

Model annual report

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

About the model annual report

Purpose

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

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

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

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

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

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

The Framework for Differential Reporting

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

Exclusions

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

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

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

Source references

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

Abbreviations used in this model are as follows:

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

The Toy Company Limited

NZ 123456

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Source reference

NZX Listing Rules 10.5.3(h)

Corporate governance statement (listed companies only)

Best practice recommendations

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

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

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

Core Principle # 1: Reporting and Disclosure

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

NZX Listing Rules 10.5.3(i)

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

NZXCGBPC.2

Core Principle # 2: Board Composition and Performance

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

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

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

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

The primary responsibilities of the Board include:

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

Source reference

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

Implementation of Vision and Policy

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

Independent Professional Advice

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

NZX Listing Rules 3.3.1(c)

Independent Directors

3.3.1A; 10.5.3(j)

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

NZXCGBPC.2.1

Separation of Chief Executive and Chairman

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

NZXCGBPC.2.2, 2.3

Appointments to the Board

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

NZXCGBPC.2.4

Director Training

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

NZXCGBPC.2.8

Information for the Board

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

NZXCGBPC.2.9

Board Performance

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

Core Principle #3: Board Committees

The Board has three operating committees.

Remuneration Committee

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

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

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

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

Source reference

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

Nomination Committee

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

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

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

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

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

Audit Committee

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

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

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

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

Source reference

NZX Listing Rules 3.6.1	<i>Each Issuer shall establish an Audit Committee.</i>
NZX Listing Rules 3.6.2, NZXCGBPC.3.1	<p>Composition <i>The Audit Committee shall:</i></p> <ul style="list-style-type: none"> • <i>be comprised solely of non-executive Directors of the Issuer; and</i> • <i>have a minimum of three members; and</i> • <i>have a majority of members that are Independent Directors; and</i> • <i>have at least one member with an accounting or financial background i.e.:</i> <ul style="list-style-type: none"> ○ <i>is a member of the Institute of Chartered Accountants of New Zealand or has held a CFO position at an Issuer for a period greater than 24 months; or</i> ○ <i>has successfully completed a course approved by NZX for Audit Committee membership; or</i> ○ <i>has the experience and/or qualifications deemed satisfactory by the Board.</i>
NZX Listing Rules 3.6.3 NZXCGBPC.3.5	<p>Responsibilities <i>The responsibilities of an Issuer's Audit Committee include as a minimum:</i></p> <ul style="list-style-type: none"> • <i>ensuring that processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters;</i> • <i>recommending the appointment and removal of the independent auditor;</i> • <i>meeting regularly to monitor and review the independent and internal auditing practices;</i> • <i>having direct communication with and unrestricted access to the independent auditors and any internal auditors or accountants;</i>
NZXCGBPC.3.2	<ul style="list-style-type: none"> • <i>reviewing the financial reports and advising all Directors whether they comply with the appropriate laws and regulations;</i> • <i>ensuring that the external auditor or lead audit partner is changed at least every five years; and</i> • <i>producing a written charter that outlines the Audit Committee's authority, duties, responsibilities and relationship with the Board</i>
NZXCGBPC.3.3.3	<i>The Board should regularly review the performance of the Audit Committee in accordance with the Audit Committee's written charter.</i>
NZXCGBPC.3.3.4	<i>Directors who are not members of the Audit Committee and employees should only attend Audit Committee meetings at the invitation of the Audit Committee.</i>
NZXCGBPC.3.3.6	<i>Issuers should identify in its annual report the members of the Audit Committee.</i>

Directors' meetings

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

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

Source reference

NZXCGBPC.4.1, 4.2

Core Principle #4: Auditors

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

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

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

Core Principle #5: Remuneration

NZXCGBPC.2.5, 2.6, 2.7

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

Director Remuneration

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

NZXCGBPC.1

Core Principle #6: Ethical Conduct

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

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

Conflicts of Interest

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

Core Principle #7: Shareholder Relations

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

Source reference

Core Principle #8: Stakeholder Interests

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

Core Principle #9: Recognise and manage risk

Risk Management

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

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

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

Internal Audit

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

Internal Control

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

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

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

Source reference

Companies Act 1993 disclosures

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

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

Directors

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

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

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

Entries recorded in the Interests Register

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

(a) Directors' Interests in transactions

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

- the nature and monetary value of that interest, if the monetary value of the Director's interest is able to be quantified; or*
- the nature and extent of that interest, if the monetary value of the Director's interest is not able to be quantified.*

(b) Share dealings by Directors

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

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

Companies Act 1993
s.140(1)

Source reference

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

Companies Act 1993
s.148(1)

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

NZX Listing Rules 10.5.3
(c)

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

Securities Markets Act
1988 s.5

Directors are considered to have a relevant interest where the Director:

- (a) is the beneficial holder of the securities;*
- (b) has power to exercise, or control the exercise of, a right to vote attached to the securities; or*
- (c) has power to acquire or dispose of, or control the exercise of a power to acquire or dispose of, the securities.*

Disclosure of interests by Directors

Companies Act 1993
s.140(2)

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

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

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

Changes in state of affairs

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

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

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

Director Remuneration

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

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

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

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

Source reference

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

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

- (i) Mr P.H. Taylor was granted executive share options on 31 March 2005. Further details of the options are contained in note 5 to the financial statements.
- (ii) Mr P.H. Taylor was granted executive share options on 31 March 2004. Further details of the options are contained in note 5 to the financial statements.

Share options granted to Directors

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

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

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

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

Source reference

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

Value of options - basis of calculation

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

(2) The total value of options granted, exercised and lapsed is calculated based on the following:

- Fair value of the option at grant date multiplied by the number of options granted during the year; plus
- Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year; plus
- Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.

(3) The total value of options included in remuneration for the year is calculated as follows:

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

Employee Remuneration

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

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

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

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

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

Non-audit services

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

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

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

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

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

Source reference

Additional stock exchange information as at 14 March 2006

NZX Listing Rules
10.1.1 (d)

Share registry

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

Distribution of holders of quoted securities

NZX Listing Rules
10.5.3(d)

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

NZX Listing Rules 1.1.2

Security means any interest or right to participate in any capital, assets, earnings, royalties, or other property of any person and includes:

- (a) any renewal or variation of the terms or conditions of any existing security;*
- (b) any Debt Security; and*
- (c) any Option or Right.*

Therefore this would include Equity Securities (shares, units, options over issued or unissued securities, rights to any one of the former securities and convertible securities).

NZX Listing Rules
10.5.3(d)

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

NZX Listing Rules
10.5.3(d)

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

NZX Listing Rules
10.5.3(d)

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

Source reference

NZX Listing Rules
10.5.3(d)

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

Substantial security holders

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

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

- (a) the names of all persons who are substantial security holders in the public issuer, as at a date not earlier than 3 months before the annual report is sent; and*
- (b) the number of voting securities of the public issuer in which each substantial security holder has a relevant interest as at that date; and*
- (c) the total number of issued voting securities of the public issuer as at that date.*

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

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

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

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

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

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

- (a) during a period in which a dividend (or part of a dividend) in respect of the security is in arrears;*
- (b) on a proposal to reduce the capital of the public issuer or body;*
- (c) on a proposal that affects rights attached to the security;*
- (d) on a proposal to put the public issuer or body into liquidation;*
- (e) on a proposal for the disposal of the whole of the property, business, and undertaking of the public issuer or body;*
- (f) during the liquidation of the public issuer or body and includes a security which, in accordance with the terms of the security, is convertible into a security of that kind.*

Source reference

NZX 10.5.3 (b)

Twenty largest holders of quoted equity securities

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

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

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

Source reference

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

NZX 10.5.3 (e)

Credit rating

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

NZX 10.5.3 (f)

Waivers granted by the NZX and applied by the entity

The entity applied a class waiver issued during the year from the NZX in respect of Listing Rule 10.5.1 so that the company could delay the deadline for providing its annual report by one month, allowing a four month filing period. This waiver was required due to the first time adoption of NZ IFRS which has resulted in increased complexity of recognition, measurement, presentation and disclosure requirements.