 December 2004.

NZ IFRS-1.44

	Consolidated		
	Balance at 31 December 2003 NZ$'000	Effect of transition to NZ IFRS NZ$'000	Fair value at 1 January 2004 NZ$'000
Property, plant and equipment	163,915	23	163,938

NZ IFRS-1.44

	Company		
	Balance at 31 December 2003 NZ$'000	Effect of transition to NZ IFRS NZ$'000	Fair value at 1 January 2004 NZ$'000
Property, plant and equipment	619	10	629

An entity that measures items of property, plant and equipment at fair value on an ongoing basis and has offset revaluation increments and revaluation decrements against items in a class, as permitted under the superseded policies, may wish to include the following wording, where appropriate:

'In contrast to superseded policies, revaluation increments and decrements for property, plant and equipment measured at fair value may not be offset against one another within the class of assets. Accordingly, for the financial year ended [date], the asset revaluation reserve increased by [amount] (company: [amount]) and an additional expense of [amount] (company: [amount]) is recognised in profit for the financial year.'

(h) Share-based payments

For the financial year ended 31 December 2004, share-based payments of $338,000 (company: $338,000) (included in 'employee benefit expenses') which were not recognised under the superseded policies were recognised under NZ IFRS, with a corresponding increase in the employee equity-settled benefits reserve.

These adjustments had no material tax or deferred tax consequences.

Source reference

60. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards (cont'd)

An entity that has share options issued after 7 November 2002 not vested as of 1 January 2005 may wish to include the following wording, where appropriate:

'An amount of [amount] (company: [amount]), not recognised under the superseded policies, is recognised in the employee equity-settled benefits reserve on the date of transition under NZ IFRS. The amount relates to share options granted under the executive share option plan which were issued after 7 November 2002 and are not vested as of 1 January 2005'.

(i) Income tax

Under superseded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under NZ IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

The effect of the above adjustments on the deferred tax balances are as follows:

	Consolidated		Company	
	1 Jan 2004 NZ$'000	31 Dec 2004 NZ$'000	1 Jan 2004 NZ$'000	31 Dec 2004 NZ$'000
Defined benefit obligation	65	116	-	-
Deferred tax not recognised under previous GAAP	(1,801)	(990)	1,568	2,462
Net increase/(decrease) in deferred tax balances recognised in income statement	(1,736)	(874)	1,568	2,462
Defined benefit plan	-	(7)	-	-
Asset revaluation reserve	-	(543)	-	(1)
Foreign currency translation reserve	-	(118)	-	-
Other	-	80	-	-
Net increase/(decrease) in deferred tax balances recognised directly in equity	-	(588)	-	(1)
Net increase/(decrease) in deferred tax balances	(1,736)	(1,462)	1,568	2,461

The effect on consolidated profit for the financial year ended 31 December 2004 was to decrease previously reported income tax expense by $862,000 (company: increase of $894,000).

C

Source reference

60. Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards (cont'd)

(j) Retained earnings

The effect of the above adjustments on retained earnings is as follows:

		Consolidated		Company	
	Note	1 Jan 2004 NZ$'000	31 Dec 2004 NZ$'000	1 Jan 2004 NZ$'000	31 Dec 2004 NZ$'000
Transfer from foreign currency translation reserve	a	10,257	10,257	-	-
Defined benefit obligation	b	(196)	(352)	-	-
Goodwill no longer amortised	d	-	710	-	-
Transfer from asset revaluation reserve	f, g	5,987	5,987	12	12
Fair value as deemed cost	g	23	23	10	10
Additional depreciation expense	g	-	(4)	-	(1)
Recognition of fair value adjustments on investment properties	f	-	8	-	-
Expensing share-based payments	h	-	(338)	-	(338)
Adjustments to deferred tax balances	i	(1,736)	(874)	1,568	2,462
Other *[describe]*		-	12	-	-
Total adjustment to retained earnings		14,335	15,429	1,590	2,145
Attributable to members of the parent entity		14,355	15,449	1,590	2,145
Attributable to minority interests		(20)	(20)	-	-
		14,335	15,429	1,590	2,145

C

Source reference

61. Directory

Company Number:
NZ123456

NZ IAS-1.126(a)

Registered office / Principal place of business:
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8 Nelson St
Auckland
Telephone: (+64) 9 309 4944

NZ IAS-1.126(a)

Disclosure in relation to the address of the registered office (or principal place of business, if different from the registered office) only need be made in the financial statements where such information is not disclosed elsewhere in information published with the financial statements.

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Telephone: (+64) 9 555 5555

Auditors:
Deloitte

Solicitors:
Eagle, Beagle & Co

Bankers:
Best Bank Limited

Glossary of terms

Glossary of Terms

Abbreviation/Term	What it stands for
ASRB	Accounting Standards Review Board (New Zealand).
FRS	Financial Reporting Standard.
FRSB	Financial Reporting Standards Board (New Zealand).
GAAP	Generally Accepted Accounting Practice.
IAS	International Accounting Standard.
IASB	International Accounting Standards Board.
IASC	International Accounting Standards Committee – the predecessor to the IASB. The overall structure is now known as the International Accounting Standards Committee or IASC and the 'parent' foundation is the IASC Foundation. The standard-setting body is now called the IASB.
IFRIC	International Financial Reporting Interpretations Committee of the IASB. Also used to refer to the interpretations issued by this committee.
IFRS	International Financial Reporting Standards. IFRS incorporates IAS (inherited by the IASB from its predecessor body the IASC), IFRS (issued by the IASB) and the interpretations of both types of standards (SIC, IFRIC).
NZICA	New Zealand Institute of Chartered Accountants.
NZ IFRS	New Zealand Equivalents to International Financial Reporting Standards. The FRSB has adopted IFRS as New Zealand financial reporting standards (NZ IFRS). IFRS are intended for application by profit oriented entities – additional guidance for public benefit entities in incorporated to ensure NZ IFRS are sector neutral.
Reporting Entity	Entities subject to legal requirements on financial reporting. Which entities constitute reporting entities has yet to be defined as the IASB has embarked upon a project in which it is considering reporting requirements for small and medium entities ('SMEs') and the Ministry of Economic Development is currently reviewing the Financial Reporting Act 1993 in relation to which entities are to be subject to NZ-IFRS. Following completion of these projects, New Zealand's approach to differential reporting under the Framework will be reviewed.
SIC	Interpretation(s) issued by the Standing Interpretations Committee of the IASC, the predecessor committee to the IFRIC.

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