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Presentation and disclosure checklist 2005	Checklist incorporating all of the presentation and disclosure requirements of Standards effective in 2005.

International GAAP Holdings Limited
Financial statements for the year ended 31 December 2005

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

International GAAP Holdings Limited is assumed to have presented financial statements in accordance with IFRSs for a number of years. Therefore, it is not a first-time adopter of IFRSs. Readers should refer to IFRS 1 *First-time Adoption of International Financial Reporting Standards* for specific requirements regarding an entity's first IFRS financial statements.

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

The model financial statements do not include separate financial statements for the parent, which may be required by local laws or regulations, or may be prepared voluntarily. Where an entity prepares separate financial statements that comply with IFRSs, the requirements of IAS 27 *Consolidated and Separate Financial Statements* will apply. A separate income statement, balance sheet, statement of changes in equity and cash flow statement for the parent will be required.

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

For the purposes of presenting the income statement, statement of changes in equity and cash flow statement – the various alternatives allowed under IFRSs for those statements have been illustrated. Preparers should select the alternatives most appropriate to their circumstances.

Contents

Index to the notes to the consolidated financial statements

Source				
IAS 1.8(b) IAS 1.46(b),(c)	**Consolidated income statement for the year ended 31 December 2005**			**[Alt 1]**
IAS 1.104		Notes	Year ended 31/12/05	Year ended 31/12/04
IAS 1.46(d),(e)			CU'000	CU'000 (restated)
	Continuing operations			
IAS 1.81(a)	Revenue	5	1,064,660	728,250
IAS 1.88	Other operating income		9,892	6,745
IAS 1.88	Changes in inventories of finished goods and work in progress		4,026	4,432
IAS 1.88	Raw materials and consumables used		(667,794)	(460,961)
IAS 1.88	Employee benefits expense		(220,299)	(188,809)
IAS 1.88	Depreciation and amortisation expense		(35,304)	(17,238)
IAS 1.88	Other operating expenses		(28,839)	(22,645)
IAS 1.83	Operating profit		126,342	49,774
IAS 1.81(c)	Share of profit of associates		12,763	983
IAS 1.83	Investment revenues	7	3,501	717
IAS 1.83	Other gains and losses		(563)	(44)
IAS 1.81(b)	Finance costs	8	(36,187)	(32,165)
IAS 1.83	Profit before tax		105,856	19,265
IAS 1.81(d)	Income tax expense	9	(16,166)	(3,810)
IAS 1.83	Profit for the year from continuing operations		89,690	15,455
	Discontinued operation			
IAS 1.81(e)	Profit for the year from discontinued operation	10	10,676	4,171
IAS 1.81(f)	Profit for the year	12	100,366	19,626
	Attributable to:			
IAS 1.82(b)	Equity holders of the parent		99,757	19,529
IAS 1.82(a)	Minority interest		609	97
			100,366	19,626
	Earnings per share	14		
	From continuing and discontinued operations:			
IAS 33.66	Basic		66.1 cents	13.0 cents
IAS 33.66	Diluted		51.4 cents	12.9 cents
	From continuing operations:			
IAS 33.66	Basic		59.0 cents	10.2 cents
IAS 33.66	Diluted		46.0 cents	10.1 cents

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

Source				
IAS 1.8(b) IAS 1.46(b),(c)	**Consolidated income statement for the year ended 31 December 2005**			**[Alt 2]**
IAS 1.104		Notes	Year ended 31/12/05	Year ended 31/12/04
IAS 1.46(d),(e)			CU'000	CU'000 (restated)
	Continuing operations			
IAS 1.81(a)	Revenue	5	1,064,660	728,250
IAS 1.88	Cost of sales		(697,027)	(552,343)
IAS 1.83	Gross profit		367,633	175,907
IAS 1.88	Other operating income		9,892	6,745
IAS 1.88	Distribution costs		(96,298)	(45,609)
IAS 1.88	Administrative expenses		(131,485)	(69,545)
IAS 1.88	Other operating expenses		(23,400)	(17,724)
IAS 1.83	Operating profit		126,342	49,774
IAS 1.81(c)	Share of profit of associates		12,763	983
IAS 1.83	Investment revenues	7	3,501	717
IAS 1.83	Other gains and losses		(563)	(44)
IAS 1.81(b)	Finance costs	8	(36,187)	(32,165)
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IAS 1.82(a)	Minority interest		609	97
			100,366	19,626
	Earnings per share	14		
	From continuing and discontinued operations:			
IAS 33.66	Basic		66.1 cents	13.0 cents
IAS 33.66	Diluted		51.4 cents	12.9 cents
	From continuing operations:			
IAS 33.66	Basic		59.0 cents	10.2 cents
IAS 33.66	Diluted		46.0 cents	10.1 cents

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

Source				
IAS 1.8(a) IAS 1.46(b),(c)	**Consolidated balance sheet at 31 December 2005**			
IAS 1.104		Notes	31/12/05	31/12/04
IDS 1.46(d),(e)			CU'000	CU'000 (restated)
	Assets			
IAS 1.51	*Non-current assets*			
IAS 1.68(a)	Property, plant and equipment	15	657,905	566,842
IAS 1.68(b)	Investment property	16	12,000	11,409
IAS 1.69	Goodwill	17	2,423	2,538
IAS 1.68(c)	Other intangible assets	18	26,985	21,294
IAS 1.69	Negative goodwill		–	(2,465)
IAS 1.68(e)	Investments in associates	20	45,060	12,274
IAS 1.69	Available-for-sale investments	22	23,543	25,602
IAS 1.69	Finance lease receivables	23	114,937	104,489
IAS 1.68(n)	Deferred tax assets	35	5,006	3,291
IAS 1.69	Derivative financial instruments	34	2,602	1,307
			890,461	746,581
IAS 1.51	*Current assets*			
IAS 1.68(g)	Inventories	24	117,693	108,698
IAS 1.69	Finance lease receivables	23	54,713	49,674
IAS 1.68(h)	Trade and other receivables	25	127,916	123,656
IAS 1.69	Investments held for trading	22	37,243	29,730
IAS 1.69	Derivative financial instruments	34	2,436	4,817
IAS 1.68(i)	Cash and cash equivalents		11,609	1,175
IAS 1.68A(a)	Assets classified as held for sale	11	1,922	–
			353,532	317,750
	Total assets		1,243,993	1,064,331

Source				
	Consolidated balance sheet at 31 December 2005 – continued			
		Notes	31/12/05	31/12/04
			CU'000	CU'000 (restated)
	Equity and liabilities			
IAS 1.68(p)	*Capital and reserves*			
IAS 1.69	Share capital	27	121,650	120,000
IAS 1.69	Capital reserves	28	41,331	33,300
IAS 1.69	Revaluation reserves	29	95,248	34,591
IAS 1.69	Hedging and translation reserves	30	(11,700)	508
IAS 1.69	Retained earnings	31	252,268	155,086
	Equity attributable to equity holders of the parent		498,797	343,485
IAS 1.68(o)	Minority interest		3,185	2,576
	Total equity		501,982	346,061
IAS 1.51	*Non-current liabilities*			
IAS 1.69	Bank loans	32	356,353	448,753
IAS 1.69	Convertible loan notes	33	24,327	–
IAS 1.69	Retirement benefit obligation	46	33,928	38,474
IAS 1.68(n)	Deferred tax liabilities	35	15,447	5,772
IAS 1.69	Obligations under finance leases	36	923	1,244
IAS 1.69	Liability for share-based payments	45	6,528	3,516
IAS 1.68(k)	Provisions	38	2,118	–
			439,624	497,759
IAS 1.51	*Current liabilities*			
IAS 1.68(j)	Trade and other payables	37	141,429	84,412
IAS 1.68(m)	Current tax liabilities		8,229	1,986
IAS 1.69	Obligations under finance leases	36	1,470	1,483
IAS 1.69	Bank overdrafts and loans	32	144,307	128,686
IAS 1.68(k)	Provisions	38	6,432	2,065
IAS 1.69	Derivative financial instruments	34	273	1,879
IAS1.68A(b)	Liabilities directly associated with assets classified as held for sale	11	247	–
			302,387	220,511
	Total liabilities		742,011	718,270
	Total equity and liabilities		1,243,993	1,064,331

Source			
IAS 1.8(c)(ii) IAS.46(b),(c)	**Consolidated statement of recognised income and expense for the year ended 31 December 2005**		**[Alt 1]**
		Year ended 31/12/05	Year ended 31/12/04
IAS 1.46(d),(e)		CU'000	CU'000
IAS 1.96(b)	Gain/(loss) on revaluation of property	64,709	(4,369)
IAS 1.96(b)	(Deferred tax liability arising) reversal of deferred tax liability on revaluation of land and buildings	(3,692)	320
IAS 1.96(b)	Gains on cash flow hedges taken to equity	1,723	550
IAS 1.96(b)	Gains on available-for-sale investments taken to equity	251	201
IAS 1.96(b)	Exchange differences on translation of foreign operations	(12,718)	2,706
IAS 1.96(b)	Net income recognised directly in equity	50,273	(592)
	Transfers:		
IAS 32.59(b)	Transfer to profit or loss from equity on cash flow hedges	(995)	(895)
IAS 32.59(c)	Transfer to initial carrying amount of non-financial hedged item on cash flow hedges	(218)	–
IAS 32.94(h)	Transfer to profit or loss from equity on sale of available-for-sale investments	(611)	–
IAS 1.96(a)	Profit for the year	100,366	19,626
IAS 1.96(c)	Total recognised income and expense for the year	148,815	18,139
IAS 1.96(c)	Attributable to:		
	Equity holders of the parent	148,206	18,042
	Minority interest	609	97
		148,815	18,139
IAS 1.96(d)	**Effects of changes in accounting policy:**		
	Attributable to equity holders of the parent – increase in retained earnings at the beginning of the year	2,465	90
	Attributable to minority interest	–	–
		2,465	90

Note: IAS 1 requires that the financial statements should include a statement showing either all changes in equity, or changes in equity other than those arising from capital transactions with owners and distributions to owners. The above illustrates an approach which presents those changes in equity that represent income and expense in a separate component of the financial statements. If this method of presentation is adopted, a reconciliation of the opening and closing balances of share capital, reserves and retained earnings is required to be provided in the explanatory notes (see notes 27 to 31). An alternative method of presenting changes in equity is illustrated on the next page.

The consequential amendments to IAS 1 following the adoption of the amendments to IAS 19, Employee Benefits, issued in December 2004 require that the title of this statement be changed to the Statement of Recognised Income and Expense. As indicated in note 2, these amendments have been adopted in advance of their effective date for the purpose of these financial statements. The amendments to IAS 19 also introduce an additional recognition option for actuarial gains and losses arising in post-employment defined benefit plans, whereby such gains and losses may be recognised in the period in which they occur and be presented in the statement of recognised income and expense. This alternative recognition option has not been adopted by International GAAP Holdings Limited.

Source

IAS 1.8(c)(i)
IAS 1.46(b),(c)

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

[Alt 2]

Source		Share capital	Capital reserves	Revaluation reserves	Hedging and translation reserves	Retained earnngs	Attributable to equity holders of the parent	Minority Interest	Total
IAS 1.97(b),(c)									
IAS 1.46(d),(e)		CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
	Balance at 1 January 2004	120,000	32,098	38,439	(1,853)	143,507	332,191	2,479	334,670
IAS 1.96(d)	Effect of changes in accounting policy					90	90	–	90
	As restated	120,000	32,098	38,439	(1,853)	143,597	332,281	2,479	334,760
IAS 1.96(b)	Loss on revaluation of property	–	–	(4,369)	–	–	(4,369)	–	(4,369)
IAS 1.96(b)	Reversal of deferred tax liability on revaluation of land and buildings	–	–	320	–	–	320	–	320
IAS 1.96(b)	Gains on cash flow hedges	–	–	–	550	–	550	–	550
IAS 1.96(b)	Gains on available-for-sale investments	–	–	201	–	–	201	–	201
IAS 1.96(b)	Exchange differences arising on translation of foreign operations	–	–	–	2,706	–	2,706	–	2,706
IAS 1.96(b)	Net income recognised directly in equity	–	–	(3,848)	3,256	–	(592)	–	(592)
IAS 32.59(b)	Transfer to profit or loss on cash flow hedges	–	–	–	(895)	–	(895)	–	(895)
IAS 1.96(a)	Profit for the year	–	–	–	–	19,529	19,529	97	19,626
IAS 1.96(c)	Total recognised income and expense for the year	–	–	(3,848)	2,361	19,529	18,042	97	18,139
IAS 1.97(a)	Recognition of share-based payments	–	1,202	–	–	–	1,202	–	1,202
IAS 1.97(a)	Dividends	–	–	–	–	(8,040)	(8,040)	–	(8,040)
	Balance at 1 January 2005	120,000	33,300	34,591	508	155,086	343,485	2,576	346,061
IAS 1.96(d)	Effect of changes in accounting policy	–	–	–	–	2,465	2,465	–	2,465
	As restated	120,000	33,300	34,591	508	157,551	345,950	2,576	348,526
IAS 1.96(b)	Gain on revaluation of property	–	–	64,709	–	–	64,709	–	64,709
IAS 1.96(b)	Deferred tax liability arising on revaluation of land and buildings	–	–	(3,692)	–	–	(3,692)	–	(3,692)
IAS 1.96(b)	Gains on cash flow hedges	–	–	–	1,723	–	1,723	–	1,723
IAS 1.96(b)	Gains on available-for-sale investments	–	–	251	–	–	251	–	251
IAS 1.96(b)	Exchange differences arising on translation of foreign operations	–	–	–	(12,718)	–	(12,718)	–	(12,718)
IAS 1.96(b)	Net income recognised directly in equity	–	–	61,268	(10,995)	–	50,273	–	50,273
IAS 32.59(b)	Transfer to profit or loss on cash flow hedges	–	–	–	(995)	–	(995)	–	(995)
IAS 32.59(c)	Transfer to initial carrying amount of non-financial hedged item on cash flow hedges	–	–	–	(218)	–	(218)	–	(218)
IAS 32.94(h)	Transfer to profit or loss on sale of available-for-sale investments	–	–	(611)	–	–	(611)	–	(611)
IAS 1.96(a)	Profit for the year	–	–	–	–	99,757	99,757	609	100,366
IAS 1.96(c)	Total recognised income and expense for the year	–	–	60,657	(12,208)	99,757	148,206	609	148,815
IAS 1.97(a)	Recognition of equity component of convertible loan notes	–	995	–	–	–	995	–	995
IAS 1.97(a)	Deferred tax liability on recognition of equity component of convertible loan notes	–	(174)	–	–	–	(174)	–	(174)
IAS 1.97(a)	Recognition of share-based payments	–	2,860	–	–	–	2,860	–	2,860
IAS 1.97(a)	Dividends	–	–	–	–	(5,040)	(5,040)	–	(5,040)
IAS 1.97(a)	Issue of share capital	1,650	4,350	–	–	–	6,000	–	6,000
	Balance at 31 December 2005	121,650	41,331	95,248	(11,700)	252,268	498,797	3,185	501,982

Note: *See previous page for alternative method of presenting changes in equity.*

The above layout combines reserves of a similar nature for ease of presentation. However, IAS 1 requires a reconciliation of the opening and closing position on each reserve separately. Therefore, if such a combined presentation is adopted for the purposes of the statement of changes in equity, further details should be presented in the notes to the financial statements (see notes 27 to 31).

Source		Notes	Year ended 31/12/05	Year ended 31/12/04
IAS 1.8(d) IAS 1.46(b),(c)	**Consolidated cash flow statement for the year ended 31 December 2005**			**[Alt 1]**
IAS 1.04		Notes	Year ended 31/12/05	Year ended 31/12/04
IAS 1.46(d),(e)			CU'000	CU'000
IAS 7.10 IAS 7.18(a)	**Operating activities**			
	Cash receipts from customers		1,227,651	854,919
	Cash paid to suppliers and employees		(1,042,076)	(816,963)
	Cash generated from operations		185,575	37,956
IAS 7.35	Income taxes paid		(5,553)	(2,129)
IAS 7.31	Interest paid		(42,209)	(32,995)
	Net cash from operating activities		137,813	2,832
IAS 7.10	**Investing activities**			
IAS 7.31	Interest received		1,202	368
IAS 7.31	Dividends received from associate		11,777	4,925
IAS 7.31	Dividends received from other equity investments		2,299	349
	Proceeds on disposal of investments held for trading		25,230	–
	Proceeds on disposal of available-for-sale investments		2,416	–
IAS 7.39	Disposal of subsidiary	39	6,517	–
	Proceeds on disposal of property, plant and equipment		4,983	4,500
	Purchases of property, plant and equipment		(58,675)	(30,398)
IAS 7.39	Acquisition of investment in an associate		(31,800)	–
	Purchases of investments held for trading		(34,023)	(15,328)
	Purchases of patents and trademarks		(3,835)	(18,617)
	Expenditure on product development		(3,600)	–
	Acquisition of subsidiary	40	(3,670)	–
	Net cash used in investing activities		(81,179)	(54,201)
IAS 7.10	**Financing activities**			
IAS 7.31	Dividends paid		(5,040)	(8,040)
	Repayments of borrowings		(86,777)	–
	Repayments of obligations under finance leases		(1,897)	(1,932)
	Proceeds on issue of convertible loan notes		25,000	–
	Proceeds on issue of shares		6,000	–
	New bank loans raised		–	72,265
	Increase (decrease) in bank overdrafts		16,396	(16,349)
	Net cash (used in) from financing activities		(46,318)	45,944
	Net increase (decrease) in cash and cash equivalents		10,316	(5,425)
	Cash and cash equivalents at the beginning of the year		1,175	5,938
IAS 7.28	Effect of foreign exchange rate changes		118	662
	Cash and cash equivalents at the end of the year			
IAS 7.45	Bank balances and cash		11,609	1,175

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

Source				
IAS 1.8(d) IAS 1.46(b),(c)	**Consolidated cash flow statement** **for the year ended 31 December 2005**			**[Alt 2]**
IAS 1.104		Notes	Year ended 31/12/05	Year ended 31/12/04
IAS 1.46(d),(e)			CU'000	CU'000
IAS 7.10 IAS 7.18(b)	**Operating activities**			
	Profit for the year		100,366	19,626
	Adjustments for:			
	Share of profit of associates		(12,763)	(983)
	Investment revenues		(3,501)	(717)
	Other gains and losses		563	44
	Finance costs	8	36,680	32,995
	Income tax expense	9	17,983	4,199
	Gain on disposal of discontined operation	10	(8,493)	–
	Depreciation of property, plant and equipment		29,517	19,042
	Impairment loss on fixtures and equipment		4,130	–
	Amortisation of goodwill		–	247
	Amortisation of other intangible assets		2,614	846
	Impairment of goodwill		463	–
	Negative goodwill released to income		–	(2,210)
	Share-based payment expense		5,872	4,718
	(Increase)/decrease in fair value of investment property		(601)	49
	Amortisation of deferred initial direct costs on leases of investment property		10	10
	Gain on disposal of property, plant and equipment		(4,184)	(500)
	Increase/(decrease) in provisions		6,464	(2,320)
	Operating cash flows before movements in working capital		175,120	75,046
	Increase in inventories		(18,101)	(28,065)
	Decrease/(increase) in receivables		2,319	(31,993)
	Increase in payables		26,237	22,968
	Cash generated from operations		185,575	37,956
IAS 7.35	Income taxes paid		(5,553)	(2,129)
IAS 7.31	Interest paid		(42,209)	(32,995)
	Net cash from operating activities		137,813	2,832

Source				
	Consolidated cash flow statement for the year ended 31 December 2005 – continued			**[Alt 2]**
		Notes	Year ended 31/12/05	Year ended 31/12/04
			CU'000	CU'000
IAS 7.10	**Investing activities**			
IAS 7.31	Interest received		1,202	368
IAS 7.31	Dividends received from associates		11,777	4,925
IAS 7.31	Dividends received from other equity investments		2,299	349
	Proceeds on disposal of investments held for trading		25,230	–
	Proceeds on disposal of available-for-sale investments		2,416	–
IAS 7.39	Disposal of subsidiary	39	6,517	–
	Proceeds on disposal of property, plant and equipment		4,983	4,500
	Purchases of property, plant and equipment		(58,675)	(30,398)
	Acquisition of investment in an associate		(31,800)	–
	Purchases of investments held for trading		(34,023)	(15,328)
	Purchases of patents and trademarks		(3,835)	(18,617)
	Expenditure on product development		(3,600)	–
IAS 7.39	Acquisition of subsidiary	40	(3,670)	–
	Net cash used in investing activities		(81,179)	(54,201)
IAS 7.10	**Financing activities**			
IAS 7.31	Dividends paid		(5,040)	(8,040)
	Repayments of borrowings		(86,777)	–
	Repayments of obligations under finance leases		(1,897)	(1,932)
	Proceeds on issue of convertible loan notes		25,000	–
	Proceeds on issue of shares		6,000	–
	New bank loans raised		–	72,265
	Increase (decrease) in bank overdrafts		16,396	(16,349)
	Net cash (used in) from financing activities		(46,318)	45,944
	Net increase (decrease) in cash and cash equivalents		10,316	(5,425)
	Cash and cash equivalents at the beginning of the year		1,175	5,938
IAS 7.28	Effect of foreign exchange rate changes		118	662
	Cash and cash equivalents at the end of the year			
IAS 7.45	Bank balances and cash		11,609	1,175

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

Source	
IAS 1.8(e) IAS 1.46(b),(c) IAS 1.104	**Notes to the consolidated financial statements for the year ended 31 December 2005**
	1. General information
IAS 1.126(a)	International GAAP Holdings Limited (the Company) is a limited company incorporated in A Land. The addresses of its registered office and principal place of business are disclosed in the introducton to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 6.
IAS 1.38 IAS 8.28	**2. Adoption of new and revised International Financial Reporting Standards**
	In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:
	• share-based payments (IFRS 2); • goodwill (IFRS 3); • excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously known as negative goodwill) (IFRS 3); and • initial direct costs incurred in relation to operating lease receivables (IAS 17 (Revised)).
	The impact of these changes in accounting policies is discussed in detail later in this note. The impact on basic and diluted earnings per share is disclosed in note 14.
IAS 19(r2004). 159B	In addition, the Group has elected to adopt the amendments to IAS 19 *Employee Benefits* issued in December 2004 in advance of their effective date of 1 January 2006. The impact of these amendments has been to expand the disclosures provided in these financial statements in relation to the Group's defined benefit retirement benefit plan (see note 46). [Consequential changes to IAS 1 *Presentation of Financial Statements* have required the title of the Group's statement of changes in equity presented on page 5 of these financial statements to be changed to the Statement of Recognised Income and Expense, but have had no impact on the amounts reported in that statement. The Group has not elected to present actuarial gains and losses arising in its defined benefit plan in the Statement of Recognised Income and Expense, and continues to recognise such gains and losses using the 'corridor' approach (see detailed accounting policy in note 3.)]
IAS 8.30(a)	At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:
	IFRS 6 *Exploration for and Evaluation of Mineral Resources* IFRIC 3 *Emission Rights* IFRIC 4 *Determining whether an Arrangement contains a Lease* IFRIC 5 *Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
IAS 8.30(b)	The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.
	Note: This listing is complete at 31 March 2005. The potential impact of any new or revised Standards and Interpretations released by the IASB after that date, but before the issue of the financial statements, should also be considered and disclosed.

Source	
	Notes to the consolidated financial statements for the year ended 31 December 2005 – continued
IAS 8.28(a)	***IFRS 2, Share-based Payment***
IAS 8.28(c)	IFRS 2 *Share-based Payment* requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date. Prior to the adoption of IFRS 2, the Group did not recognise the financial effect of share-based payments until such payments were settled.
IAS 8.28(b),(c)	In accordance with the transitional provisions of IFRS 2, the Standard has been applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005, and to liabilities for share-based transactions existing at 1 January 2005. The Standard therefore applies to share options granted in 2004 and 2005.
IAS 8.28(f)(i)	For 2004, the change in accounting policy has resulted in a net decrease in profit for the year of CU4.227 million (share-based payments expense of CU4.718 million net of deferred tax impact of CU0.491 million). The balance sheet at 31 December 2004 has been restated to reflect the recognition of a liability for share-based payments of CU3.516 million and a share options reserve of CU1.202 million, and an additional deferred tax asset of CU0.491 million.
IAS 8.28(f)(i)	For 2005, the impact of share-based payments is a net charge to income of CU4.018 million (share-based payment expense of CU5.872 million net of deferred tax impact of CU1.854 million). At 31 December 2005, the share options reserve amounted to CU4.062 million, the liability recognised for share-based payments amounted to CU6.528 million, and the related deferred tax asset amounted to CU2.345 million.
IAS 8.28(f)(i)	The share-based payments expense has been included in the following lines of the income statement: [employee benefits expense CU5.872 million (2004: CU4.718 million)/cost of sales CU4.942 million (2004: CU4.127 million) and administration costs CU0.93 million (2004: CU0.591 million)].
IAS 8.28(a)	***IFRS 3, Business Combinations***
	Goodwill
IAS 8.28(b),(d) IAS 8.28(c)	IFRS 3 has been adopted for business combinations for which the agreement date is on or after 31 March 2004. The option of limited retrospective application of the Standard has not been taken up, thus avoiding the need to restate past business combinations. The Group had no acquisitions during the 2004 accounting period. Therefore, the first transaction to which the new Standard has been applied is the acquisition of Subfive Limited on 1 August 2005 (see note 40). The principal impact of the new Standard on the accounting for that transaction has been the recognition of contingent liabilities (fair value CU0.021 million) that would not have been recognised separately from goodwill under the predecessor Standard, IAS 22. The recognition of these liabilities has had no material impact on the results for the period.
IAS 8.28(c)	After initial recognition, IFRS 3 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under IAS 36 *Impairment of Assets* (as revised in 2004), impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. IFRS 3 prohibits the amortisation of goodwill. Previously, under IAS 22, the Group carried goodwill in its balance sheet at cost less accumulated amortisation and accumulated impairment losses. Amortisation was charged over the estimated useful life of the goodwill, subject to the rebuttable presumption that the maximum useful life of goodwill was 20 years.
IAS 8.28(b),(d)	In accordance with the transitional rules of IFRS 3, the Group has applied the revised accounting policy for goodwill prospectively from the beginning of its first annual period beginning on or after 31 March 2004, i.e. 1 January 2005, to goodwill acquired in business combinations for which the agreement date was before 31 March 2004. Therefore, from 1 January 2005, the Group has discontinued amortising such goodwill and has tested the goodwill for impairment in accordance with IAS 36. At 1 January 2005, the carrying amount of amortisation accumulated before that date of CU6.086 million has been eliminated, with a corresponding decrease in goodwill.
IAS 8.28(f)(i),(g)	Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2004 or prior periods.
	No amortisation has been charged in 2005. The charge in 2004 was CU0.247 million.

Source	
	Notes to the consolidated financial statements for the year ended 31 December 2005 – continued
IAS 8.28(f)(i)	An impairment loss of CU0.463 million has been recognised in the current period in accordance with IAS 36. Had the Group's previous accounting policy been applied in the current year, this amount would have been split between an amortisation charge of CU0.23 million and an impairment loss of CU0.233 million, because the calculation of the recoverable amount of goodwill has not been affected by the 2004 amendments to IAS 36. Therefore, the change in accounting policy has had no impact on the profit for the year – although it has resulted in a re-analysis between amortisation charges and impairment losses recognised.
	Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)
IAS 8.28(c)	IFRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in profit or loss. IFRS 3 prohibits the recognition of negative goodwill in the balance sheet.
	Previously, under IAS 22 (superceded by IFRS 3), the Group released negative goodwill to income over a number of accounting periods, based on an analysis of the circumstances from which the balance resulted. Negative goodwill was reported as a deduction from assets in the balance sheet.
IAS 8.28(b),(d) IAS 8.28(g)	In accordance with the transitional rules of IFRS 3, the Group has applied the revised accounting policy prospectively from 1 January 2005. Therefore, the change has had no impact on amounts reported for 2004 or prior periods.
IAS 8.28(f)(i)	The carrying amount of negative goodwill at 1 January 2005 has been derecognised at the transition date. Therefore, an adjustment of CU2.465 million is made to opening retained earnings and negative goodwill at 1 January 2005.
	Under the previous accounting policy, CU1.682 million of negative goodwill would have been released to income during 2005, leaving a balance of negative goodwill of CU0.783 million at 31 December 2005. Therefore, the impact of the change in accounting policy in 2005 is a reduction in other operating income of CU1.682 million and an increase in net assets at 31 December 2005 of CU0.783 million.
IAS 8.28(a)	***IAS 17 (Revised), Leases***
	Initial direct costs incurred in relation to operating lease receivables
IAS 8.28(c)	IAS 17 (as revised in 2003) requires initial direct costs incurred by a lessor in negotiating and arranging an operating lease to be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Prior to the adoption of the revised Standard, the Group recognised such costs as an expense in the income statement in the period in which they were incurred. This change in accounting policy has been applied retrospectively.
	In general, the Group does not incur significant initial direct costs on negotiating and arranging leases. However, in January 2003, as reported in the 2003 financial statements, exceptional legal costs of CU0.1 million were incurred in relation to lease negotiations for a substantial proportion of the Group's investment property portfolio. In accordance with the previous accounting policy, these costs were expensed in full in 2003.
IAS 8.28(f)(i)	Under the revised accounting policy, the legal fees should have been deferred over the lease term of the properties, which is ten years, resulting in an annual charge of CU0.01 million. The adjustment required at 1 January 2004, therefore, is an increase in retained earnings of CU0.09 million and an equivalent adjustment to the carrying amount of investment properties. The change in accounting policy has reduced profit for the year in both 2004 and 2005 by CU0.01 million, the expense being charged to other operating expenses.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

IAS 1.103(a)
IAS 1.108
IAS 1.14

3. Significant accounting policies

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

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

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

Interests in joint ventures

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

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

IAS 31.57

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

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

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in associates' above.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered 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. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

IAS 18.35(a) ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

IAS 11.39(b),(c) ***Construction contracts***

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

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

Leasing

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

The Group as lessor

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

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

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the 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 to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Currency Units using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

IAS 23.29(a) ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

IAS 20.39(a) ***Government grants***

Government grants towards staff re-training costs are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

IAS 19(r2004).120A(a)

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

IAS 16.73(a),(b)

Property, plant and equipment

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

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

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

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 properties revaluation reserve is transferred directly to retained earnings.

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

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

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method.

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

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

IAS 40.75(a)

Investment property

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

Internally-generated intangible assets – research and development expenditure

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

An internally-generated intangible asset arising from the Group's e-business development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

IAS 38.118(b)

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Patents and trademarks

IAS 38.118(b)

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

IAS 2.36(a)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

IAS 32.60 (b)

Financial instruments

Financial assets and financial liabilities are recognised on the Group’s balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date basis where the 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, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment’s recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Source	
	Notes to the consolidated financial statements for the year ended 31 December 2005 – continued
IAS 7.46	Cash and cash equivalents
	Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.
	Financial liabilities and equity
	Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.
	Bank borrowings
	Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).
	Convertible loan notes
	Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loan note into equity of the Group, is included in equity (capital reserves).
	Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.
	The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.
	Trade payables
	Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.
	Equity instruments
	Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.
	Derivative financial instruments and hedge accounting
	The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.
IAS 32.71	The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The significant interest rate risk arises from bank loans. The Group's policy is to convert a proportion of its floating rate debt to fixed rates. The Group designates these as cash flow hedges of interest rate risk.
	The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.
	Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

IAS 32.52

Note: In practice, an extensive description of the group's financial risk management objectives and policies, dealing with the group's particular circumstances, would be given. This would include detailed information with respect to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. The Group's policy with respect to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

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,for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions and behavioural considerations.

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 balance sheet date.

The Group also provides employees with the ability to purchase the Group's ordinary shares at a discount to the current market value. The Group records an expense, based on its estimate of the discount related to shares expected to vest, on a straight-line basis over the vesting period.

Source	
	Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

4. Critical accounting judgements and key sources of estimation uncertainty

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

IAS 1.113

Critical judgements in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Revenue recognition

Note 12 describes the expenditure required in the year for rectification work carried out on goods supplied to one of the Group's major customers. These goods were delivered to the customer in the months of January to July 2005, and shortly thereafter the defects were identified by the customer. Following negotiations, a schedule of works was agreed, which will involve expenditure by the Group until 2007. In the light of the problems identified, management was required to consider whether it was appropriate to recognise the revenue from these transactions of CU102 million in the current period, in line with the Group's general policy of recognising revenue when goods are delivered, or whether it was more appropriate to defer recognition until the rectification work was complete.

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

Capitalisation of borrowing costs

As decribed in note 3, it is the Group's policy to capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Capitalisation of the borrowing costs relating to construction of the Group's premises in A Land was suspended in 2004, while the development was delayed as management reconsidered its detailed plans. Capitalisation of borrowing costs recommenced in 2005 – 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 2005, borrowing costs have been capitalised from February 2005, at which time the technical and administrative work associated with the project recommenced.

IAS 1.116
IAS 1.120

Key sources of estimation uncertainty

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 a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of internally-generated intangible asset

During the year, management reconsidered the recoverability of its internally-generated intangible asset arising from the Group's e-business development, which is included in its balance sheet at 31 December 2005 at CU3.24 million. The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the project. However, increased competitor activity has caused management to reconsider its assumptions regarding future market shares and anticipated margins on these products. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was CU2.423 million after an impairment loss of CU0.463 million was recognised during 2005. Details of the impairment loss calculation are provided in note 17.

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

5. Revenue

IAS 18.35(b) An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

		Year ended 31/12/05	Year ended 31/12/04
		CU'000	CU'000
	Continuing operations		
	Sales of electronics goods	743,127	504,633
IAS 11.39(a)	Revenue from construction contracts	304,073	209,562
	Equipment leasing income	16,858	13,492
IAS 40.75(f)	Property rental income	602	563
		1,064,660	728,250
	Discontinued operations		
	Sales of toys	159,438	141,203
		1,224,098	869,453

6. Business and geographical segments

Note: The following analysis by business and geographical segment is required by IAS 14, Segment Reporting, to be presented by entities whose equity or debt securities are publicly traded or that are in the process of issuing equity or debt securities in public securities markets. If an entity whose securities are not publicly traded chooses to disclose segment information voluntarily in financial statements that comply with IFRSs, that entity should comply fully with the requirements of IAS 14.

Business segments

IAS 14.81
IAS 1.126(b) For management purposes, the Group is currently organised into three operating divisions – electronic goods, construction and leasing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Electronic goods	– manufacture and distribution of electronic consumer goods.
Construction	– construction of properties on a contract basis.
Leasing	– leasing of electronic equipment and property rental.

In prior years, the Group was also involved in the manufacture and sale of toys. That operation was discontinued with effect from 30 November 2005 (see note 10).

Segment information about the Group's continuing operations is presented below. Segment information about the Group's discontinued operations is presented in note 10.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

2005

Source		Electronic goods	Construction	Leasing	Eliminations	Total for continuing operations
		Year ended 31/12/05	Year ended 31/12/05	Year ended 31/12/05	Year ended 31/12/05	Year ended 31/12/05
		CU'000	CU'000	CU'000	CU'000	CU'000
	Revenue					
IAS 14.51	External sales	743,127	304,073	17,460	–	1,064,660
	Inter-segment sales	10,020	–	–	(10,020)	–
IAS 14.67	Total revenue from continuing operations	753,147	304,073	17,460	(10,020)	1,064,660
IAS 14.75	Inter-segment sales are charged at prevailing market prices.					
	Result					
	Segment result from continuing operations	95,292	34,879	16,699	(3,005)	143,865
	Unallocated expenses					(17,523)
IAS 14.67	Operating profit from continuing operations					126,342
IAS 14.64	Share of profit of associates	10,392	2,371			12,763
	Investment revenues					3,501
	Other gains and losses					(563)
	Finance costs					(36,187)
	Profit before tax					105,856
	Income tax expense					(16,166)
IAS 14.67	Profit for the year from continuing operations					89,690

Other information

Source		Electronic goods	Construction	Leasing	Other	Total for continuing operations
		CU'000	CU'000	CU'000	CU'000	CU'000
IAS 14.57	Capital additions	64,748	11,820	1,525	2,781	80,874
IAS 14.58	Depreciation and amortisation	21,140	6,120	192	3,259	30,711
IAS 36.129(a)	Impairment losses recognised in profit or loss	–	463	–	4,130	4,593

Balance sheet

Source		31/12/05	31/12/05	31/12/05		31/12/05
		CU'000	CU'000	CU'000		CU'000
	Assets					
IAS 14.55	Segment assets	673,160	149,890	208,798		1,031,848
IAS 14.66	Interests in associates	37,999	7,061	–		45,060
	Unallocated assets					167,085
IAS 14.67	Consolidated total assets					1,243,993
	Liabilities					
IAS 14.56	Segment liabilities	108,657	44,457	20,156		173,270
	Unallocated liabilities					568,741
IAS 14.67	Consolidated total liabilities					742,011

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

2004

Source		Electronic goods	Construction	Leasing	Eliminations	Total for continuing operations
		Year ended 31/12/04	Year ended 31/12/04	Year ended 31/12/04	Year ended 31/12/04	Year ended 31/12/04
		CU'000	CU'000	CU'000	CU'000	CU'000
IAS 14.51	**Revenue**					
	External sales	504,633	209,562	14,055	–	728,250
	Inter-segment sales	9,370	–	–	(9,370)	–
IAS 14.67	Total revenue from continuing operations	514,003	209,562	14,055	(9,370)	728,250

IAS 14.75 Inter-segment sales are charged at prevailing market prices.

Source		Electronic goods	Construction	Leasing	Eliminations	Total for continuing operations
	Result					
IAS 14.52	Segment result from continuing operations	33,993	15,930	9,929	(1,902)	57,950
	Unallocated expenses					(8,176)
IAS 14.67	Operating profit from continuing operations					49,774
IAS 14.64	Share of profit of associates		983			983
	Investment revenues					717
	Other gains and losses					(44)
	Finance costs					(32,165)
	Profit before tax					19,265
	Income tax expense					(3,810)
IAS 14.67	Profit for the year from continuing operations					15,455

Other information

Source		Electronic goods	Construction	Leasing	Other	Total for continuing operations
		CU'000	CU'000	CU'000	CU'000	CU'000
IAS 14.57	Capital additions	47,046	–	2,277	4,682	54,005
IAS 14.58	Depreciation and amortisation	10,122	4,944	158	2,014	17,238

Balance sheet

Source		31/12/04	31/12/04	31/12/04	Consolidated 31/12/04
		CU'000	CU'000	CU'000	CU'000
	Assets				
IAS 14.55	Segment assets:				
	continuing operations	572,546	105,002	189,021	866,569
	discontinued operation (note 39)				36,844
IAS 14.66	Interests in associates	–	12,274	–	12,274
	Unallocated assets				148,644
IAS 14.67	Consolidated total assets				1,064,331
	Liabilities				
IAS 14.56	Segment liabilities:				
	continuing operations	76,625	31,217	14,190	122,032
	discontinued operation (note 39)				13,082
	Unallocated liabilities				583,156
IAS 14.67	Consolidated total liabilities				718,270

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

Geographical segments

IAS 14.81

The Group's operations are located in A Land, B Land and C Land. The Group's construction and leasing divisions are located in A Land. Manufacturing of electronic goods is carried out in B Land and C Land.

IAS 14.69(a)

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services.

	Sales revenue by geographical market					
	Continuing operations		Discontinued operation		Total	
	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
P Land	741,242	481,027	81,457	103,320	822,699	584,347
A Land	95,992	86,171	75,494	35,632	171,486	121,803
B Land	52,701	37,432	–	–	52,701	37,432
Q Land	137,892	97,942	–	–	137,892	97,942
Other	36,833	25,678	2,487	2,251	39,320	27,929
	1,064,660	728,250	159,438	141,203	1,224,098	869,453

IAS 14.69(b),(c)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	31/12/05	31/12/04	Year ended 31/12/05	Year ended 31/12/04
	CU'000	CU'000	CU'000	CU'000
A Land	521,709	401,930	38,261	25,787
B Land	363,310	325,654	18,551	18,446
C Land	358,974	336,747	24,062	9,772
	1,243,993	1,064,331	80,874	54,005

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

IAS 18.35(b)

7. Investment income

	Continuing operations	
	Year ended 31/12/05	Year ended 31/12/04
	CU'000	CU'000
Interest on bank deposits	1,202	368
Dividends from equity investments	2,299	349
	3,501	717

8. Finance costs

Source		Continuing operations		Discontinued operation		Total	
		Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/21/05	Year ended 31/12/04
		CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
	Interest on bank overdrafts and loans	40,430	31,932	493	830	40,923	32,762
	Interest on convertible loan notes (note 33)	1,260	–	–	–	1,260	–
	Interest on obligations under finance leases	348	233	–	–	348	233
IAS 32.94(h)	Total borrowing costs	42,038	32,165	493	830	42,531	32,995
IAS 23.29(b)	Less: amounts included in the cost qualifying assets	(5,571)	–	–	–	(5,571)	–
		36,467	32,165	493	830	36,960	32,995
IAS 32.94(h)	Loss arising on derivatives not in a designated hedge accounting relationship	100	–	–	–	100	–
	Fair value gains on interest rate swaps designated as cash flow hedges transferred from equity	(380)	–	–	–	(380)	–
		36,187	32,165	493	830	36,680	32,995

IAS 23.29(c) Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7 per cent to expenditure on such assets.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

9. Income tax expense

IAS 12.79

	Continuing operations		Discontinued operation		Total	
	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/21/05	Year ended 31/12/04
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Current tax	11,911	3,245	1,739	287	13,650	3,532
Deferred tax (note 35):	4,255	565	78	102	4,333	667
Income tax expense for the year	16,166	3,810	1,817	389	17,983	4,199

IAS 12.81(c) Domestic income tax is calculated at 17.5 per cent (2004: 17.5 per cent) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

IAS 12.81(c) The total charge for the year can be reconciled to the accounting profit as follows:

	Year ended 31/12/05		Year ended 31/12/04	
	CU'000	%	CU'000	%
Profit before tax:				
continuing operations	105,856		19,265	
discontinued operation	4,000		4,560	
	109,856		23,825	
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	19,225	17.5	4,169	17.5
Tax effect of share of results of associates	(2,234)	(2.0)	(172)	(0.7)
Tax effect of expenses that are not deductible in determining taxable profit	1,210	1.1	355	1.5
Tax effect of utilisation of tax losses not previously recognised	(290)	(0.3)	(235)	(1.0)
Effect of different tax rates of subsidiaries operating in other jurisdictions	72	0.1	82	0.3
Tax expense and effective tax rate for the year	17,983	16.4	4,199	17.6

IAS 12.81(a) In addition to the income tax expense charged to profit or loss, a deferred tax charge of CU3.866 million (2004: credit of CU0.32 million) has been recognised in equity in the year (see note 35).

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

10. Discontinued operation

IFRS 5.30
IFRS 5.41

On 14 May 2005, the Group entered into a sale agreement to dispose of Subsix Limited, which carried out all of the Group's toy manufacturing activities. The disposal was effected in order to generate cash flow for the expansion of the Group's other businesses. The disposal was completed on 30 November 2005, on which date control of Subsix Limited passed to the acquirer.

The profit for the year from the discontinued operation is analysed as follows:

	Year ended 31/12/05 CU'000	Year ended 31/12/04 CU'000
Profit of toy manufacturing operation for the year	2,183	4,171
Gain on disposal of toy manufacturing operation (see note 39)	8,493	–
	10,676	4,171

IFRS 5.33(b)
IFRS 5.34

The results of the toy manufacturing operation for the period from 1 January 2005 to 30 November 2005 are as follows:

	Period ended 30/11/05 CU'000	Year ended 31/12/04 CU'000
Revenue	159,438	141,203
Cost of sales	(97,431)	(79,923)
Distribution costs	(19,447)	(16,458)
Administrative expenses	(38,067)	(39,432)
Finance costs	(493)	(830)
Profit before tax	4,000	4,560
Income tax expense	(1,817)	(389)
Profit for the year	2,183	4,171

IFRS 5.33(c)
IFRS 5.34

During the year, Subsix Limited contributed CU4.8 million (2004: CU4.25 million) to the Group's net operating cash flows, paid CU1.37 million (2004: CU2.89 million) in respect of investing activities and paid CU0.9 million (2004: CU3.71 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of Subsix Limited at the date of disposal are disclosed in note 39.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

11. Non-current assets held for sale

IFRS 5.41 On 20 December 2005, the directors resolved to dispose of one of the Group's production lines for electronic goods. Negotiations with several interested parties have subsequently taken place. The assets and liabilities attributable to the production line, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the balance sheet. The operations are included in the Group's electronic goods activities for segment reporting purposes (see note 6).

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liablitities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

IFRS 5.38 The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	Year ended 31/12/05
	CU'000
Goodwill	22
Property, plant and equipment	1,698
Inventories	202
Total assets classified as held for sale	1,922
Trade and other payables, and total for liabilities associated with assets classified as held for sale	(247)
Net assets of disposal group	1,675

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

12. Profit for the year

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

Source		Continuing operations		Discontinued operation		Total	
		Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/21/05	Year ended 31/12/04
		CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
IAS 21.52(a)	Net foreign exchange losses/(gains)	960	(840)	318	109	1,278	(731)
IAS 36.126	Research and development costs	4,800	6,560	–	–	4,800	6,560
IAS 20.39(b)	Government grants towards training costs	(398)	(473)	–	–	(398)	(473)
	Depreciation of property, plant and equipment	28,097	16,145	1,420	2,897	29,517	19,042
	Impairment of property, plant and equipment	4,130	–	–	–	4,130	–
IAS 38.118(d)	Amortisation of intangible assets/goodwill (included in [depreciation and amortisation expense/administration expenses])	2,614	1,093	–	–	2,614	1,093
IAS 36.126(a)	Impairment of goodwill (included in [depreciation and amortisation expense/ administration expenses])	463	–	–	–	463	–
IAS 1.93	Total depreciation and amortisation expense	35,304	17,238	1,420	2,897	36,724	20,135
	Release of negative goodwill to income (included in other operating income)	–	(2,210)	–	–	–	(2,210)
IAS 40.67(d)	(Increase)/decrease in fair value of value of investment property	(601)	49	–	–	(601)	49
IAS 2.36(d)	Cost of inventories recognised as expense	697,027	552,343	97,431	79,923	794,458	632,266
IAS 1.93	Employee benefits expense	220,299	188,809	30,169	26,906	250,468	215,715

Note: Separate disclosure of staff costs and depreciation is required where the expenses presented in the income statement are analysed by function (see Income Statement – Alt 2).

IAS 1.86

Costs of CU14.17 million have been recognised during the year in respect of rectification work to be carried out on goods supplied to one of the Group's major customers, which have been included in [cost of sales/ cost of inventories and employee benefits expense]. The amount represents the estimated cost of work to be carried out in accordance with an agreed schedule up to 2007. CU8.112 million has been expended in the current period, with a provision of CU6.058 million carried forward to meet anticipated expenditure in 2006 and 2007 (see note 38).

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

13. Dividends

IAS 1.95 — On 23 May 2005, a dividend of 4.2 cents per share (total dividend CU5.04 million) was paid to shareholders. In May 2004, the dividend paid was 6.7 cents per share (total dividend CU8.04 million).

IAS 1.125(a)
IAS 10.13 — In respect of the current year, the directors propose that a dividend of 9.8 cents per share will be paid to shareholders on 25 May 2006. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 21 April 2006. The total estimated dividend to be paid is CU14.7 million.

14. Earnings per share

Note: IAS 33, Earnings Per Share, requires that earnings per share (EPS) information be presented by 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 securities markets. If other entities choose to disclose EPS information in financial statements that comply with IFRSs, such disclosures should comply fully with the requirements of IAS 33.

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

IAS 33.70(a) — Earnings

	Year ended 31/12/05	Year ended 31/12/04
	CU'000	CU'000
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the parent)	99,757	19,529
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	1,040	–
Earnings for the purposes of diluted earnings per share	100,797	19,529

IAS 33.70(b) — Number of shares

	Year ended 31/12/05	Year ended 31/12/04
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	151,031	150,000
Effect of dilutive potential ordinary shares:		
Share options	2,860	1,872
Convertible loan notes	42,188	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	196,079	151,872

IAS 33.64 — The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the capitalisation issue in February 2006 (see note 27).

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the parent entity is based on the following data.

IAS 33.70(a) Earnings figures are calculated as follows:

	Year ended 31/12/05	Year ended 31/12/04
	CU'000	CU'000
Profit for the year attributable to equity holders of the parent	99,757	19,529
Less:		
Profit for the year from discontinued operation	(10,676)	(4,171)
Earnings for the purposes of basic earnings per share from continuing operations	89,081	15,358
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	1,040	–
Earnings for the purposes of diluted earnings per share from continuing operations	90,121	15,358

IAS 33.70(b) The denominators used are the same as those detailed above for both basic and diluted earnings per share.

IAS 33.68 ***From discontinued operation***

Basic earnings per share for the discontinued operation is 7.1 cents per share (2004: 2.8 cents per share) and diluted earnings per share for the discontinued operation is 5.4 cents per share (2004: 2.8 cents per share), based on the profit for the year from the discontinued operation of CU10.7 million (2004: CU4.2 million) and the denominators detailed above for both basic and diluted earnings per share.

IAS 8.28(f) ***Impact of changes in accounting policy***

Changes in the Group's accounting policies during the year are described in detail in note 2. To the extent that those changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04
	cents	cents	cents	cents
Recognition of share-based payments as expenses	(2.7)	(2.8)	(2.0)	(2.8)
Non-amortisation of goodwill (replaced by impairment loss)	–	–	–	–
Negative goodwill no longer released to income	(1.1)	–	(0.9)	–
Amortisation of initial direct costs on operating leases (CU10,000 decrease in profit each year does not impact amounts reported due to rounding)	–	–	–	–
Total impact of changes in accounting policy	(3.8)	(2.8)	(2.9)	(2.8)

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

15. Property, plant and equipment

Source		Land and buildings	Properties under construction	Fixtures and equipment	Total
		CU'000	CU'000	CU'000	CU'000
IAS 16.73(d),(e) IAS 16.74(b)	***Cost or valuation***				
	At 1 January 2004	448,037	74,002	77,322	599,361
	Additions	–	3,698	31,690	35,388
	Exchange differences	(1,569)	–	(142)	(1,711)
	Disposals	–	–	(5,000)	(5,000)
	Revaluation decrease	(14,269)	–	–	(14,269)
	At 1 January 2005	432,199	77,700	103,870	613,769
	Additions	–	17,260	44,359	61,619
	Acquired on acquisition of a subsidiary	–	–	8,907	8,907
	Exchange differences	2,103	–	972	3,075
	Disposal of a subsidiary	–	–	(22,402)	(22,402)
	Disposals	–	–	(6,413)	(6,413)
	Reclassified as held for sale			(3,400)	(3,400)
	Revaluation increase	51,486	–	–	51,486
	At 31 December 2005	485,788	94,960	125,893	706,641
IAS 16.73(a)	Comprising:				
	At cost	–	94,960	125,893	220,853
	At valuation 2005	485,788	–	–	485,788
		485,788	94,960	125,893	706,641
	Accumulated depreciation and impairment				
	At 1 January 2004	–	–	39,681	39,681
	Depreciation charge for the year	10,694	–	8,348	19,042
	Exchange differences	(794)	–	(102)	(896)
	Eliminated on disposal	–	–	(1,000)	(1,000)
	Eliminated on revaluation	(9,900)	–	–	(9,900)
	At 1 January 2005	–	–	46,927	46,927
	Depreciation charge for the year	13,172	–	16,345	29,517
IAS 36.126(a)	Impairment loss recognised in profit or loss	–	–	4,130	4,130
	Exchange differences	51	–	927	978
	Eliminated on disposal of a subsidiary	–	–	(12,277)	(12,277)
	Eliminated on disposals	–	–	(5,614)	(5,614)
	On assets reclassified as held for sale	–	–	(1,702)	(1,702)
	Eliminated on revaluation	(13,223)	–	–	(13,223)
	At 31 December 2005	–	–	48,736	48,736
	Carrying amount				
	At 31 December 2005	485,788	94,960	77,157	657,905
	At 31 December 2004	432,199	77,700	56,943	566,842

Source	
	Notes to the consolidated financial statements for the year ended 31 December 2005 – continued
IAS 16.73(c)	The following rates are used for the depreciation of property, plant and equipment:
	Buildings 2 to 4% Fixtures and equipment 10% to 30%
IAS 36.130(a) to (g)	During the period, the Group carried out a review of the recoverable amount of its manufacturing plant and equipment, having regard to its ongoing programme of modernisation and the introduction of new product lines. These assets are used in the Group's electronic goods segment. The review led to the recognition of an impairment loss of CU4.13 million, that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 9 per cent. The discount rate used when the recoverable amount of these assets was previously estimated in 2003 was 8 per cent.
	In addition, following the revisions to IAS 16 *Property, Plant and Equipment* in 2003, that are effective for the current accounting period, the Group has reviewed the residual values used for the purposes of depreciation calculations in the light of the amended definition of residual value in the revised Standard. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. In line with the new requirements, these residual values will be reviewed and updated annually in the future.
IAS 17.31(a)	The carrying amount of the Group's fixtures and equipment includes an amount of CU2.55 million (2004: CU1.40 million) in respect of assets held under finance leases.
IAS 16.74(a)	The Group has pledged land and buildings having a carrying amount of approximately CU370 million (2004: CU320 million) to secure banking facilities granted to the Group.
IAS 16.77(a) to (d)	Land and buildings were revalued at 31 December 2005 by Messrs. Lo & Ko, independent valuers not connected with the Group, by reference to market evidence of recent transactions for similar properties. The valuation conforms to International Valuation Standards.
IAS 16.77(e)	At 31 December 2005, had the land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately CU390 million (2004: CU410 million).

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

16. Investment property

	31/12/05	31/12/04
	CU'000	CU'000
Fair value of investment property	11,920	11,319
Deferred initial direct costs	80	90
	12,000	11,409

Source	***Fair value of investment property***	CU'000
IAS 40.76	At 1 January 2004	11,368
	Decrease in fair value during the year	(49)
	At 1 January 2005	11,319
	Increase in fair value during the year	601
	At 31 December 2005	11,920

IAS 40.75(b) All of the Group's investment property is held under freehold interests.

IAS 40.75(d),(e) The fair value of the Group's investment property at 31 December 2005 has been arrived at on the basis of a valuation carried out at that date by Messrs Lo & Ko, independent valuers not connected with the Group. Messrs Lo & Ko are members of the Institute of Valuers, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

IAS 40.75(g) The Group has pledged all of its investment property to secure general banking facilities granted to the Group.

IAS 40.75(f) The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to CU0.602 million (2004: CU0.563 million). Direct operating expenses arising on the investment property in the period amounted to CU0.16 million (2004: CU0.23 million).

Deferred initial direct costs

The amount represents costs incurred in 2003 which arose in connection with the negotiation of operating leases for a substantial proportion of the Group's investment property portfolio, and which are being amortised over the term of those leases, which is 10 years.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

17. Goodwill

Source		CU'000
IFRS 3.74 IFRS 3.75	***Cost***	
	At 1 January 2004	8,840
	Exchange differences	(216)
	At 1 January 2005	8,624
	Elimination of amortisation accumulated prior to the adoption of IFRS 3 (see note 2)	(6,086)
	Arising on acquisition of a subsidiary	2,043
	Eliminated on disposal of a subsidiary	(1,673)
	Reclassified as held for sale	(22)
	At 31 December 2005	2,886
	Amortisation	
	At 1 January 2004	6,026
	Exchange differences	(187)
	Amortisation for the year	247
	At 1 January 2005	6,086
	Elimination of amortisation accumulated prior to the adoption of IFRS 3 (see note 2)	(6,086)
	At 31 December 2005	–
	Impairment	
	Impairment loss recognised in the year ended 31 December 2005 and balance at 31 December 2005	463
	Carrying amount	
	At 31 December 2005	2,423
	At 31 December 2004	2,538

IAS 36.134(a) Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	31/12/05	31/12/04
	CU'000	CU'000
Electronic goods:		
Subfive Limited (single CGU)	2,043	–
Subthree Limited (single CGU)	–	22
Construction (comprised of several CGUs):		
residential property construction activities	843	843
Toy operations:		
Subsix Limited (single CGU)	–	1,673
	2,886	2,538

Source	
	Notes to the consolidated financial statements for the year ended 31 December 2005 – continued
	The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.
IAS 36.134(b) to (d)	The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.
	The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.
IAS 36.130(g)	The rate used to discount the forecast cash flows from Subfive Limited is 8.9 per cent, and from the Group's residential property construction activities is 11.2 per cent.
IAS 36.130(a),(b) IAS 36.130(d)	At 31 December 2005, before impairment testing, goodwill of CU 0.843 million was allocated to the residential property construction CGU within the construction business segment. Due to increased competition in the market, the Group has revised its cash flow forecasts for this CGU. The residential property CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of CU 0.463 million.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

18. Other intangible assets

IAS 38.118(c),(e)

	Development costs	Patents and trademarks	Total
	CU'000	CU'000	CU'000
Cost			
At 1 January 2004	–	13,000	13,000
Additions	–	18,617	18,617
At 1 January 2005	–	31,617	31,617
Additions	3,600	3,835	7,435
Acquired on acquisition of a subsidiary	–	870	870
At 31 December 2005	3,600	36,322	39,922
Amortisation			
At 1 January 2004	–	9,477	9,477
Charge for the year	–	846	846
At 1 January 2005	–	10,323	10,323
Charge for the year	360	2,254	2,614
At 31 December 2005	360	12,577	12,937
Carrying amount			
At 31 December 2005	3,240	23,745	26,985
At 31 December 2004	–	21,294	21,294

IAS 38.118(a) The intangible assets included above have finite useful lives, over which the assets are amortised. The amortisation period for development costs incurred on the Group's e-business development is three years. Patents and trademarks are amortised over their estimated useful lives, which is on average ten years.

IAS 38.122(b) The Group's patents protect the design and specification of its electronic goods produced in B Land and C Land. The carrying amount of patents at 31 December 2005 is CU20.2 million (2004: CU18.4 million). The average remaining amortisation period for these patents is 7 years.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

19. Subsidiaries

Details of the Company's subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
		%	%	
Subone Limited	A Land	100	100	Property investment and construction
Subtwo Limited	A Land	70	45	Equipment leasing
Subthree Limited	B Land	100	100	Manufacture of electronic equipment
Subfour Limited	C Land	70	70	Manufacture of electronic equipment
Subfive Limited	C Land	100	100	Manufacture of electronic equipment

IAS 27.40(c)

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

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

20. Investments in associates

	31/12/05	31/12/04
	CU'000	CU'000
Cost of investment in associates	32,920	1,120
Share of post-acquisition profit, net of dividend received	12,140	11,154
	45,060	12,274

Details of the Group's associates at 31 December 2005 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Aplus Limited	A Land	30%	17%	Manufacture of electronic equipment
Bplus Limited	C Land	45%	40%	Construction

IAS 28.37(c) Although the Group holds less than 20 per cent of the voting power in Aplus Limited, the Group exercises significant influence by virtue of its contractual right to appoint two directors to the board of that company.

IAS 28.37(e) The financial statements of Bplus Limited are made up to 31 October each year. This was the financial reporting date established when the company was incorporated, and a change of reporting date is not permitted in C Land. For the purpose of applying the equity method of accounting, the financial statements of Bplus Limited for the year ended 31 October 2005 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2005.

IAS 28.37(b) Summarised financial information in respect of the Group's associates is set out below:

	31/12/05	31/12/04
	CU'000	CU'000
Total assets	171,340	86,261
Total liabilities	(51,180)	(58,986)
Net assets	120,160	27,275
Group's share of associates' net assets	45,060	12,274

	Year ended 31/12/05	Year ended 31/12/04
	CU'000	CU'000
Revenue	158,900	94,780
Profit for the period	34,034	2,184
Group's share of associates' profit for the period	12,763	983

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

21. Joint ventures

IAS 31.56 The Group has the following significant interests in joint ventures:

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

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

IAS 31.56 The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of JV Electronics Limited:

	31/12/05	31/12/04
	CU'000	CU'000
Current assets	53,129	46,382
Non-current assets	41,302	38,577
Current liabilities	17,639	15,278
Non-current liabilities	29,214	24,730

	Year ended 31/12/05	Year ended 31/12/04
	CU'000	CU'000
Income	8,329	47,923
Expenses	5,702	46,378

22. Investments

Available-for-sale investments

	31/12/05	31/12/04
	CU'000	CU'000
Fair value	23,543	25,602

Investments held for trading

	31/12/05	31/12/04
	CU'000	CU'000
Fair value	37,243	29,730

The Group has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit and loss.

IAS 32.60(a) The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices.

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

23. Finance lease receivables

Source		Minimum lease payments		Present value of minimum lease payments	
		31/12/05	31/12/04	31/12/05	31/12/04
		CU'000	CU'000	CU'000	CU'000
IAS 17.47(a)	Amounts receivable under finance leases:				
	Within one year	72,526	65,948	54,713	49,674
	In the second to fifth years inclusive	120,875	109,913	114,937	104,489
		193,401	175,861	169,650	154,163
IAS 17.47(b)	Less: unearned finance income	(23,751)	(21,698)	N/A	N/A
	Present value of minimum lease payments receivable	169,650	154,163	169,650	154,163
IAS 1.52	Analysed as:				
	Non-current finance lease receivables (recoverable after 12 months)			114,937	104,489
	Current finance lease receivables (recoverable within 12 months)			54,713	49,674
				169,650	154,163

IAS 17.47(f)
IAS 32.60(a)
The Group enters into finance leasing arrangements for certain of its electronic equipment. All leases are denominated in Currency Units. The average term of finance leases entered into is 4 years.

IAS 17.47(c)
Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at CU0.37 million (2004: CU0.25 million).

IAS 32.67
The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is approximately 11.5 per cent (2004: 12 per cent) per annum.

IAS 32.86
IAS 32.92
The fair value of the Group's finance lease receivables at 31 December 2005 is estimated at CU182 million (2004: CU163 million), based on discounting the estimated cash flows at the market rate.

IAS 2.36(b)
24. Inventories

	31/12/05	31/12/04
	CU'000	CU'000
Raw materials	84,255	80,504
Work-in-progress	2,578	1,893
Finished goods	30,860	26,301
	117,693	108,698
Classified as part of a disposal group held for sale (see note 11)	202	–
	117,895	108,698

IAS 2.36(h)
Inventories with a carrying amount of CU26 million (2004: CU19.3 million) have been pledged as security for certain of the Group's bank overdrafts.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

25. Other financial assets

IAS 32.60(a)

Trade and other receivables

	31/12/05	31/12/04
	CU'000	CU'000
Amounts receivable from the sale of goods	79,447	106,354
Amounts due from construction contract customers (note 26)	24,930	17,302
Deferred consideration for the disposal of Subsix Limited (note 39)	23,539	–
	127,916	123,656

An allowance has been made for estimated irrecoverable amounts from the sale of goods of CU3.24 million (2004: CU4.39 million). This allowance has been determined by reference to past default experience.

IAS 32.86
IAS 32.92

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at 2 per cent per month on the outstanding balance.

IAS 32.60(a)
IAS 32.86
IAS 32.92

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

IAS 32.76

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, finance lease receivables and investments.

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.

The Group's credit risk is primarily attributable to its trade and finance lease receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

26. Construction contracts

Source		31/12/05 CU'000	31/12/04 CU'000
	Contracts in progress at balance sheet date:		
IAS 11.42(a)	Amounts due from contract customers included in trade and other receivables	24,930	17,302
IAS 11.42(b)	Amounts due to contract customers included in trade and other payables	(3,587)	(3,904)
		21,343	13,398
IAS 11.40(a)	Contract costs incurred plus recognised profits less recognised losses to date	59,039	33,829
	Less: progress billings	(37,696)	(20,431)
		21,343	13,398

IAS 11.40(b),(c) At 31 December 2005, retentions held by customers for contract work amounted to CU2.3 million (2004: CU1.8 million). Advances received from customers for contract work amounted to CU0.85 million (2004: Nil).

IAS 1.52 At 31 December 2005, amounts of CU4.3 million (2004: CU2.1 million) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months.

IAS 1.76(a)

27. Share capital

	31/12/05 CU'000	31/12/04 CU'000
Authorised:		
200 million ordinary shares of par value CU1 each	200,000	200,000
Issued and fully paid:		
At the beginning of the year	120,000	120,000
Exercise of share options	650	–
Issued for cash	1,000	–
At the end of the year	121,650	120,000

The Company has one class of ordinary shares which carry no right to fixed income.

On 14 February 2006, a capitalisation issue of 1 bonus share for every four shares in issue resulted in an increase in issued share capital of CU30 million, and an equivalent reduction in the share premium account.

Source	
	Notes to the consolidated financial statements for the year ended 31 December 2005 – continued
IAS 1.76(b) IAS 1.96, 97	**28. Capital reserves**

	Share premium	Equity reserve	Share options reserve	Total
	CU'000	CU'000	CU'000	CU'000
Balance at 1 January 2004	32,098	–	–	32,098
Recognition of share-based payments	–	–	1,202	1,202
Balance at 1 January 2005	32,098	–	1,202	33,300
Recognition of share-based payments	–	–	2,860	2,860
Shares issued at premium	4,350	–	–	4,350
Recognition of equity component of convertible loan notes (note 33)	–	995	–	995
IAS 12.81(a) Deferred tax liability arising on recognition of equity component of convertible loan notes	–	(174)	–	(174)
Balance at 31 December 2005	36,448	821	4,062	41,331

The equity reserve represents the equity component of convertible debt instruments.

IAS 1.76(b)
IAS 1.96,97
IAS 16.77(f)

29. Revaluation reserves

	Properties revaluation reserve	Investments revaluation reserve	Total
	CU'000	CU'000	CU'000
Balance at 1 January 2004	33,208	5,231	38,439
Revaluation decrease on land and buildings	(4,369)	–	(4,369)
IAS 12.81(a) Reversal of deferred tax liability on revaluation of land and buildings	320	–	320
IAS 32.94(h) Increase in fair value of available-for-sale investments	–	201	201
Balance at 1 January 2005	29,159	5,432	34,591
Revaluation increase on land and buildings	64,709	–	64,709
IAS 12.81(a) Deferred tax liability arising on revaluation of land and buildings	(3,692)	–	(3,692)
IAS 32.94(h) Released on disposal of available-for-sale investments		(611)	(611)
IAS 32.94(h) Increase in fair value of available-for-sale investments	–	251	251
Balance at 31 December 2005	90,176	5,072	95,248

IAS 16.77(f) The revaluation reserves are not available for distribution to the Company's shareholders.

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

IAS 1.76(b)
IAS 1.96, 97
IAS 21.52(b)

30. Hedging and translation reserves

Source		Hedging reserve	Translation reserve	Total
		CU'000	CU'000	CU'000
	Balance at 1 January 2004	4,759	(6,612)	(1,853)
	Exchange differences on translation of foreign operations	–	2,706	2,706
IAS 32.59(a)	Increase in fair value of cash flow hedging derivatives	550	–	550
IAS 32.59(b)	Transfer to profit or loss	(895)	–	(895)
	Balance at 1 January 2005	4,414	(3,906)	508
	Exchange differences on translation of foreign operations	–	(12,718)	(12,718)
IAS 32.59(a)	Increase in fair value of cash flow hedging derivatives	1,723	–	1,723
IAS 32.59(b)	Transfer to profit or loss	(995)	–	(995)
IAS 32.59(c)	Transfer to inventories	(218)	–	(218)
	Balance at 31 December 2005	4,924	(16,624)	(11,700)

IAS 1.76(b)
IAS 1.96, 97

31. Retained earnings

	CU'000
Balance at 1 January 2004	143,507
Effect of changes in accounting policy	90
Balance at 1 January 2004 (as restated)	143,597
Dividends paid	(8,040)
Profit for the year attributable to equity holders of the parent	19,529
Balance at 1 January 2005	155,086
Effect of changes in accounting policy	2,465
Balance at 1 January 2005 (as restated)	157,551
Dividends paid	(5,040)
Profit for the year attributable to equity holders of the paret	99,757
Balance at 31 December 2005	252,268

Details of the changes in accounting policies in the year are set out in note 2.

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

IAS 32.60(a)
IAS 32.67

32. Bank overdrafts and loans

	31/12/05	31/12/04
	CU'000	CU'000
Bank overdrafts	51,907	41,909
Bank loans	448,753	535,530
	500,660	577,439

IAS 32.74(a)

The borrowings are repayable as follows:

	31/12/05	31/12/04
On demand or within one year	144,307	128,686
In the second year	92,400	92,400
In the third year	164,665	92,400
In the fourth year	92,400	164,665
In the fifth year	6,888	92,400
After five years	–	6,888
	500,660	577,439
Less: Amount due for settlement within 12 months (shown under current liabilities)	(144,307)	(128,686)
Amount due for settlement after 12 months	356,353	448,753

IAS 32.63(h)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

31/12/2005	Currency Units	A Currency	B Currency	C Currency	Total
	CU'000	CU'000	CU'000	CU'000	CU'000
Bank overdrafts	15,182	11,288	18,530	6,907	51,907
Bank loans	448,753	—	–	–	448,753
	463,935	11,288	18,530	6,907	500,660
31/12/2004					
Bank overdrafts	3,434	14,282	14,842	9,351	41,909
Bank loans	535,530	—	–	–	535,530
	538,964	14,282	14,842	9,351	577,439

The average interest rates paid were as follows:

	Year ended 31/12/05	Year ended 31/12/04
Bank overdrafts	8.7%	9.2%
Bank loans	7.8%	8.1%

IAS 32.71

Bank loans of CU72.265 million (2004: CU72.265 million) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

IAS 32.86
IAS 32.92

The directors estimate the fair value of the Group's borrowings, by discounting their future cash flows at the market rate, to be as follows:

	31/12/05	31/12/04
	CU'000	CU'000
Bank overdrafts	51,907	41,909
Bank loans	463,000	540,000

Bank overdrafts are repayable on demand. Overdrafts of CU15.6 million (2004: CU11.6 million) have been secured by a charge over the Group's inventories. The average effective interest rate on bank overdrafts approximated 8.7 per cent (2004: 9.2 per cent) in the year and is determined based on 2 per cent plus prime rate.

The Group has two principal bank loans:

a) a loan of CU376.488 million (2004: CU463.265 million). The loan was raised on 1 February 2003. Repayments commenced on 31 January 2005 and will continue until 2 January 2010. The loan is secured by a charge over certain of the Group's properties dated 1 February 2003. The loan carries interest at 1 per cent plus prime rate.

b) a loan of CU72.265 million (2004: CU72.265 million) secured on certain current and non-current assets of the Group. This loan was advanced on 1 July 2004 and is due for repayment on 3 January 2008. The bank loan carries fixed interest rate at 8 per cent (2004: 8 per cent) per annum.

IAS 7.50

At 31 December 2005, the Group had available CU200 million (2004: CU200 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

33. Convertible loan notes

IAS 32.60(a)
IAS 32.67

The convertible loan notes were issued on 1 April 2005, and are secured by a personal guarantee of a director. The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. On issue, the loan notes were convertible at 18 shares per CU10 loan note. The conversion rate has been adjusted to 22.5 shares per CU10 loan note following the capitalisation issue of shares on 14 February 2006.

If the notes have not been converted, they will be redeemed on 1 April 2007 at par. Interest of 5 per cent will be paid annually up until that settlement date.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	CU'000
Nominal value of convertible loan notes issued	25,000
Equity component (net of deferred tax)	(821)
Deferred tax liability	(174)
Liability component at date of issue	24,005
Interest charged	1,260
Interest paid	(938)
Liability component at 31 December 2005	24,327

IAS 32.94(d)

The interest charged for the year is calculated by applying an effective interest rate of 7 per cent to the liability component for the nine month period since the loan notes were issued

IAS 32.86
IAS 32.92

The directors estimate the fair value of the liability component of the convertible loan notes at 31 December 2005 to be approximately CU23.7 million. This fair value has been calculated by discounting the future cash flows at the market rate.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

IAS 32.58
IAS 32.60(a)
IAS 32.67
IAS 32.86
IAS 32.92

34. Derivative financial instruments

	31/12/05		31/12/04	
	Assets	Liabilities	Assets	Liabilities
	CU'000	CU'000	CU'000	CU'000
Forward foreign exchange contracts	1,124	(273)	2,340	(1,879)
Interest rate swaps	3,914	–	3,784	–
	5,038	(273)	6,124	(1,879)
Analysed as:				
Non-current	2,602	–	1,307	–
Current	2,436	(273)	4,817	(1,879)
	5,038	(273)	6,124	(1,879)

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	31/12/05	31/12/04
	CU'000	CU'000
Forward foreign exchange contracts	547,040	403,573

In addition, the Group had options to purchase currency of C Land equivalent to an amount of approximately CU50 million as a hedge against exchange losses on future purchases of goods.

These arrangements are designed to address significant exchange exposures for the first half of 2006, and are renewed on a revolving basis as required.

IAS 32.58

At 31 December 2005, the fair value of the Group's currency derivatives is estimated to be approximately CU0.851 million (2004: CU0.461 million). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date, comprising CU1.124 million assets (2004: CU2.34 million) and CU0.273 million liabilities (2004: 1.879 million). The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to CU1.01 million (2004: CU0.63 million) has been deferred in equity.

Amounts of CU0.615 million (2004: CU0.895 million) and CU0.218 million (2004: nil) respectively have been transferred to the income statement and inventories in respect of contracts matured during the period.

Changes in the fair value of non-hedging currency derivatives amounting to CU0.1 million have been charged to income in the year (2004: nil).

The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with nominal values of CU200 million have fixed interest payments at an average rate of 7 per cent for periods up until 2008 and have floating interest receipts at 2 per cent plus LIBOR.

The fair value of swaps entered into at 31 December 2005 is estimated at CU3.914 million (2004: CU3.784 million). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date. All of these interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. An amount of CU0.38 million (2004: Nil) has been offset against hedged interest payments made in the period.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

35. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation	Deferred development costs	Revaluation of building	Convertible bond-equity component	Retirement benefit obligations	Share-based payments	Tax losses	Total
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
At 1 January 2004	4,088	–	1,714	–	(2,710)	–	(920)	2,172
Credit to equity for the year	–	–	(320)	–	–	–	–	(320)
Charge (credit) to profit or loss for the year	899	–	–	–	180	(491)	79	667
Exchange differences	29	–	(38)	–	(31)	–	2	(38)
At 1 January 2005	5,016	–	1,356	–	(2,561)	(491)	(839)	2,481
Charge to equity for the year	–	–	3,692	174	–	–	–	3,866
Charge (credit) to profit or loss for the year	4,918	552	–	(57)	181	(1,854)	593	4,333
Acquisition of subsidiary	150	–	–	–	–	–	(351)	(201)
Disposal of subsidiary	(469)	–	(66)	–	280	–	–	(189)
Exchange differences	199	–	–	–	38	–	(20)	151
As 31 December 2005	9,814	552	4,982	117	(2,062)	(2,345)	(617)	10,441

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	31/12/05	31/12/04
	CU'000	CU'000
Deferred tax liabilities	15,447	5,772
Deferred tax assets	(5,006)	(3,291)
	10,441	2,481

IAS 12.81(e) At the balance sheet date, the Group has unused tax losses of CU11.23 million (2004: CU16.53 million) available for offset against future profits. A deferred tax asset has been recognised in respect of CU3.52 million (2004: CU5.24 million) of such losses. No deferred tax asset has been recognised in respect of the remaining CU7.71 million (2004: CU11.29 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of CU2.38 million (2004: CU3.29 million) that will expire in 2007. Other losses may be carried forward indefinitely.

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 CU7.9 million (2004: CU6.3 million). 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.

IAS 12.81(f) Temporary differences arising in connection with interests in associates and jointly controlled entities are insignificant.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

36. Obligations under finance leases

Source		Minimum lease payments		Present value of minimum lease payments	
		31/12/05	31/12/04	31/12/05	31/12/04
		CU'000	CU'000	CU'000	CU'000
IAS 17.31(b) IAS 32.67(a)	Amounts payable under finance leases:				
	Within one year	1,655	2,245	1,470	1,483
	In the second to fifth years inclusive	1,014	1,365	923	1,244
		2,669	3,610	2,393	2,727
	Less: future finance charges	(276)	(883)	N/A	N/A
	Present value of lease obligations	2,393	2,727	2,393	2,727
	Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,470)	(1,483)
IAS 1.52	Amount due for settlement after 12 months			923	1,244

IAS 17.31(e)
IAS 32.60(a)
IAS 32.67
IAS 32.71

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 4 years. For the year ended 31 December 2005, the average effective borrowing rate was 8.5 per cent (2004: 8.8 per cent). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Currency Units.

IAS 32.86

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

37. Trade and other payables

Source		31/12/05	31/12/04
IAS 32.60(a)		CU'000	CU'000
	Trade creditors and accruals	137,842	80,508
	Amounts due to construction contract customers (note 26)	3,587	3,904
		141,429	84,412

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

IAS 32.86
IAS 32.92

The directors consider that the carrying amount of trade payables approximates their fair value.

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

38. Provisions

IAS 37.84

	Warranty provision	Provision for rectification work	Other	Total
	CU'000	CU'000	CU'000	CU'000
At 1 January 2005	1,572	–	493	2,065
Contingent liability recognised on the acquisition of Subfive Limited	–	–	21	21
Additional provision in the year	946	14,170	58	15,174
Utilisation of provision	(298)	(8,112)	(300)	(8,710)
At 31 December 2005	2,220	6,058	272	8,550

	31/12/05	31/12/04
	CU'000	CU'000
Analysed as:		
Current liabilities	6,432	2,065
Non-current liabilities	2,118	–
	8,550	2,065

IAS 37.85 The warranty provision represents management's best estimate of the Group's liability under 12 month warranties granted on electrical products, based on past experience and industry averages for defective products.

IAS 37.85 The provision for rectification work relates to the estimated cost of work agreed to be carried out for the rectification of goods supplied to one of the Group's major customers (see note 12). Anticipated expenditure for 2006 is CU3.94 million, and for 2007 is CU2.118 million. These amounts have not been discounted for the purpose of measuring the provision for rectification work, because the effect is not material.

IAS 37.86
IFRS 3.50 On the acquisition of Subfive Limited (see note 40), the Group recognised an additional contingent liability in respect of employees' compensation claims outstanding against that entity. The amount was settled prior to the balance sheet date.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

39. Disposal of subsidiary

As referred to in note 10, on 30 November 2005 the Group discontinued its toy operations at the time of the disposal of its subsidiary, Subsix Limited.

IAS 7.40(d) The net assets of Subsix Limited at the date of disposal and at 31 December 2004 were as follows:

Source		30/11/05	31/12/04
		CU'000	CU'000
	Property, plant and equipment	10,125	7,293
	Inventories	11,976	14,202
	Trade receivables	13,549	11,730
IAS 7.40(c)	Bank balances and cash	4,382	1,946
	Retirement benefit obligation	(4,932)	(5,107)
	Deferred tax liability	(189)	–
	Current tax liability	(1,854)	(37)
	Trade payables	(2,387)	(2,104)
	Bank overdraft	(6,398)	(5,834)
	Attributable goodwill	1,673	1,673
		25,945	23,762
	Gain on disposal	8,493	
IAS 7.40(a)	Total consideration	34,438	
	Satisfied by:		
IAS 7.40(b)	Cash	10,899	
	Deferred consideration	23,539	
		34,438	
	Net cash inflow arising on disposal:		
	Cash consideration received	10,899	
	Cash and cash equivalents disposed of	(4,382)	
		6,517	

The deferred consideration will be settled in cash by the purchaser on or before 30 May 2006.

The impact of Subsix Limited on the Group's results and cash flows in the current and prior periods is disclosed in note 10.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

IFRS 3.66
IFRS 3.67(a) to (d)
IFRS 3.67(f)

40. Acquisition of subsidiary

On 1 August 2005, the Group acquired 100 per cent of the issued share capital of Subfive Limited for cash consideration of CU7.9 million. This transaction has been accounted for by the purchase method of accounting.

IFRS 3.67(f)
IAS 7.40(d)

The net assets acquired in the transaction, and the goodwill arising, are as follows:

		Acquiree's carrying amount before combination	Fair value adjustments	Fair value
		CU'000	CU'000	CU'000
	Net assets acquired:			
	Property, plant and equipment	8,140	767	8,907
	Trademarks	–	870	870
	Deferred tax asset	–	351	351
	Inventories	2,393	461	2,854
	Trade receivables	12,520	–	12,520
IAS 7.40(c)	Bank and cash balances	4,272	–	4,272
	Retirement benefit obligation	(2,436)	–	(2,436)
	Trade payables	(21,220)	(48)	(21,268)
	Deferred tax liability	(150)	–	(150)
	Contingent liability	–	(21)	(21)
		3,519	2,380	5,899
	Goodwill			2,043
IAS 7.40(a)	Total consideration, satisfied by cash			7,942
IAS 7.40(b)	Net cash outflow arising on acquisition:			
	Cash consideration paid			(7,942)
	Cash and cash equivalents acquired			4,272
				(3,670)

IFRS 3.67(h)

The goodwill arising on the acquisition of Subfive Limited is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

IFRS 3.67(i)

Subfive Limited contributed CU15.3 million revenue and CU1.2 million to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

IFRS 3.70

If the acquisition had been completed on 1 January 2005, total group revenue for the period would have been CU1.249 million, and profit for the year would have been CU102.5 million.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

41. Non-cash transactions

IAS 7.43

Additions to fixtures and equipment during the year amounting to CU1.563 million (2004: CU0.8 million) were financed by new finance leases. Additions of CU4.19 million in 2004 were acquired on deferred payment terms, and were settled in the current period.

IAS 37.86

42. Contingent liabilities

During the reporting period, a customer of the Group instigated proceedings against it for alleged defects in an electronic product which, it is claimed, were the cause of a major fire in the customer's premises in February 2005. Total losses to the customer have been estimated at CU29.8 million and this amount is being claimed from the Group.

The Group's lawyers have advised that they do not consider that the claim has merit, and they have recommended that it be contested. No provision has been recognised in these financial statements as the Group's management do not consider that there is any probable loss.

The Group acquired CU0.021 million of contingent liabilities at the date of acquisition of Subfive Limited. These were recognised as provisions, and were settled prior to the balance sheet date (see note 38).

IAS 31.54

Contingent liabilities arising from interest in a jointly controlled entity

	31/12/05	31/12/04
	CU'000	CU'000
Guarantees given to banks in respect of bank facilities utilised by JV Electronics Limited	22,981	23,023
Guarantees given to banks in respect of bank facilities utilised by joint venture partners	5,371	8,209
	28,352	31,232

43. Commitments

		31/12/05	31/12/04
		CU'000	CU'000
IAS 16.74(c)	Commitments for the acquisition of property, plant and equipment	9,965	20,066

IAS 40.75(h)

In addition, the Group has entered into a contract for the management and maintenance of its investment property for the next 5 years, which will give rise to an annual charge of CU0.12 million.

IAS 31.55

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

	31/12/05	31/12/04
	CU'000	CU'000
Commitments for the acquisition of property, plant and equipment	928	379

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

44. Operating lease arrangements

The Group as lessee

		31/12/05	31/12/04
		CU'000	CU'000
IAS 17.35(c)	Minimum lease payments under operating leases recognised as an expense in the year	297	283

IAS 17.35(a) At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	31/12/05	31/12/04
	CU'000	CU'000
Within one year	309	297
In the second to fifth years inclusive	1,420	1,439
After five years	692	930
	2,421	2,666

IAS 17.35(d) Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.

IAS 17.56(c) ***The Group as lessor***

The Group rents outs its investment properties in A Land under operating leases. Property rental income earned during the year was CU0.602 million (2004: CU0.563 million). The properties are managed and maintained by independent property managers at an annual cost of CU0.12 million per year. In addition, legal fees of CU0.01 million (2004: CU0.01 million) which arose in negotiating operating leases for a substantial proportion of the Group's investment property portfolio in 2003 are being expensed over the lease terms of the relevant properties.

Certain of the Group's investment properties, with a carrying amount of CU3.89 million, have been disposed of since the balance sheet date. The remaining properties are expected to generate rental yields of 10 per cent on an ongoing basis. All of the properties held have committed tenants for the next seven years.

IAS 17.56(a) At the balance sheet date, the Group has contracted with tenants for the following future minimum lease payments:

	31/12/05	31/12/04
	CU'000	CU'000
Within one year	810	602
In the second to fifth years inclusive	3,179	3,240
After five years	1,539	2,288
	5,528	6,130

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

45. Share-based payments

Equity-settled share option scheme

IFRS 2.45(a) The Company has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows::

IFRS 2.45(b)

	2005 Number of share options	2005 Weighted average exercise price	2004 Number of share options	2004 Weighted average exercise price
		CU		CU
Outstanding at the beginning of the year	4,500,000	3.03	2,210,000	1.62
Granted during the year	1,700,000	6.49	2,300,000	4.37
Forfeited during the year	(1,000)	1.50	(10,000)	1.50
Exercised during the year	(650,000)	1.38	–	
Expired during the year	(60,000)	1.00	–	
Outstanding at the end of the year	5,489,000	4.14	4,500,000	3.03
Exercisable at the end of the year	1,489,000		1,000,000	

IFRS 2.45(c),(d)
IFRS 2.47(a)

The weighted average share price at the date of exercise for share options exercised during the year was CU7.1. The options outstanding at the end of the year have a weighted average remaining contractual life of 3.4 years (2004: 3.6 years). In 2005, options were granted on 31 March, 30 June and 31 October. The estimated fair values of the options granted on those dates are CU1.84, CU2.38 and CU2.84 respectively. In 2004, options were granted on 30 June and 1 December. The estimated fair values of the options granted on those dates are CU1.22 and CU2.22 respectively.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2005	2004
Weighted average share price	CU5.45	CU4.37
Weighted average exercise price	CU5.39	CU4.25
Expected volatility	40%	35%
Expected life	4	4
Risk free rate	3.5%	3.0%
Expected dividend yield	2%	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 4 years. 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.

IFRS 2.47(c) During 2005, the Company repriced certain of its outstanding options. The exercise price was reduced from CU6.2 to the then current market price of CU5.0. The incremental fair value of CU0.256 million will be expensed over the remaining vesting period of 2 years. The Company used the inputs noted above to measure the fair value of the old and new options.

IFRS 2.51(a) The Group recognised total expenses of CU2.86 million (2004: CU1.202 million) related to equity-settled share-based payment transactions during the year.

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

Cash-settled share-based payments

IFRS 2.45(a)

The Group issued to certain employees share appreciation rights (SARs) that require the Group to pay the intrinsic value of the SAR to the employee at the date of exercise. At 31 December 2005, the Group has recorded liabilities of CU6.528 million (2004: CU3.516 million). The fair value of the SARs is determined using the Black-Scholes pricing model using the assumptions noted above. The Group recorded total expenses of CU3.012 million (2004: CU3.516 million) during the year in respect of SARs. At 31 December 2005, the total intrinsic value of the vested SARs was Nil (2004: Nil).

Other share-based payment plan

IFRS 2.45(a)

Under the Company's employee share purchase plan, all employees may purchase the Company's shares at 85% of the closing market price on the date of grant during a two-week period each year. Employees may purchase shares having a value not exceeding 15% of their gross compensation during the offering period. The shares so purchased are generally placed in the employees share savings plan and will only be released to employees who remain in the Company's employment for a period of three years from the date of grant. Pursuant to the plan, the Company issued 1,000,000 shares during the year, at an average share price of CU6. The discount of CU0.9 million will be expensed over the vesting period of 3 years.

46. Retirement benefit plans

Note: The disclosures below reflect the impact of the amendments made to IAS 19, Employee Benefits, in December 2004, which have been adopted for the purposes of these financial statements in advance of their effective date (see note 2).

Defined contribution plans

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

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

IAS 19(r2004).46

The total expense recognised in the income statement of CU9.8 million (2004: CU7.3 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2005, contributions of CU0.7 million (2004: CU0.8 million) due in respect of the 2005 reporting period had not been paid over to the plans. The amounts were paid over subsequent to the balance sheet date.

Defined benefit plan

IAS 19(r2004).120A(b)

The Group operates a funded defined benefit plan for qualifying employees of its subsidiaries in C Land, and previously for the employees of Subsix Limited. Under the plan, the employees are entitled to retirement benefits varying between 40 and 65 per cent of final salary on attainment of a retirement age of 60. No other post-retirement benefits are provided.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2005 by Mr. F.G. Ho, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Source

Notes to the consolidated financial statements
for the year ended 31 December 2005 – continued

IAS 19(r2004).120A(n)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	31/12/05	31/12/04
Discount rate	7%	7%
Expected return on plan assets	9%	8%
Expected rate of salary increases	5%	5%
Future pension increases	4%	4%

IAS 19(r2004).120A(f)

The amount recognised in the balance sheet in respect of the Group's defined benefit retirement benefit plan is as follows:

	31/12/05	31/12/04
	CU'000	CU'000
Present value of funded obligations	180,512	177,395
Fair value of plan assets	(125,093)	(118,828)
	55,419	58,567
Unrecognised actuarial losses	(17,310)	(15,372)
Unrecognised past service cost	(4,181)	(4,721)
Net liability recognised in the balance sheet	33,928	38,474

IAS 19(r2004).120A(g)

Amounts recognised in profit or loss in respect of the defined benefit plan are as follows:

	Year ended 31/12/05	Year ended 31/12/04
	CU'000	CU'000
Current service cost	17,561	12,297
Interest on obligation	9,021	7,057
Expected return on plan assets	(10,443)	(9,503)
Actuarial losses recognised in the year	–	1,309
Past service cost	540	1,888
	16,679	13,048

IAS 19(r2004).120A(g)

The charge for the year is included in the employee benefits expense in the income statement. *[Where analysis of expenditure in the income statement is by nature]*

OR

Of the charge for the year, CU12.832 million (2004: CU10.035 million) is included in cost of sales in the income statement and CU3.847 million (2004: CU3.013 million) is included in administrative expenses. *[Where analysis of expenditure in the income statement is by function]*

IAS 19(r2004).120A(m)

The actual return on plan assets was CU10.32 million (2004: CU9.7 million).

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

IAS 19(r2004). 120A(c)

Changes in the present value of the defined benefit obligation are as follows:

	Year ended 31/12/05	Year ended 31/12/04
	CU'000	CU'000
Opening defined benefit obligation	177,395	169,541
Service cost	17,561	12,297
Interest cost	9,021	7,057
Actuarial losses	2,238	2,512
Obligation transferred on disposal of subsidiary	(4,932)	–
Obligation acquired on acquisition of a subsidiary	2,436	–
Exchange differences	138	(721)
Benefits paid	(23,345)	(13,291)
Closing defined benefit obligation	180,512	177,395

IAS 19(r2004). 120A(e)

Changes in the fair value of plan assets are as follows:

	Year ended 31/12/05	Year ended 31/12/04
	CU'000	CU'000
Opening fair value of plan assets	118,828	108,095
Expected return	10,443	9,503
Actuarial gains	300	995
Contributions by employer	18,429	14,440
Exchange differences	438	(914)
Benefits paid	(23,345)	(13,291)
Closing fair value of plan assets	125,093	118,828

IAS 19(r2004). 120A(j)

The fair value of plan assets at the balance sheet date is analysed as follows:

	31/12/05	31/12/04
	CU'000	CU'000
Equity instruments	3,182	4,629
Debt instruments	34,096	38,735
Property	29,717	18,226
Other assets	58,098	57,238
	125,093	118,828

IAS 19(r2004). 120A(k)

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

IAS 19(r2004). I20A(l)

The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the A Stock Exchange. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Source

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

IAS 19(r2004).120A(p)

The history of the plan for the current and prior period is as follows:

	31/12/05	31/12/04
	CU'000	CU'000
Present value of defined benefit obligation	180,512	177,395
Fair value of plan assets	(125,093)	(118,828)
Deficit	55,419	58,567
Experience adjustments on plan liabilities	1,862	784
Experience adjustments on plan assets	300	684

In accordance with the transitional provisions for the amendments to IAS 19 *Employee Benefits* in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

IAS 19(r2004).120A(q)

The Group expects to contribute approximately CU16 million to its defined benefit plan in 2006.

47. Events after the balance sheet date

IAS 10.21

On 18 January 2006, the premises of Subfive Limited were seriously damaged by fire. Insurance claims are in process, but the cost of refurbishment is currently expected to exceed the amounts that will be reimbursed by CU8.3 million.

IAS 33.70(d)

On 14 February 2006, the Company made a bonus issue of shares (see note 27).

48. Related party transactions

IAS 24.12
IAS 1.126(c)

The immediate parent and ultimate controlling party respectively of the Group are X Holdings Limited (incorporated in M Land) and Y Holdings Limited (incorporated in N Land).

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

Trading transactions

IAS 24.17,18

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Sales of goods		Purchases of goods		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04	31/12/05	31/12/04	31/12/05	31/12/04
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
X Holdings Limited	693	582	439	427	209	197	231	139
Subsidiaries of Y Holdings Limited	1,289	981	897	883	398	293	149	78
Associates	398	291	–	–	29	142	–	–

Source	

Notes to the consolidated financial statements for the year ended 31 December 2005 – continued

IAS 24.21 Sales of goods to related parties were made at the Group's usual list prices, less average discounts of 5 per cent. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel

IAS 24.16 The remuneration of directors and other members of key management during the year was as follows:

	Year ended 31/12/05	Year ended 31/12/04
	CU'000	CU'000
Short-term benefits	13,681	10,270
Post-employment benefits	1,602	1,391
Other long-term benefits	1,153	1,769
Share-based payments	949	863
	17,385	14,293

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

Other related party transactions

IAS 24.17,18 In addition to the above, X Holdings Limited performed certain administrative services for the Company, for which a management fee of CU0.18 million (2004: CU0.16 million) was charged and paid, being an appropriate allocation of costs incurred by relevant administrative departments.

The convertible loan notes issued during the period are secured by a personal guarantee of one of the directors (see note 33). No charge has been made for this guarantee.

49. Approval of financial statements

IAS 10.17 The financial statements were approved by the board of directors and authorised for issue on 15 March 2006.

Source

ISA 700 – Global version
Auditors' report

Deloitte.

(Appropriate addressee)

We have audited the accompanying balance sheet of International GAAP Holdings Limited as of 31 December 2005 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2005 and of the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu
15 March 2006

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

When local auditing standards or regulations apply, the report format will be dictated by those local rules. For example, for the European Union (EU), there is a special requirement under the current 4th Directive to refer to the applicable financial reporting framework in the introduction paragraph. Further, EU listed entities are required to prepare consolidated financial statements from 2005 onwards on the basis of IFRSs as endorsed by the European Commission. Guidance is currently being developed to determine the relevant financial reporting framework for EU listed entities. This may affect both the accounting policies and the audit report as regards their reference to the applicable financial reporting framework.

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