Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

13.5 Exceptional rectification costs

IAS 1.97

Costs of CU4.17 million have been recognized 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 of works up to 2011. CU1.112 million of the provision has been utilized in the current period, with a provision of CU3.058 million carried forward to meet anticipated expenditure in 2010 and 2011 (see note 35).

14. Earnings per share

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

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

Source		Year ended 31/12/09 Cents per share	Year ended 31/12/08 Cents per share
	Basic earnings per share		
	From continuing operations	84.5	87.3
IAS 33.68	From discontinued operations	47.7	49.7
	Total basic earnings per share	132.2	137.0
	Diluted earnings per share		
	From continuing operations	74.0	83.2
IAS 33.68	From discontinued operations	41.5	47.3
	Total diluted earnings per share	115.5	130.5

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IAS 33.70(a)

14.1 Basic earnings per share

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

	Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
Profit for the year attributable to owners of the Company	23,049	27,564
Other [describe]	-	-
Earnings used in the calculation of total basic earnings per share	23,049	27,564
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	(8,310)	(9,995)
Other [describe]	-	-
Earnings used in the calculation of basic earnings per share from continuing operations	14,739	17,569

	Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
IAS 33.70(b) Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	17,432	20,130

14.2 Diluted earnings per share

IAS 33.70(a) The earnings used in the calculation of diluted earnings per share are as follows:

	Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
Earnings used in the calculation of total basic earnings per share	23,049	27,564
Interest on convertible notes (after tax at 30%)	77	-
Earnings used in the calculation of diluted earnings per share from continuing operations	23,126	27,564
Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	(8,310)	(9,995)
Other [describe]	-	-
Earnings used in the calculation of basic earnings per share from continuing operations	14,816	17,569

IAS 33.70(b) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Year ended 31/12/09 '000	Year ended 31/12/08 '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	17,432	20,130
Shares deemed to be issued for no consideration in respect of:		
Employee options	161	85
Partly paid ordinary shares	923	900
Convertible notes	1,500	-
Other [describe]	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures)	20,016	21,115

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IAS 33.70(c)

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

	Year ended 31/12/09	Year ended 31/12/08
	’000	’000
[Describe]	-	-

14.3 Impact of changes in accounting policies

IAS 8.28(f)

Changes in the Group’s accounting policies during the year are described in detail in note 2.1. To the extent that those changes have had an impact on results reported for 2009 and 2008, they have had an impact on the amounts reported for earnings per share.

The following table summarizes that impact on both basic and diluted earnings per share.

	Impact on profit for the year from continuing operations		Impact on basic earnings per share		Impact on diluted earnings per share	
	Year ended 31/12/09	Year ended 31/12/08	Year ended 31/12/09	Year ended 31/12/08	Year ended 31/12/09	Year ended 31/12/08
	CU’000	CU’000	Cents per share	Cents per share	Cents per share	Cents per share
Changes in accounting policies relating to:						
Business combinations	(105)	-	(0.60)	-	(0.52)	-
Changes in interests in subsidiaries	(34)	-	(0.19)	-	(0.17)	-
Disposal of interests in associates	72	-	0.41	-	0.36	-
Customer loyalty programs	(47)	(15)	(0.26)	(0.07)	(0.23)	(0.07)
Mail order catalogues	(8)	(5)	(0.04)	(0.02)	(0.04)	(0.02)
Investment property under construction	203	-	1.16	-	1.01	
Governments loans at below market rates of interest	-	-	-	-	-	
Reclassification of financial assets	90	-	0.52	-	0.45	
	171	(20)	1.00	(0.09)	0.86	(0.09)

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

15. Property, plant and equipment

	31/12/09 CU'000	31/12/08 CU'000	01/01/08 CU'000
Cost or valuation	148,229	173,407	188,006
Accumulated depreciation and impairment	(38,446)	(37,686)	(26,948)
	109,783	135,721	161,058
Freehold land	13,568	16,358	15,610
Buildings	8,132	11,204	11,108
Property under construction	-	1,510	1,313
Plant and equipment	88,055	106,487	132,775
IAS 17.31(a) Equipment under finance lease	28	162	252
	109,783	135,721	161,058

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

	Freehold land at fair value CU'000	Buildings at fair value CU'000	Property under construction at cost CU'000	Plant and equipment at cost CU'000	Equipment under finance lease at cost CU'000	Total CU'000
Cost or valuation						
Balance at 1 January 2008	15,610	12,659	1,313	157,794	630	188,006
Additions	-	1,008	197	10,657	40	11,902
Disposals	-	-	-	(25,788)	-	(25,788)
Acquisitions through business combinations	-	-	-	-	-	-
Reclassified as held for sale	-	-	-	-	-	-
Revaluation increase	1,608	37	-	-	-	1,645
Effect of foreign currency exchange differences	(860)	-	-	(1,498)	-	(2,358)
Other [describe]	-	-	-	-	-	-
Balance at 31 December 2008	16,358	13,704	1,510	141,165	670	173,407
Additions	-	-	-	22,983	-	22,983
Disposals	(1,439)	(1,200)	-	(12,401)	(624)	(15,664)
Transferred as consideration for acquisition of subsidiary	(400)					(400)
Derecognised on disposal of a subsidiary	-	-	-	(8,419)	-	(8,419)
Transferred to investment property	-	-	(1,510)	-	-	(1,510)
Acquisitions through business combinations	-	-	-	512	-	512
Reclassified as held for sale	(1,260)	(1,357)	-	(22,045)	-	(24,662)
Revaluation increase/(decrease)	-	-	-	-	-	-
Effect of foreign currency exchange differences	309	-	-	1,673	-	1,982
Other [describe]	-	-	-	-	-	-
Balance at 31 December 2009	13,568	11,147	-	123,468	46	148,229

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

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

Source		Freehold land at fair value	Buildings at fair value	Property under construction at cost	Plant and equipment at cost	Equipment under finance lease at cost	Total
		CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
	Accumulated depreciation and impairment						
	Balance at 1 January 2008	-	(1,551)	-	(25,019)	(378)	(26,948)
	Eliminated on disposals of assets	-	-	-	4,610	-	4,610
	Eliminated on revaluation	-	(2)	-	-	-	(2)
	Eliminated on reclassification as held for sale	-	-	-	-	-	-
	Impairment losses recognised in profit or loss	-	-	-	-	-	-
	Reversals of impairment losses recognised in profit or loss	-	-	-	-	-	-
	Depreciation expense	-	(947)	-	(14,717)	(130)	(15,794)
	Effect of foreign currency exchange differences	-	-	-	448	-	448
	Other [describe]	-	-	-	-	-	-
	Balance at 1 January 2009	-	(2,500)	-	(34,678)	(508)	(37,686)
	Eliminated on disposals of assets	-	106	-	3,602	500	4,208
	Eliminated on disposal of a subsidiary	-	-	-	2,757	-	2,757
	Eliminated on revaluation	-	-	-	-	-	-
	Eliminated on reclassification as held for sale	-	153	-	6,305	-	6,458
IAS 36.126(a)	Impairment losses recognised in profit or loss	-	-	-	(1,204)	-	(1,204)
IAS 36.126(b)	Reversals of impairment losses recognised in profit or loss	-	-	-	-	-	-
	Depreciation expense	-	(774)	-	(11,803)	(10)	(12,587)
	Effect of foreign currency exchange differences	-	-	-	(392)	-	(392)
	Other [describe]	-	-	-	-	-	-
	Balance at 31 December 2009	-	(3,015)	-	(35,413)	(18)	(38,446)

15.1 Impairment losses recognised in the period

IAS 36.130(a) to (g)

During the year, 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 equipment reportable segments. The review led to the recognition of an impairment loss of CU1.09 million, which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 9% per annum. The discount rate used when the recoverable amount of these assets was previously estimated in 2007 was 8% per annum.

IAS 36.131

Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to CU0.114 million. These losses are attributable to greater than anticipated wear and tear.

IAS 36.126(a)

The impairment losses have been included in the line item [other expenses/cost of sales] in the [statement of comprehensive income/income statement].

IAS 16.73(c)

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

Buildings	20 – 30 years
Leasehold improvements	5 – 7 years
Plant and equipment	5 – 15 years
Equipment under finance lease	5 years

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

15.2 Freehold land and buildings carried at fair value

IAS 16.77(a) to (d)

An independent valuation of the Group's land and buildings was performed by Messrs R & P Trent to determine the fair value of the land and buildings. The valuation, which conforms to International Valuation Standards, was determined by reference to discounted cash flows using a discount rate of 10%. The effective date of the valuation is 31 December 2009.

IAS 16.77(e)

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

	31/12/09	31/12/08
	CU'000	CU'000
Freehold land	11,957	14,750
Buildings	9,455	12,460

15.3 Assets pledged as security

IAS 16.74(a)

Freehold land and buildings with a carrying amount of CU23 million approx (31 December 2008: CU28.8 million approx) have been pledged to secure borrowings of the Group (see note 32). Freehold land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

IFRS 7.14(a)

In addition, the Group's obligations under finance leases (see note 38) are secured by the lessors' title to the leased assets, which have a carrying amount of CU28,000 (31 December 2008: CU162,000).

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

16. Investment property

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Fair value of investment property	1,936	132	170

Source		2009	2008
		CU'000	CU'000
IAS 40.76	***At fair value***		
	Balance at beginning of year	132	170
	Additions through subsequent expenditure	10	12
	Acquisitions through business combinations	-	-
	Other acquisitions	-	-
	Disposals	-	(58)
	Transferred from property, plant and equipment	1,510	-
	Other transfers	-	-
	Property reclassified as held for sale	-	-
	Gain (loss) on property revaluation	297	8
	Effect of foreign currency exchange differences	(13)	-
	Other changes	-	-
	Balance at end of year	1,936	132

Investment property under construction with a cost of CU1.51 million was transferred from property, plant and equipment to investment property following the adoption of the amendments to IAS 40 *Investment Property* resulting from *Improvements to IFRSs* issued in May 2008 (see note 2.1).

IAS 40.75(d),(e) The fair value of the Group's investment property at 31 December 2009 has been arrived at on the basis of a valuation carried out at that date by Messrs R & P Trent, independent valuers not related to the Group. Messrs R & P Trent are members of the Institute of Valuers of A Land, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

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

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

17. Goodwill

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Cost	20,520	24,060	23,920
Accumulated impairment losses	(235)	-	-
	20,285	24,060	23,920

Source		2009	2008
		CU'000	CU'000
IFRS 3.B67(d)	***Cost***		
	Balance at beginning of year	24,060	23,920
	Additional amounts recognised from business combinations occurring during the year (note 44)	478	-
	Reduction arising from realisation of deferred tax assets not previously recognised	-	-
	Derecognised on disposal of a subsidiary (note 45)	(3,080)	-
	Reclassified as held for sale (note 12)	(1,147)	-
	Effect of foreign currency exchange differences	209	140
	Other [describe]	-	-
	Balance at end of year	20,520	24,060
	Accumulated impairment losses		
	Balance at beginning of year	-	-
IAS 36.126(a)	Impairment losses recognised in the year	(235)	-
	Derecognised on disposal of a subsidiary	-	-
	Classified as held for sale	-	-
	Effect of foreign currency exchange differences	-	-
	Balance at end of year	(235)	-

17.1 Impairment losses recognised in the period

IAS 36.130

At the end of the reporting period, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with certain of the Group's construction activities was impaired by CU235,000 (2008: nil). The recoverable amount of the construction activities was assessed by reference to the cash-generating unit's value in use. A discount factor of 10% per annum (2008: 9.5% per annum) was applied in the value in use model.

The main factor contributing to the impairment of the cash-generating unit was a change during the year in building regulations, requiring registration and certification of builders for government contracts, and the directors' decision not to register the Group's Murphy Construction operating unit for such purposes. The directors have decided to focus the Group's construction activities through the other operating units in Subthree Limited and have consequently determined to write off the goodwill directly related to the activities of Murphy Construction. No write-down of the carrying amounts of other assets in the cash-generating unit was necessary. The goodwill is included in the 'other' reportable segment disclosed in note 6.

The impairment loss has been included in the 'other expenses' line item in the [statement of comprehensive income/income statement].

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

17.2 *Allocation of goodwill to cash-generating units*

IAS 36.134, 135

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

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

Before recognition of impairment losses, the carrying amount of goodwill (other than goodwill classified as held for sale and goodwill relating to discontinued operations) was allocated to cash-generating units as follows:

	31/12/09	31/12/08
	CU'000	CU'000
Leisure goods – retail outlets	10,162	9,620
Electronic equipment – internet sales	8,623	8,478
Construction operations – Murphy Construction	235	235
Construction operations – other	1,500	1,500
	20,520	19,833

<u>Leisure goods – retail outlets</u>

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 10% per annum (2008: 9.5% per annum).

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

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

Electronic equipment – internet sales

The recoverable amount of the 'electronic equipment – internet sales' segment and cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 10% per annum (2008: 9.5% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 11% per annum growth rate. This growth rate exceeds by 0.5 percentage points the long-term average growth rate for the international electronic equipment market. However, among other factors, the internet sales cash-generating unit benefits from the protection of a 20-year patent on the Series Z electronic equipment, granted in 2005, which is still acknowledged as being one of the top models in the market. The directors believe that an 11% per annum growth rate is reasonable in the light of that patent, and of other products being developed, and their intention to focus the Group's operations in this market. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the 'electronic equipment – internet sales' carrying amount to exceed its recoverable amount.

Construction operations – Murphy Construction

The goodwill associated with Murphy Construction arose when that business was acquired by the Group in 2004. The business has continued to operate on a satisfactory basis, but without achieving any significant increase in market share. During the year, the government of A Land introduced new regulations requiring registration and certification of builders for government contracts. In the light of the decision to focus the Group's construction activities through the other operating units in Subthree Limited, the directors have decided not to register Murphy Construction for this purpose, which means that it has no prospects of obtaining future contracts. The directors have consequently determined to write off the goodwill directly related to Murphy Construction. No other write-down of the assets of Murphy Construction is considered necessary. Contracts in progress at the end of the year will be completed without loss to the Group.

Construction operations – other

The recoverable amount of the Group's remaining construction operations has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 10% per annum (2008: 9.5% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 8% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the construction market in A Land. The directors believe that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the construction operations carrying amount to exceed its recoverable amount.

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

18. Other intangible assets

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Cost	21,070	21,064	20,706
Accumulated amortisation and impairment	(11,331)	(9,739)	(8,183)
	9,739	11,325	12,523

Source		Capitalised develop-ment	Patents	Trademarks	Licences	Total
		CU'000	CU'000	CU'000	CU'000	CU'000
IAS 38.118(c),(e)	***Cost***					
	Balance at 1 January 2008	3,230	5,825	4,711	6,940	20,706
	Additions	-	-	-	-	-
	Additions from internal developments	358	-	-	-	358
	Acquisitions through business combinations	-	-	-	-	-
	Disposals or classified as held for sale	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Other [describe]	-	-	-	-	-
	Balance at 31 December 2008	3,588	5,825	4,711	6,940	21,064
	Additions	-	-	-	-	-
	Additions from internal developments	6	-	-	-	6
	Acquisitions through business combinations	-	-	-	-	-
	Disposals or classified as held for sale	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Other [describe]	-	-	-	-	-
	Balance at 31 December 2009	3,594	5,825	4,711	6,940	21,070
	Accumulated amortisation and impairment					
	Balance at 1 January 2008	(1,000)	(874)	(3,533)	(2,776)	(8,183)
	Amortisation expense	(682)	(291)	(236)	(347)	(1,556)
	Disposals or classified as held for sale	-	-	-	-	-
IAS 36.130(b)	Impairment losses recognised in profit or loss	-	-	-	-	-
IAS 36.130(b)	Reversals of impairment losses recognised in profit or loss	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Other [describe]	-	-	-	-	-
	Balance at 31 December 2008	(1,682)	(1,165)	(3,769)	(3,123)	(9,739)
	Amortisation expense	(718)	(291)	(236)	(347)	(1,592)
	Disposals or classified as held for sale	-	-	-	-	-
IAS 36.130(b)	Impairment losses recognised in profit or loss	-	-	-	-	-
IAS 36.130(b)	Reversals of impairment losses recognised in profit or loss	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Other [describe]	-	-	-	-	-
	Balance at 31 December 2009	(2,400)	(1,456)	(4,005)	(3,470)	(11,331)

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 38.118(d)

[The amortisation expense has been included in the line item 'depreciation and amortisation expense' in the statement of comprehensive income. / Of the amortisation recognised in the year, CU1.03 million (2008: CU0.98 million) has been included in marketing expenses and the remainder in 'other expenses' in the income statement.]

IAS 38.118(a)

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

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

18.1 Significant intangible assets

IAS 38.122(b)

The Group holds a patent for the manufacture of its Series Z electronic equipment. The carrying amount of the patent of CU2.25 million (31 December 2008: CU2.4 million) will be fully amortised in 15 years (31 December 2008: 16 years).

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

19. Subsidiaries

Details of the Company's subsidiaries at 31 December 2009 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			31/12/09	31/12/08
Subzero Limited	Manufacture of toys	A Land	Nil	100%
Subone Limited	Manufacture of electronic equipment	A Land	90%	100%
Subtwo Limited	Manufacture of leisure goods	A Land	45%	45%
Subthree Limited	Construction of residential properties	A Land	100%	100%
Subfour Limited	Manufacture of leisure goods	B Land	70%	70%
Subfive Limited	Manufacture of electronic equipment	C Land	100%	100%
Subsix Limited	Financial	A Land	80%	Nil
Subseven Limited	Distribution	A Land	100%	Nil

During the period, the Group disposed of 10% of its interest in Subone Limited, reducing its continuing interest to 90%. The proceeds on disposal of CU213,000 were received in cash.

An amount of CU179,000 (being the proportionate share of the carrying amount of the net assets of Subone Limited) has been transferred to non-controlling interests (see note 31). The difference of CU34,000 between that amount and the consideration received has been credited to retained earnings (see note 30).

IAS 27.41(a) 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.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

20. Investments in associates

Details of the Group's associates are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			31/12/09	31/12/08
A Plus Limited (i)	Transport	M Land	35	35
B Plus Limited (ii)	Steel manufacturing	A Land	17	17
C Plus Limited (iii)	Finance	A Land	40	40
D Plus Limited (iv)	Transport	R Land	35	35

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

IAS 28.37(c) (ii) Although the Group holds less than 20% of the equity shares of B Plus Limited, and it has less than 20% of the voting power in shareholder meetings, the Group exercises significant influence by virtue of its contractual right to appoint two directors to the board of directors of that company.

IAS 28.37(a) (iii) The fair value of the Group's interest in C Plus Limited, which is listed on the stock exchange of A Land, is CU2.2 million (31 December 2008: CU2 million).

IAS 28.37(e) (iv) The reporting date of D Plus Limited is 31 October. This was the financial reporting date established when that company was incorporated, and a change of reporting date is not permitted in R Land. For the purpose of applying the equity method of accounting, the financial statements of D Plus Limited for the year ended 31 October 2009 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2009.

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

		31/12/09 CU'000	31/12/08 CU'000
	Total assets	42,932	38,178
	Total liabilities	(14,848)	(12,218)
	Net assets	28,084	25,960
IAS 28.38	Group's share of net assets of associates	7,402	7,270

	Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
Total revenue	12,054	11,904
Total profit for the period	3,953	5,479
Group's share of profits of associates	1,186	1,589

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

In the prior year, the Group held a 40% interest in E Plus Limited and accounted for the investment as an associate. In December 2009, the Group transferred a 30% interest in E Plus Limited to a third party for proceeds of CU1.245 million (received in January 2010). The Group has retained the remaining 10% interest as an available-for-sale investment. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

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

The profit recognised in the year comprises a realised profit of CU477,000 (being the proceeds of CU1.245 million less CU768,000 carrying amount of the interest disposed of) and an unrealised profit of CU104,000 (being the fair value less the carrying amount of the 10% interest retained).

A current tax expense of CU143,000 arose on the gain realised in the period, and a deferred tax expense of CU32,000 has been recognised in respect of the portion of the profit recognised that is not taxable until the remaining interest is disposed of.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

21. Joint ventures

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

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

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

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

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

	31/12/09 CU'000	31/12/08 CU'000
Current assets	1,800	1,850
Non-current assets	8,993	9,854
Current liabilities	936	785
Non-current liabilities	5,858	5,521

	Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
Income	2,124	2,005
Expenses	1,787	1,763

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IFRS 7.7

22. Other financial assets

Source		31/12/09 CU'000	31/12/08 CU'000	01/01/08 CU'000
IFRS 7.7	***Derivatives designated and effective as hedging instruments carried at fair value***			
	Foreign currency forward contracts	244	220	308
	Interest rate swaps	284	177	128
		528	397	436
IFRS 7.8(a)	***Financial assets carried at fair value through profit or loss (FVTPL)***			
	Non-derivative financial assets designated as at FVTPL	-	-	-
	Held for trading derivatives that are not designated in hedge accounting relationships	-	-	-
	Held for trading non-derivative financial assets	539	1,247	874
		539	1,247	874
IFRS 7.8(b)	***Held-to-maturity investments carried at amortised cost***			
	Bills of exchange (i)	5,405	4,015	4,066
	Debentures (ii)	500	-	-
		5,905	4,015	4,066
IFRS 7.8(d)	***Available-for-sale investments carried at fair value***			
	Redeemable notes (iii)	2,200	2,122	1,838
	Shares (iv)	6,300	5,735	5,809
	Other asset-backed securities reclassified from held for trading (note 40.4)	419	-	-
		8,919	7,857	7,647
IFRS 7.8(c)	***Loans carried at amortised cost***			
	Loans to related parties (v)	3,637	3,088	355
	Loans to other entities	-	-	-
		3,637	3,088	355
		19,528	16,604	13,378
	Current	8,757	6,949	5,528
	Non-current	10,771	9,655	7,850
		19,528	16,604	13,378

IFRS 7.7

(i) The Group holds bills of exchange returning a variable rate of interest. The weighted average interest rate on these securities is 7.10% per annum (2008: 7.0% per annum). The bills have maturity dates ranging between 3 to 18 months from the end of the reporting period. The counterparties have a minimum A credit rating. None of these assets is past due or impaired.

(ii) The debentures return interest of 6% per annum payable monthly, and mature in March 2010. The counterparties have a minimum B credit rating. None of these assets is past due or impaired.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

(iii) The Group holds listed redeemable notes returning 7% per annum. The notes are redeemable at par value in 2011. The notes are held with a single counterparty with an AA credit rating. The Group holds no collateral over this balance.

IAS 28.37(d)

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

At 31 December 2009, the Group also continues to hold a 10% interest in E Plus Limited, a former associate (see note 20).

IAS 24.17(b)

(v) The Group has provided several of its key management personnel and a joint venture entity with short-term loans at rates comparable to the average commercial rate of interest. Further information about these loans is set out in note 43.

Notes to the consolidated financial statements for the year ended 31 December 2008 – continued

IAS 1.77

23. Other assets

	31/12/09 CU'000	31/12/08 CU'000	01/01/08 CU'000
Prepayments	-	-	-
Other [describe]	-	-	-
	-	-	-
Current	-	-	-
Non-current	-	-	-
	-	-	-

IAS 2.36(b)

24. Inventories

	31/12/09 CU'000	31/12/08 CU'000	01/01/08 CU'000
Raw materials	9,972	10,322	8,619
Work in progress	4,490	4,354	4,270
Finished goods	16,751	14,306	16,799
	31,213	28,982	29,688

IAS 2.36(d) The cost of inventories recognised as an expense during the period in respect of continuing operations was CU89.9million (2008: CU91.9million).

IAS 2.36(e),(f),(g) The cost of inventories recognised as an expense includes CU2.34 million (2008: CU1.86 million) in respect of write-downs of inventory to net realisable value, and has been reduced by CU0.5 million (2008: CU0.4 million) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales prices in certain markets.

IAS 1.61 Inventories of CU1.29 million (31 December 2008: CU0.86 million) are expected to be recovered after more than twelve months.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

25. Trade and other receivables

Source		31/12/09	31/12/08	01/01/08
		CU'000	CU'000	CU'000
	Trade receivables	18,034	16,880	13,933
	Allowance for doubtful debts	(798)	(838)	(628)
		17,236	16,042	13,305
	Deferred sales proceeds			
	- toy manufacturing operations (note 45)	960	-	-
	- part disposal of E Plus Limited (note 20)	1,245	-	-
	Operating lease receivable	-	-	-
IAS 11.42(a)	Amounts due from customers under construction contracts (note 27)	240	230	697
	Other [describe]	54	20	-
		19,735	16,292	14,002

25.1 Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

IFRS 7.36(c), 37

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

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

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 80% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group. Of the trade receivables balance at the end of the year, CU6.9 million (31 December 2008: CU5.9 million) is due from Company A, the Group's largest customer (see notes 6.8 and 40.11).There are no other customers who represent more than 5% of the total balance of trade receivables.

IFRS 7.37(c)

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is over 60 days outstanding) are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

IFRS 7.37(a)

Ageing of past due but not impaired

	31/12/09	31/12/08
	CU'000	CU'000
60-90 days	1,100	700
90-120 days	462	333
Total	1,562	1,033
Average age (days)	84	85

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IFRS 7.16

Movement in the allowance for doubtful debts

		Year ended 31/12/09	Year ended 31/12/08
		CU'000	CU'000
	Balance at beginning of the year	838	628
	Impairment losses recognised on receivables	63	430
	Amounts written off during the year as uncollectible	-	(196)
	Amounts recovered during the year	-	(24)
	Impairment losses reversed	(103)	-
	Foreign exchange translation gains and losses	-	-
	Unwind of discount	-	-
IFRS 7.20(e)	Balance at end of the year	798	838

IFRS 7.33(a),(b)

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

IFRS 7.37(b), (c)

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of CU63,000 (31 December 2008: CU52,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivable and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

IFRS 7.37(b)

Ageing of impaired trade receivables

	31/12/09	31/12/08
	CU'000	CU'000
60-90 days	353	320
90-120 days	191	101
120+ days	654	717
Total	1,198	1,138

25.2 Transfer of financial assets

IFRS 7.13, 14(a)

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

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

26. Finance lease receivables

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Current finance lease receivables	198	188	182
Non-current finance lease receivables	830	717	739
	1,028	905	921

26.1 Leasing arrangements

IAS 17.47(f)
IFRS 7.7

The Group enters into finance leasing arrangements for certain of its storage equipment. All leases are denominated in Currency Units. The average term of finance leases entered into is 4 years.

26.2 Amounts receivable under finance leases

IAS 17.47(a)

	Minimum lease payments		Present value of minimum lease payments	
	31/12/09	31/12/08	31/12/09	31/12/08
	CU'000	CU'000	CU'000	CU'000
Not later than one year	282	279	198	188
Later than one year and not later than five years	1,074	909	830	717
	1,356	1,188	1,028	905
IAS 17.47(b) Less unearned finance income	(328)	(283)	n/a	n/a
Present value of minimum lease payments receivable	1,028	905	1,028	905
IAS 17.47(d) Allowance for uncollectible lease payments	-	-	-	-
	1,028	905	1,028	905

IAS 17.47(c) Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at CU37,000 (31 December 2008: CU42,000).

IFRS 7.7 The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 10.5% (31 December 2008: 11%) per annum.

IFRS 7.15 Finance lease receivable balances are secured over the storage equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

IFRS 7.36, 37 The maximum exposure to credit risk of finance lease receivables for the current and prior periods is the carrying amount as the Group has no allowance for doubtful debts. The finance lease receivables in the current and prior periods are neither past due nor impaired.

26.3 Fair value

IFRS 7.25, 27 The fair value of finance lease receivables is estimated to be CU1,070,500 (31 December 2008: CU919,000) using an 8.5% (31 December 2008: 8.25%) discount rate based on a quoted five-year swap rate and adding a credit margin that reflects the secured nature of the receivables.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

27. Construction contracts

Source		31/12/09	31/12/08	01/01/08
		CU'000	CU'000	CU'000
	Contracts in progress			
IAS 11.40(a)	Construction costs incurred plus recognised profits less recognised losses to date	1,517	1,386	1,291
	Less: progress billings	(1,313)	(1,171)	(839)
		204	215	452
	Recognised and included in the financial statements as amounts due:			
IAS 11.42(a)	From customers under construction contracts (note 25)	240	230	697
IAS 11.42(b)	To customers under construction contracts (note 37)	(36)	(15)	(245)
		204	215	452

IAS 11.40(b),(c) At 31 December 2009, retentions held by customers for contract work amounted to CU75,000 (31 December 2008: CU69,000). Advances received from customers for contract work amounted to CU14,000 (31 December 2008: nil).

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

Note: Notes 28 to 31 below set out detailed descriptions and reconciliations for each class of share capital and each component of equity, as required by IAS 1.79 and IAS 1.106. IAS 1 permits some flexibility regarding the level of detail presented in the statement of changes in equity (see page 10) and these supporting notes. The Standard also allows that some of the details regarding components of other comprehensive income (income tax and reclassification adjustments) may be disclosed in the notes rather than in the statement of comprehensive income. Entities will determine the most appropriate presentation for their circumstances – electing to present much of the detail in the notes (as we have done in these model financial statements) ensures that the primary financial statements are not cluttered by unnecessary detail, but it does result in very detailed supporting notes.

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

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

28. Issued capital

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Share capital	17,819	23,005	23,005
Share premium	14,620	25,667	25,667
	32,439	48,672	48,672

Issued capital comprises

Source		31/12/09	31/12/08	01/01/08
IAS 1.79(a)	14,844,000 fully paid ordinary shares (31 December 2008 and 1 January 2008: 20,130,000)	29,469	45,797	45,797
IAS 1.79(a)	2,500,000 partly paid ordinary shares (31 December 2008 and 1 January 2008: 2,500,000)	1,775	1,775	1,775
IAS 1.79(a)	1,200,000 fully paid 10% convertible non-participating preference shares (31 December 2008 and 1 January 2008: 1,100,000)	1,195	1,100	1,100
		32,439	48,672	48,672

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IAS 1.79(a)

28.1 Fully paid ordinary shares

	Number of shares '000	Share capital CU'000	Share premium CU'000
Balance at 1 January 2008	20,130	20,130	25,667
Movements [describe]	-	-	-
Balance at 31 December 2008	20,130	20,130	25,667
Issue of shares under employee share option plan (note 42)	314	314	-
Issue of shares for consulting services	3	3	5
Share buy-back	(5,603)	(5,603)	(10,853)
Share buy-back costs	-	-	(277)
Income tax relating to share buy-back costs	-	-	83
Balance at 31 December 2009	14,844	14,844	14,625

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

IFRS 2.48

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

The shares bought back in the period were cancelled immediately.

IAS 1.79(a)

28.2 Partly paid ordinary shares

	Number of shares '000	Share capital CU'000	Share premium CU'000
Balance at 1 January 2008	2,500	1,775	-
Movements [describe]	-	-	-
Balance at 31 December 2008	2,500	1,775	-
Movements [describe]	-	-	
Balance at 31 December 2009	2,500	1,775	-

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

IAS 1.79(a)

28.3 Convertible non-participating preference shares

	Number of shares	Share capital	Share premium
	'000	CU'000	CU'000
Balance at 1 January 2008	1,100	1,100	-
Movements [describe]	-	-	-
Balance at 31 December 2008	1,100	1,100	-
Issue of shares	100	100	-
Share issue costs	-	-	(6)
Related income tax	-	-	1
Balance at 31 December 2009	1,200	1,200	(5)

Convertible non-participating preference shares, which have a par value of CU1, are entitled to receive a discretionary 10% preference dividend before any dividends are declared to the ordinary shareholders. The convertible non-participating preference shares convert into ordinary shares on a one-for-one basis and are due for conversion on 1 November 2012. Convertible non-participating preference shares have no right to share in any surplus assets or profits and no voting rights.

28.4 Share options granted under the employee share option plan

IAS 1.79(a)

At 31 December 2009, executives and senior employees held options over 196,000 ordinary shares, of which 136,000 will expire on 30 March 2010 and 60,000 will expire on 28 September 2010. At 31 December 2008, executives and senior employees held options over 290,000 ordinary shares, of which 140,000 were due to expire on 30 March 2009 and 150,000 were due to expire on 29 September 2009. At 1 January 2008, no options had been granted under the employee share option plan.

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in note 42 to the financial statements.

28.5 Redeemable cumulative preference shares

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

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

29. Reserves

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
General	807	807	807
Properties revaluation	1,198	1,201	51
Investments revaluation	593	527	470
Equity-settled employee benefits	544	338	-
Cash flow hedging	317	278	258
Foreign currency translation	186	225	140
Option premium on convertible notes	592	-	-
Other [describe]	-	-	-
	4,237	3,376	1,726

IAS 1.106(d)

29.1 General reserve

	2009	2008
	CU'000	CU'000
Balance at beginning of year	807	807
Movements [describe]	-	-
Balance at end of year	807	807

IAS 1.79(b) The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

IAS 1.106(d)

29.2 Properties revaluation reserve

Source		2009	2008
		CU'000	CU'000
IAS 16.77(f)	Balance at beginning of year	1,201	51
	Increase arising on revaluation of properties	-	1,643
IAS 36.126(c)	Impairment losses	-	-
IAS 36.126(d)	Reversals of impairment losses	-	-
	Deferred tax liability arising on revaluation	-	(493)
	Reversal of deferred tax liability on revaluation	-	-
	Transferred to retained earnings	(3)	-
	Other [describe]	-	-
	Balance at end of year	1,198	1,201

IAS 1.79(b) The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

IAS 16.77(f) Distributions from the properties revaluation reserve can be made where they are in accordance with the requirements of the Company's constitution, the Corporations Act and relevant case law. Amounts may also be effectively distributed out of the properties revaluation reserve as part of a share buy-back. Generally, there is no restriction on the payment of 'bonus shares' out of the properties revaluation reserve. However, the payment of cash distributions out of the reserve is restricted by the terms of the Company's constitution. These restrictions do not apply to any amounts transferred to retained profits. The directors do not currently intend to make any distribution from the properties revaluation reserve.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IAS 1.106(d)

29.3 Investments revaluation reserve

Source		2009 CU'000	2008 CU'000
	Balance at beginning of year	527	470
IFRS 7.20(a)	Net gain arising on revaluation of available-for-sale financial assets	94	81
	Income tax relating to gain arising on revaluation of available-for-sale financial assets	(28)	(24)
IFRS 7.20(a)	Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	-	-
IFRS 7.20(a)	Cumulative (gain)/loss reclassified to profit or loss on impairment of available-for-sale financial assets	-	-
	Balance at end of year	593	527

IAS 1.79(b)

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

IAS 1.106(d)

29.4 Equity-settled employee benefits reserve

	2009 CU'000	2008 CU'000
Balance at beginning of year	338	-
Arising on share-based payment	206	338
Other [describe]	-	-
Balance at end of year	544	338

IAS 1.79(b)

The equity-settled employee benefits reserve relates to share options granted to employees under the employee share option plan. Further information about share-based payments to employees is set out in note 42.

IAS 1.106(d)

29.5 Cash flow hedging reserve

Source		2009	2008
		CU'000	CU'000
	Balance at beginning of year	278	258
IFRS 7.23(c)	Gain/(loss) recognised on cash flow hedges		
	Forward foreign exchange contracts	209	(41)
	Interest rate swaps	227	357
	Currency swaps	-	-
	Income tax related to gains/losses recognised in other comprehensive income	(131)	(95)
IFRS 7.23(d)	Reclassified to profit or loss		
	Forward foreign exchange contracts	(3)	-
	Interest rate swaps	(120)	(86)
	Currency swaps	-	-
	Income tax related to amounts reclassified to profit or loss	37	26
IFRS 7.23(e)	Transferred to initial carrying amount of hedged item		
	Forward foreign exchange contracts	(257)	(201)
	Income tax related to amounts transferred to initial carrying amount of hedged item	77	60
	Other [describe]	-	-
	Balance at end of year	317	278

IAS 1.79(b) The cash flow hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

IFRS 7.23(d) Gains and losses reclassified from equity into profit or loss during the year are included in the following line items in the [statement of comprehensive income/income statement]:

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000
Revenue	-	-
Other income	-	-
Finance costs	(120)	(86)
Other expenses	(3)	
Income tax expense	37	26
Other [describe]	-	-
	(86)	(60)

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 1.106(d)

29.6 Foreign currency translation reserve

	2009 CU'000	2008 CU'000
Balance at beginning of year	225	140
Exchange differences arising on translating the net assets of foreign operations	75	121
Deferred tax relating to gains arising on translating the net assets of foreign operations	(22)	(36)
Loss on hedging instrument designated as a hedge of the net assets of foreign operations	(12)	-
Deferred tax relating to loss on hedge of the net assets of foreign operations	4	-
Gain/loss reclassified to profit or loss on disposal of foreign operation	(166)	-
Income tax related to gain reclassified on disposal of foreign operation	51	-
Gain/loss on hedging instrument reclassified to profit or loss on disposal of foreign operation	46	-
Income tax related to gain/loss on hedging instruments reclassified on disposal of foreign operation	(15)	-
Other [describe]	-	-
Balance at end of year	186	225

IAS 1.79(b)

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

IAS 1.106(d)

29.7 Option premium on convertible notes

	2009 CU'000	2008 CU'000
Balance at beginning of year	-	-
Recognition of option premium on issue of convertible notes	834	-
Related income tax	(242)	-
Balance at end of year	592	-

IAS 1.79(b)

The option premium on convertible notes represents the equity component (conversion rights) of the 4.5 million 5.5% convertible notes issued during the year (see note 33).

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 1.106(b), (d)

30. Retained earnings and dividends

	31/12/09 CU'000	31/12/08 CU'000	01/01/08 CU'000
Retained earnings	110,805	94,909	73,824

	2009 CU'000	2008 CU'000
Balance at beginning of year	94,909	73,977
Effect of change in accounting policy for customer loyalty programmes (see note 2.1)	-	(61)
Effect of change in accounting policy for mail order catalogues (see note 2.1)	-	(92)
Restated opening balance	94,909	73,824
Net profit attributable to members of the Company	23,049	27,564
Difference arising on disposal of interest in Subone Limited (see note 19)	34	-
Payment of dividends	(6,635)	(6,479)
Share buy-back	(555)	-
Related income tax	-	-
Transfer from properties revaluation reserve	3	-
Other [describe]	-	-
Balance at end of year	110,805	94,909

IAS 1.107

On 23 May 2009, a dividend of 32.1 cents per share (total dividend CU6.515 million) was paid to holders of fully paid ordinary shares. In May 2008, the dividend paid was 31.64 cents per share (total dividend CU6.369 million).

Dividends of 10 cents per share were paid on convertible non-participating preference shares during the year (2008: 10 cents per share) amounting to a total dividend of CU0.12 million (2008: CU0.11 million).

IAS 1.137(a)
IAS 10.13

In respect of the current year, the directors propose that a dividend of 26.31 cents per share will be paid to shareholders on 25 May 2010. 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 2010. The total estimated dividend to be paid is CU3.905 million. The payment of this dividend will not have any tax consequences for the Group.

In addition, dividends of CU613,000 (2008: nil) have been paid on redeemable cumulative preference shares classified as liabilities (see note 34).

IAS 1.106(d)

31. Non-controlling interests

	2009 CU'000	2008 CU'000
Balance at beginning of year	20,005	17,242
Share of profit for the year	4,000	2,763
Non-controlling interests arising on the acquisition of Subsix Limited (see note 44)	132	-
Additional non-controlling interests arising on disposal of interest in Subone Limited (see note 19)	179	-
Balance at end of year	24,316	20,005

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IFRS 7.8(f)

32. Borrowings

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Unsecured – at amortised cost			
Bank overdrafts	520	314	6,397
Bills of exchange (i)	358	916	1,490
Loans from:			
related parties (ii)	12,917	34,124	49,380
other entities (iii)	3,701	3,518	-
government (iv)	2,610	-	-
Convertible notes (note 33)	4,144	-	-
Perpetual notes (v)	1,905	-	-
Other [describe]	-	-	-
	26,155	38,872	57,267
Secured – at amortised cost			
Bank overdrafts	18	64	2,124
Bank loans (vi)	14,982	17,404	-
Loans from other entities	575	649	1,809
Transferred receivables (vii)	923	-	-
Finance lease liabilities (viii) (note 38)	14	89	432
Other [describe]	-	-	-
	16,512	18,206	4,365
	42,667	57,078	61,632
Current	22,446	25,600	33,618
Non-current	20,221	31,478	28,014
	42,667	57,078	61,632

32.1 Summary of borrowing arrangements

IFRS 7.7

(i) Bills of exchange with a variable interest rate were issued in 2002. The current weighted average effective interest rate on the bills is 6.8% per annum (31 December 2008: 6.8%).

(ii) Amounts repayable to related parties of the Group. Interest of 8.0% - 8.2% per annum is charged on the outstanding loan balances (31 December 2008: 8.0% - 8.2%)

(iii) Fixed rate loans with a finance company with remaining maturity periods not exceeding 3 years (31 December 2008: 4 years). The weighted average effective interest rate on the loans is 8.15% per annum (31 December 2008: 8.10%). The Group hedges a portion of the loans for interest rate risk via an interest rate swap exchanging fixed rate interest for variable rate interest. The outstanding balance is adjusted for fair value movements in the hedged risk, being movements in the inter-bank rate in A Land.

(iv) On 17 December 2009, the Group received an interest-free loan of CU3 million from the government of A Land to finance staff training over a two-year period. The loan is repayable in full at the end of that two-year period. Using prevailing market interest rates for an equivalent loan of 7.2%, the fair value of the loan is estimated at CU2.61 million. The difference of CU390,000 between the gross proceeds and the fair value of the loan is the benefit derived from the interest-free loan and is recognised as deferred revenue (see note 41). Interest expenses will be recognised on this loan in 2010 (CU188,000) and 2011 (CU202,000).

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

(v) 2,500 6% perpetual notes were issued on 27 August 2009 at CU2.5 million principal value. Issue costs of CU0.595 million were incurred.

(vi) Secured by a mortgage over the Group's freehold land and buildings (see note 15). The weighted average effective interest rate on the bank loans is 8.30% per annum (31 December 2008: 8.32% per annum).

(vii) Secured by a charge over certain of the Group's trade receivables (see note 25).

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

32.2 Breach of loan agreement

IFRS 7.18

During 2009, the Group was late in paying interest for the first quarter on one of its loans with a carrying amount of CU5 million. The delay arose because of a temporary lack of funds on the date interest was payable due to a technical problem on settlement. The interest payment outstanding of CU107,500 was repaid in full on the following day, including the additional interest and penalty. The lender did not request accelerated repayment of the loan and the terms of the loan were not changed. Management has reviewed the Group's settlement procedures to ensure that such circumstances do not recur.

33. Convertible notes

IFRS 7.7

4.5 million 5.5% CU denominated convertible notes were issued by the Company on 1 September 2009 at an issue price of CU1.10 per note. Each note entitles the holder to convert to one ordinary share at a cost of CU3 per share. Conversion may occur at any time between 1 July 2012 and 31 August 2012. If the notes have not been converted, they will be redeemed on 1 September 2012 at CU1. Interest of 5.5% will be paid quarterly up until that settlement date.

IAS 32.28

The net proceeds received from the issue of the convertible notes have been split between the financial liability element and an equity component, representing the residual attributable to the option to convert the financial liability into equity of the Company, as follows:

	CU'000
Proceeds of issue	4,950
Liability component at date of issue	(4,116)
Equity component	834

The equity component of CU834,000 has been credited to equity (option premium on convertible notes – see note 29.7).

IFRS 7.7

The liability component is measured at amortised cost. The interest expense for the year (CU110,000) is calculated by applying an effective interest rate of 8% to the liability component for the four-month period since the loan notes were issued. Interest paid in the period since issue is CU82,000. The difference between the carrying amount of the liability component at the date of issue (CU4.116 million) and the amount reported in the statement of financial position at 31 December 2009 (CU 4.144 million) represents the effective interest rate less interest paid to that date.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

34. Other financial liabilities

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Financial guarantee contracts	24	18	-
Derivatives that are designated and effective as hedging instruments carried at fair value			
Foreign currency forward contracts	87	-	-
Interest rate swaps	5	-	-
Currency swaps	-	-	-
Other [describe]	-	-	-
	92	-	-
IFRS 7.8(e) ***Financial liabilities carried at fair value through profit or loss (FVTPL)***			
Non-derivative financial liabilities designated as at FVTPL (i)	14,875	-	-
Held for trading derivatives not designated in hedge accounting relationships (ii)	51	-	-
Held for trading non-derivative financial liabilities	-	-	-
	14,926	-	-
Other (contingent consideration) (iii)	75	-	-
	15,001	-	-
Current	116	18	
Non-current	15,001	-	-
	15,117	18	-

(i) 3,000,000 7% redeemable cumulative preference shares were issued on 1 June 2009 at an issue price of CU5 per share. The shares are redeemable on 31 May 2011 at CU5 per share. The shares are unsecured borrowings of the Group and are designated as at FVTPL (see below).

(ii) A pay-floating receive-fixed interest rate swap economically hedges fair value interest rate risk of redeemable cumulative preference shares. The swap matures on 31 May 2011.

The Group has designated its redeemable cumulative preference shares as financial liabilities at fair value through profit or loss (FVTPL) as permitted by IAS 39 *Financial Instruments: Recognition and Measurement*. The preference shares have fixed interest payments and mature on 31 May 2011. To reduce the fair value risk of changing interest rates, the Group has entered into a pay-floating receive-fixed interest rate swap. The swap's notional principal is CU15 million and matches the principal of the cumulative redeemable preference shares. The swap matures on 31 May 2011. The designation of preference shares as at FVTPL eliminates the accounting mismatch arising on measuring the liability at amortised cost and measuring the derivative at FVTPL.

(iii) Other financial liabilities include CU75,000 representing the estimated fair value of the contingent consideration relating to the acquisition of Subsix Limited (see note 44.2).

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

35. Provisions

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Employee benefits (i)	1,334	4,388	4,027
Other provisions (see below)	4,316	1,038	2,310
	5,650	5,426	6,337
Current	3,356	3,195	2,235
Non-current	2,294	2,231	4,102
	5,650	5,426	6,337

Source	Other provisions	Rectification work (ii)	Warranties (iii)	Onerous leases (iv)	Total
		CU'000	CU'000	CU'000	CU'000
IAS 37.84(a)	Balance at 1 January 2009	-	295	743	1,038
IAS 37.84(b)	Additional provisions recognised	4,170	338	369	4,877
IAS 37.84(c)	Reductions arising from payments/other sacrifices of future economic benefits	(1,112)	(90)	(310)	(1,512)
IAS 37.84(d)	Reductions resulting from re-measurement or settlement without cost	-	(15)	(100)	(115)
IAS 37.84(e)	Unwinding of discount and effect of changes in the discount rate	-	-	28	28
	Other [describe]	-	-	-	-
IAS 37.84(a)	Balance at 31 December 2009	3,058	528	730	4,316

IAS 8.28(b),(c) In prior years, the Group also recognised a provision in respect of its obligations to customers under its Maxi-Points Scheme. As result of the adoption of IFRIC 13 *Customer Loyalty Programmes* (see note 2.1*)*, that provision is no longer recognised. The financial statements have been adjusted retrospectively.

IFRS 3.B64(j) (i) The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees. On the acquisition of Subsix Limited, the Group recognised an additional contingent liability of CU45,000 in respect of employees' compensation claims outstanding against that company, which was settled in February 2010.

IAS 37.85(a),(b) (ii) The provision for rectification work relates to the estimated cost of work agreed to be carried out for the rectification of goods supplied to one of the Group's major customers (see note 13). Anticipated expenditure for 2010 is CU1.94 million, and for 2011 is CU1.118 million. These amounts have not been discounted for the purpose of measuring the provision for rectification work, because the effect is not material.

IAS 37.85(a),(b) (iii) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

IAS 37.85(a),(b) (iv) The provision for onerous lease contracts represents the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases range from 3 to 5 years.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

36. Other liabilities

	31/12/09	31/12/08	01/01/08
	CU'000	CU'000	CU'000
Lease incentives (note 48)	270	360	-
Other [describe]	-	5	-
	270	365	-
Current	90	95	-
Non-current	180	270	-
	270	365	-

37. Trade and other payables

Source		31/12/09	31/12/08	01/01/08
		CU'000	CU'000	CU'000
	Trade payables	16,337	21,205	52,505
IFRS 2.51(b)	Cash-settled share-based payments	-	-	-
IAS 11.42(b)	Amounts due to customers under construction contracts (see note 27)	36	15	245
	Other [describe]	-	-	-
		16,373	21,220	52,750

IFRS 7.7

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

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

38. Obligations under finance leases

38.1 Leasing arrangements

IAS 17.31(e)
IFRS 7.7

Finance leases relate to manufacturing equipment with lease terms of 5 years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

38.2 Finance lease liabilities

IAS 17.31(b)

	Minimum lease payments		Present value of minimum lease payments	
	31/12/09	31/12/08	31/12/09	31/12/08
	CU'000	CU'000	CU'000	CU'000
Not later than one year	10	58	9	54
Later than one year and not later than five years	6	44	5	35
Later than five years	-	-	-	-
	16	102	14	89
Less future finance charges	(2)	(13)	-	-
Present value of minimum lease payments	14	89	14	89

	31/12/09	31/12/08
Included in the financial statements as:		
Current borrowings (note 32)	9	54
Non-current borrowings (note 32)	5	35
	14	89

38.3 Fair value

IFRS 7.25

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

39. Retirement benefit plans

39.1 Defined contribution plans

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

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

IAS 19.46 The total expense recognised in the [statement of comprehensive income/income statement] of CU160,000 (2008: CU148,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2009, contributions of CU8,000 (2008: CU8,000) due in respect of the 2009 (2008) reporting period had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

39.2 Defined benefit plans

IAS 19.120A(b) The Group operates funded defined benefit plans for qualifying employees of its subsidiaries in A Land. Under the plans, the employees are entitled to retirement benefits varying between 40% and 45% of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2009 by Mr. F.G. Ho, Fellow of the Institute of Actuaries of A Land. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

IAS 19.120A(n) The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at 31/12/09	Valuation at 31/12/08
	%	%
Discount rate(s)	5.52	5.20
Expected return on plan assets	12.08	10.97
Expected rate(s) of salary increase	5.00	5.00
Expected return on reimbursement rights	-	-
Other [describe]	-	-

IAS 19.120A(g) Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Year ended 31/12/09	Year ended 31/12/08
	CU'000	CU'000
Current service cost	1,068	442
Interest on obligation	164	137
Expected return on plan assets	(276)	(249)
Expected return on reimbursement rights	-	-
Actuarial (gains)/losses recognised in the year	(370)	226
Past service cost	-	-
Losses/(gains) arising from curtailments or settlements	-	-
Adjustments for restrictions on the defined benefit asset	-	-
	586	556

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 19.120A(g) [The expense for the year is included in the employee benefits expense in the statement of comprehensive income. / Of the expense for the year, CU412,000 (2008: CU402,000) has been included in the income statement as cost of sales and the remainder in administration expenses.]

IAS 19.120A(f) The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

Source		31/12/09 CU'000	31/12/08 CU'000	01/01/08 CU'000
IAS 19.120A(d)	Present value of funded defined benefit obligation	5,905	5,808	5,814
	Fair value of plan assets	(4,202)	(4,326)	(4,788)
		1,703	1,482	1,026
IAS 19.120A(d)	Present value of unfunded defined benefit obligation	-	-	-
	Deficit	1,703	1,482	1,026
	Net actuarial losses not recognised	(873)	(1,098)	(230)
	Past service cost not yet recognised	(322)	(32)	(57)
	Restrictions on asset recognised	-	-	-
	Fair value of reimbursement rights recognised as an asset	-	-	-
	Other [describe]	-	-	-
	Net liability arising from defined benefit obligation	508	352	739

IAS 19.120A(c) Movements in the present value of the defined benefit obligation in the current period were as follows:

	2009 CU'000	2008 CU'000
Opening defined benefit obligation	5,808	5,814
Current service cost	1,068	442
Interest cost	164	137
Contributions from plan participants	-	-
Actuarial (gains)/losses	(150)	135
Past service cost	-	-
Losses/(gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Exchange differences on foreign plans	-	-
Benefits paid	(985)	(720)
Other [describe]	-	-
Closing defined benefit obligation	5,905	5,808

IAS 19.120A(e) Movements in the present value of the plan assets in the current period were as follows:

	2009 CU'000	2008 CU'000
Opening fair value of plan assets	4,326	4,788
Expected return on plan assets	276	249
Actuarial gains/(losses)	220	(91)
Exchange differences on foreign plans	-	-
Contributions from the employer	140	100
Contributions from plan participants	-	-
Benefits paid	(760)	(720)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Other [describe]	-	-
Closing fair value of plan assets	4,202	4,326

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

IAS 19.120A(j),(l) The major categories of plan assets, and the expected rate of return at the end of the reporting period for each category, are as follows:

	Expected return		Fair value of plan assets	
	31/12/09	31/12/08	31/12/09	31/12/08
	%	%	CU'000	CU'000
Equity instruments	15.01	12.03	1,026	986
Debt instruments	9.59	7.49	1,980	1,850
Property	12.21	12.76	1,196	1,490
Other [describe]	-	-	-	-
Weighted average expected return	12.08	10.97	4,202	4,326

IAS 19.120A(l) The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation.

IAS 19.120A(m) The actual return on plan assets was CU0.72 million (2008: CU0.354 million).

IAS 19.120A(k) The plan assets include ordinary shares of International GAAP Holdings Limited with a fair value of CU0.38 million (31 December 2008: CU0.252 million) and property occupied by a subsidiary of International GAAP Holdings Limited with a fair value of CU0.62 million (31 December 2008: CU0.62 million).

IAS 19.120A(p) The history of experience adjustments is as follows:

	31/12/09	31/12/08	31/12/07	31/12/06	31/12/05
	CU'000	CU'000	CU'000	CU'000	CU'000
Present value of defined benefit obligation	5,905	5,808	5,814	5,321	4,113
Fair value of plan assets	(4,202)	(4,326)	(4,788)	(4,418)	(3,298)
Deficit	1,703	1,482	1,026	903	815
Experience adjustments on plan liabilities	230	135	210	198	193
Experience adjustments on plan assets	220	(91)	156	163	148

IAS 19.120A(q) The Group expects to make a contribution of CU0.18 million (2008: CU0.14 million) to the defined benefit plans during the next financial year.

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

40. Financial instruments

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

IAS 1.134,135

40.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of net debt (borrowings as detailed in notes 32 and 34 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as disclosed in notes 28, 29 and 30 respectively).

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

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 20% - 25% determined as the proportion of net debt to equity. The gearing ratio at 31 December 2009 of 19.7% (see below) was at the lower end of the target range, and has returned to a more typical level of 23% since the end of the reporting period.

40.1.1 Gearing ratio

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

	31/12/09 CU'000	31/12/08 CU'000
Debt (i)	57,542	57,078
Cash and bank balances	(23,621)	(19,778)
Net debt	33,921	37,300
Equity (ii)	171,797	166,962
Net debt to equity ratio	19.7%	22.3%

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IFRS 7.21

40.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

40.3 Categories of financial instruments

Source		31/12/09 CU'000	31/12/08 CU'000	01/01/08 CU'000
	Financial assets			
	Cash and bank balances (including cash and bank balances in a disposal group held for sale)	23,621	19,778	9,082
	Fair value through profit or loss (FVTPL)			
IFRS 7.8(a)	Held for trading	539	1,247	874
IFRS 7.8(a)	Designated as at FVTPL	-	-	-
	Derivative instruments in designated hedge accounting relationships	528	397	436
IFRS 7.8(b)	Held-to-maturity investments	5,905	4,015	4,066
IFRS 7.8(c)	Loans and receivables	24,400	20,285	15,278
IFRS 7.8(d)	Available-for-sale financial assets	8,919	7,857	7,647
	Financial liabilities			
	Fair value through profit or loss (FVTPL)			
IFRS 7.8(e)	Held for trading	-	-	-
IFRS 7.8(e)	Designated as at FVTPL (see below)	14,926	-	-
	Derivative instruments in designated hedge accounting relationships	92	-	-
	Other	75		
IFRS 7.8(f)	Amortised cost	59,040	78,298	114,382
	Financial guarantee contracts	24	18	-

40.3.1 Loans and receivables designated as at FVTPL

Source		31/12/09	31/12/08	01/01/08
	Carrying amount of loans and receivables designated as at FVTPL	-	-	-
IFRS 7.9(c)	Cumulative changes in fair value attributable to changes in credit risk	-	-	-
IFRS 7.9(c)	Changes in fair value attributable to changes in credit risk recognised during the period	-	-	-

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

IFRS 7.9(b), (d) 40.3.2 Credit derivatives over loans and receivables designated as at FVTPL

	31/12/09 CU'000	31/12/08 CU'000
Opening fair value	-	-
Realised during the period	-	-
Change in fair value	-	-
Closing fair value	-	-

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

40.3.3 Financial liabilities designated as at FVTPL

Source		Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
IFRS 7.10(a)	Changes in fair value attributable to changes in credit risk recognised during the period (i)	(20)	-
		31/12/09 CU'000	31/12/08 CU'000
IFRS 7.10(a)	Cumulative changes in fair value attributable to changes in credit risk (i)	(20)	-
IFRS 7.10(b)	Difference between carrying amount and contractual amount at maturity		
	Cumulative preference shares at fair value (note 34)	14,875	-
	Amount payable at maturity	15,000	-
		(125)	-

IFRS 7.11

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

IFRS 7.31

40.4 Reclassification of financial assets

Source		Fair value at date of reclassification		Year end carrying amount		Year end fair value	
		2009	2008	2009	2008	2009	2008
		CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
IFRS 7.12A(a),(b)	Reclassified on 1 March 2009:						
	from held for trading to available-for-sale	509	-	419	-	419	-
	from held for trading to loans and receivables	-	-	-	-	-	-
	from held for trading to held-to-maturity	-	-	-	-	-	-
	from available-for-sale to loans and receivables	-	-	-	-	-	-
	Total	509	-	419	-	419	-

IFRS 7.12A(c)

The Group has elected to reclassify certain asset-backed securities from held for trading to available-for-sale. The Group's intention at initial recognition was to sell these securities in the short-term. However, as a result of the severe reduction in the liquidity of those assets in the markets in which they would trade during the second half of 2008 and early 2009, accompanied by a deterioration of price transparency and reduction in investor appetite to acquire the assets, the Group concluded that the criteria for reclassification were met. Consequently, the assets were reclassified at 1 March 2009.

The securities were reclassified at their fair value at the date of reclassification (1 March 2009).

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

Source		Year ended 31/12/09 CU'000	Year ended 31/12/08 CU'000
IFRS 7.12A(d)	Fair value gain/(loss) recognised in the period in respect of financial assets reclassified from held for trading to available-for-sale:		
	– in profit or loss	(12)	-
	– in other comprehensive income	(90)	-
	Total	(108)	-
IFRS 7.12A(e)	Fair value gain/(loss) which would have been recognised in profit or loss if the financial asset had not been reclassified	(90)	-
	Interest income recognised using the effective interest rate method	35	-
	Impairment losses	-	-
	Foreign currency gains/losses	-	-
	Total recognised in profit or loss	35	-

IFRS 7.12A(e) As a result of the reclassifications undertaken at 1 March 2009, the profit for the current year is CU90,000 higher, and other comprehensive income for the current year is CU90,000 lower, than would have been the case had the financial assets not been reclassified.

Source		Reclassified from held for trading to available-for-sale	
		Year ended 31/12/09	Year ended 31/12/08
IFRS 7.12A(f)	Effective interest at the date of reclassification from financial assets:		-
	- effective interest rate (range)	8.0% - 8.3%	-
	- effective interest rate (weighted average)	8.06%	-
		CU'000	CU'000
IFRS 7.12A(f)	Expected recoverable cash flows at the date of reclassification:		-
	< 1year	-	-
	≥ 1 year ≤ 3 years	70	-
	≥ 3 years < 5 years	439	-
	≥ 5 years	-	-
	Total	509	-

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IFRS 7.31

40.5 Financial risk management objectives

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009 – continued

40.6 Market risk

IFRS 7.33 The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 40.8 below) and interest rates (see 40.9 below). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

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

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

IFRS 7.33(c) There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

IFRS 7.41 ***40.7 Value at Risk (VaR) analysis***

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

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

Historical VaR (99%, one-day) by risk type	Average		Minimum		Maximum		Year ended	
	2009	2008	2009	2008	2009	2008	31/12/09	31/12/08
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'00 0	CU'000	CU'000
Foreign exchange	980	1,340	546	943	1,200	1,600	980	1,350
Interest rate	115	60	85	45	150	95	105	55
Diversification	(45)	(40)	-	-	-	-	(55)	(50)
Total VaR exposure	1,050	1,360					1,030	1,355

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in 40.8 below and for interest rate risk in 40.9 below.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

40.8 Foreign currency risk management

IFRS 7.33, 34

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

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

	Liabilities		Assets	
	31/12/09	31/12/08	31/12/09	31/12/08
	CU'000	CU'000	CU'000	CU'000
Currency of B Land	6,297	7,469	1,574	1,671
Currency of C Land	186	135	-	-
Other	-	-	-	-

40.8.1 Foreign currency sensitivity analysis

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

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

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

Source		Currency B impact			Currency C impact		
		2009	2008		2009	2008	
		CU'000	CU'000		CU'000	CU'000	
IFRS 7.40(a)	Profit or loss	834	1,792	(i)	134	257	(iii)
IFRS 7.40(a)	Other equity	962	1,232	(ii)	70	69	(iv)

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

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

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

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

IFRS 7.33(c)

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

IFRS 7.42

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

In addition, the change in equity due to a 10% change in the CU against all exchange rates for the translation of new investment hedging instruments would be a decrease of CU13,000 (2008: CU9,000). However, there would be no net effect on equity because there would be an offset in the currency translation of the foreign operation.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

40.8.2 Forward foreign exchange contracts

IFRS 7.22, 33, 34 It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 70% to 80% of the exposure generated. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 6 months within 40% to 50% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

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

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

Outstanding contracts	Average exchange rate		Foreign currency		Notional value		Fair value	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
			FC'000	FC'000	CU'000	CU'000	CU'000	CU'000
Cash flow hedges								
Buy Currency B								
Less than 3 months	0.770	0.768	2,493	2,010	3,238	2,617	152	110
3 to 6 months	0.768	0.750	1,974	1,958	2,570	2,611	92	34
Sell Currency B								
Less than 3 months	0.780	0.769	982	1,028	1,259	1,337	(70)	26
Buy Currency C								
Less than 3 months	86.29	85.53	12,850	20,000	149	234	(5)	50
Net investment hedge								
Sell Currency B								
3 to 6 months	0.763	-	1,000	-	1,297	-	(12)	-
							157	220

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

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

IFRS 7.23(a) At 31 December 2009, the aggregate amount of losses under forward foreign exchange contracts deferred in the cash flow hedging reserve relating to the exposure on these anticipated future transactions is CU70,000 (2008: gains of CU26,000). It is anticipated that the sales will take place during the first 3 months of the next financial year, at which time the amount deferred in equity will be reclassified to profit or loss.

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

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

IFRS 7.23(a) At 31 December 2009, the aggregate amount of gains under forward foreign exchange contracts deferred in the cash flow hedging reserve relating to these anticipated future purchase transactions is CU239,000 (2008: unrealized gains of CU194,000). It is anticipated that the purchases will take place during the first 6 months of the next financial year at which time the amount deferred in equity will be included in the carrying amount of the raw materials. It is anticipated that the raw materials will be converted into inventory and sold within 12 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.

IFRS 7.23(b) At the start of the third quarter of 2009, the Group reduced its forecasts on sales of electronic equipment to B Land due to increased local competition and higher shipping costs. The Group had previously hedged CU1.079 million of future sales of which CU97,000 are no longer expected to occur, and CU982,000 remain highly probable. Accordingly, the Group has reclassified CU3,000 of gains on foreign currency forward contracts relating to forecast transactions that are no longer expected to occur from the cash flow hedging reserve to profit or loss.

IFRS 7.24(c) At 31 December 2009, no ineffectiveness has been recognized in profit or loss arising from hedging the net investment in Subfour Limited.

IFRS 7.33, 34

40.9 Interest rate risk management

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

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

40.9.1 <u>Interest rate sensitivity analysis</u>

IFRS 7.40(b)
IFRS 7.34(a)

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

IFRS 7.40(a) If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2009 would decrease/increase by CU43,000 (2008: decrease/increase by CU93,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and

- other comprehensive income for the year would decrease/increase by CU19,000 (2008: decrease/increase by CU12,000), mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.

IFRS 7.33(c) The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments and the increase in interest rate swaps to swap floating rate debt to fixed.

Notes to the consolidated financial statements
for the year ended 31 December 2009 – continued

40.9.2 Interest rate swap contracts

IFRS 7.22, 33, 34 Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

IFRS 7.34(a) The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Cash flow hedges

Outstanding receive floating pay fixed contracts	Average contracted fixed interest rate		Notional principal value		Fair value	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
	%	%	CU'000	CU'000	CU'000	CU'000
Less than 1 year	7.45	6.75	1,000	4,000	72	37
1 to 2 years	7.15	7.05	2,000	1,620	55	47
2 to 5 years	6.75	6.50	3,000	1,359	130	93
5 years +	7.05	-	1,000	-	27	-
			7,000	6,979	284	177

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

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

IFRS 7.22, 23(a) All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.