Illustrative IFRS consolidated financial statements

for 2011 year ends

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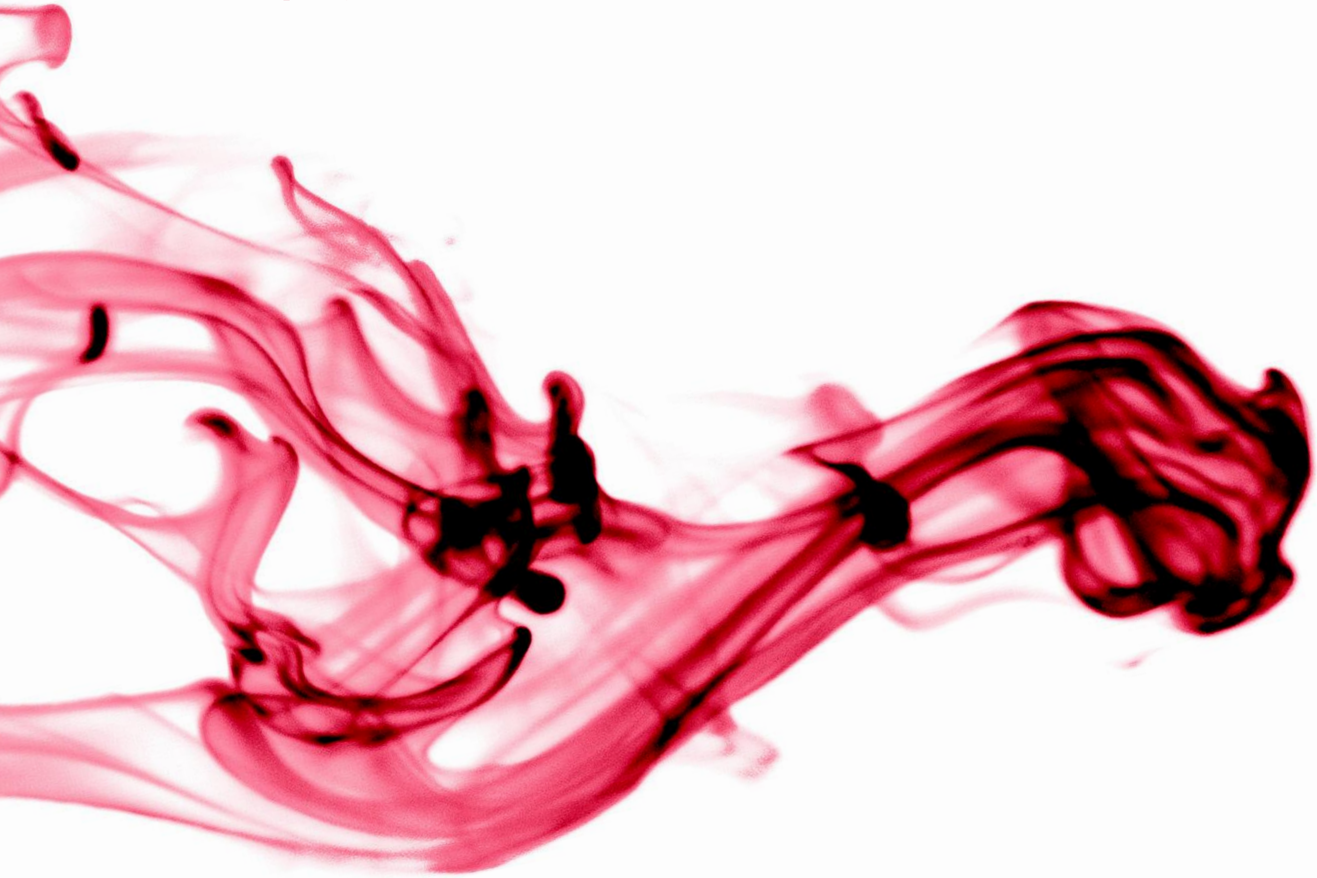

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Illustrative IFRS corporate consolidated financial statements for 2011 year ends

Global Accounting Consulting Services
PricewaterhouseCoopers LLP

Bloomsbury Professional

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IFRS GAAP plc – year ended 31 December 2011

Introduction

This publication provides an illustrative set of consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), for a fictional manufacturing, wholesale and retail group (IFRS GAAP plc).

IFRS GAAP plc is an existing preparer of IFRS consolidated financial statements; IFRS 1, 'First-time adoption of International Financial Reporting Standards', is not applicable.

This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2011.

PwC commentary has been provided, in grey boxes, to explain the detail behind the presentation of a number of challenging areas. These commentary boxes relate to the presentation in: the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows, statement of significant accounting policies and financial risk management.

Areas in which we have made significant changes to presentation since 2010 have been highlighted in pink.

We have attempted to create a realistic set of financial statements for a corporate entity. However, by necessity we illustrate disclosures that for many entities may be immaterial. Determining the level of disclosure is a matter of judgement, and naturally disclosure of immaterial items is not required. Certain types of transaction have been excluded, as they are not relevant to the group's operations. The example disclosures, if material, for some of these additional items have been included in appendix III. The forthcoming IFRS requirements are outlined in a table in appendix IV.

The example disclosures should not be considered the only acceptable form of presentation. The form and content of each reporting entity's financial statements are the responsibility of the entity's management. Alternative presentations to those proposed in this publication may be equally acceptable if they comply with the specific disclosure requirements prescribed in IFRS.

These illustrative financial statements are not a substitute for reading the standards and interpretations themselves or for professional judgement as to fairness of presentation. They do not cover all possible disclosures that IFRS requires. Further specific information may be required in order to ensure fair presentation under IFRS. We recommend that readers refer to our publication *IFRS disclosure checklist 2011*.

Abbreviations

IFRS1p37	=	International Financial Reporting Standard [number], paragraph number.
7p22	=	International Accounting Standards [number], paragraph number.
SIC – 15p5	=	Standing Interpretations Committee [number], paragraph number.
DV	=	Disclosure Voluntary. Disclosure is encouraged but not required and therefore represents best practice.

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(All amounts in C thousands unless otherwise stated)

Consolidated income statement[1]

1p10(b),81(a)			**Year ended 31 December**	
1p113, 1p38		**Note**	**2011**	2010
	Continuing operations			
1p82(a)	Revenue	5	**211,034**	112,360
1p99, 103	Cost of sales	6	**(77,366)**	(46,682)
1p103	**Gross profit**		**133,668**	65,678
1p99, 103	Distribution costs		**(52,529)**	(21,213)
1p99, 103	Administrative expenses		**(29,895)**	(10,426)
1p99,103	Other income	7	**2,750**	1,259
1p85	Other (losses)/gains – net	8	**(90)**	63
1p85	**Operating profit**[2]		**53,904**	35,361
1p85	Finance income	11	**1,730**	1,609
1p82(b)	Finance costs	11	**(8,173)**	(12,197)
1p85	Finance costs – net	11	**(6,443)**	(10,588)
1p82(c)	Share of (loss)/profit of associates	12b	**215**	145
1p85	**Profit before income tax**		**47,676**	24,918
1p82(d), 12p77	Income tax expense	13	**(14,611)**	(8,670)
1p85	**Profit for the year from continuing operations**		**33,065**	16,248
IFRS5p33(a)	**Discontinued operations** Profit for the year from discontinued operations (attributable to equity holders of the company)	25	**100**	120
1p82(f)	**Profit for the year**		**33,165**	16,368
	Profit attributable to:			
1p83(a)(ii), 1p83(a)(i)	Owners of the parent		**30,617**	15,512
27p27	Non-controlling interests		**2,548**	856
			33,165	16,368
	Earnings per share from continuing and discontinued operations attributable to the equity holders of the company during the year (expressed in C per share)			
	Basic earnings per share			
33p66	From continuing operations	14	**1.31**	0.75
33p68	From discontinued operations[3]		**0.01**	0.01
33p66	From profit for the year		**1.32**	0.76
	Diluted earnings per share			
33p66	From continuing operations	14	**1.19**	0.71
33p68	From discontinued operations		**0.01**	0.01
33p66	From profit for the year		**1.20**	0.72

The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

[1] This income statement presents expenses by function. See Commentary, paras 12 and 13.

[2] IAS 1 does not prescribe the disclosure of operating profit on the face of the income statement. However, entities are not prohibited from disclosing this or a similar line item.

[3] EPS for discontinued operations may be given in the notes to the accounts instead of in the income statement.

Consolidated statement of comprehensive income

			Year ended 31 December	
		Note	**2011**	2010
	Profit for the year		**33,165**	16,368
	Other comprehensive income:			
1p82(g)	Gains on revaluation of land and buildings	29	**755**	759
IFRS7p20(a)(ii)	Change in value of available-for-sale financial assets	29	**362**	62
1p82(h)	Share of other comprehensive income of associates	29	**(86)**	91
19p93B, 1p82(g)	Actuarial loss on post employment benefit obligations	28, 33	**–**	(494)
1p82(g)	Impact of change in Euravian tax rate on deferred tax[1]	28, 32	**(10)**	–
IFRS7p23(c)	Cash flow hedges	29	**64**	(3)
1p82(g)	Net investment hedge	29	**(45)**	40
1p82(g), 21p52(b)	Currency translation differences	29	**2,413**	(1,111)
IFRS3p59, 1p82(g)	Recycling of revaluation of previously held interest in ABC Group	29, 39	**(850)**	850
	Other comprehensive income for the year, net of tax		**2,603**	194
1p82(i)	**Total comprehensive income for the year**		**35,768**	16,562
	Attributable to:			
1p83(b)(ii)	– Owners of the parent		**32,968**	15,746
1p83(b)(i)	– Non-controlling interests		**2,800**	816
	Total comprehensive income for the year		**35,768**	16,562
	Total comprehensive income attributable to equity shareholders arises from:			
	– Continuing operations		**32,868**	15,626
IFRS5p33(d)	– Discontinued operations	25	**100**	120
			32,968	15,746

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 13.

The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

Commentary – income statement and statement of comprehensive income

The commentary that follows explains some of the key requirements in IAS 1, 'Presentation of financial statements', and other requirements that impact the income statement/statement of comprehensive income.

1p81 1. Entities have a choice of presenting all items of income and expense recognised in a period either:
(a) in a single statement of comprehensive income; or
(b) in two statements (as adopted by IFRS GAAP plc) comprising:
(i) a separate income statement, which displays components of profit or loss; and
(ii) a statement of comprehensive income, which begins with profit or loss and displays components of other comprehensive income.
The main difference between these two options is that in option (a), profit for the year is shown as a sub-total rather than the 'bottom line', and the statement continues down to total comprehensive income for the year.

1p82 2. A single statement of comprehensive income includes, as a minimum, the following line items:
(a) Revenue.
(b) Finance costs.
(c) Share of the profit or loss of associates and joint ventures accounted for using the equity method.
(d) Tax expense.
(e) A single amount comprising the total of:
(i) the post-tax profit or loss of discontinued operations; and
(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
(f) Profit or loss.
(g) Each component of other comprehensive income classified by nature.
(h) Share of the other comprehensive income of associates and joint ventures accounted for using the equity method.
(i) Total comprehensive income.

[1] The impact of change in Euravian tax rate is shown for illustrative purposes.

1p83 3. The following items are disclosed as allocations for the period:

(a) Profit or loss attributable to:
   (i) non-controlling interests; and
   (ii) owners.

(b) Total comprehensive income for the period attributable to:
   (i) non-controlling interests; and
   (ii) owners.

IFRS5 p33(d) (c) The amount of income attributable to equity holders of the company from:
   (i) continuing operations; and
   (ii) discontinued operations.

1p84 4. If the entity prepares a separate income statement, this includes:

(a) Items (a)-(f) in paragraph 2 above.
(b) Item (a) in paragraph 3 above.

1p12 5. If the two-statement presentation is used, the statement of comprehensive income follows immediately after the income statement.

1p85 6. Additional line items, headings and subtotals are presented in the statement of comprehensive income and the income statement (where presented) when such presentation is relevant to an understanding of the entity's financial performance. For example, a sub-total of gross profit (revenue less cost of sales) may be included where expenses have been classified by function.

7. Additional sub-headings should be used with care. The apparent flexibility in IAS 1 can only be used to enhance users' understanding of the GAAP-compliant numbers. It cannot be used to detract from the GAAP numbers. Set out below are overall principles that entities should apply when presenting additional line items, headings, sub-totals and alternative performance measures:

(a) GAAP numbers should be given at least equal prominence to non-GAAP numbers.
(b) Additional line items, sub-totals and columns may be used, but only if they do not detract from the GAAP numbers by introducing bias or by overcrowding the income statement.
(c) Each additional line item or column should contain all the revenue or expenses that relate to the particular line item or column inserted.
(d) Each additional line item or column should contain only revenue or expense that is revenue or expense of the entity itself.
(e) Items may be segregated (for example, by use of columns or sub-totals) where they are different in nature or function from other items in the income statement.
(f) It is generally not permissible to mix natural and functional classifications of expenses where these categories of expenses overlap.
(g) Terms used for additional line items and sub-totals should be defined if they are not terms recognised in IFRS.
(h) Additional line items, columns and sub-totals should only be presented when they are used internally to manage the business.
(i) Various presentations will be acceptable individually, but consideration should be given to the aggregate effect of these presentations, so that the overall message of the income statement is not distorted or confused.
(j) The presentation method should generally be consistent from year to year.
(k) The presentation method should comply with any local regulatory rules.

8. EBIT (earnings before interest and tax) may be an appropriate sub-heading to show in the income statement. This line item usually distinguishes between the pre-tax profits arising from operating activities and those arising from financing activities.

9. In contrast, a sub-total for EBITDA (earnings before interest, tax, depreciation and amortisation) can only be included as a sub-total where the entity presents its expenses by nature and provided the sub-total does not detract from the GAAP numbers either by implying that EBITDA is the 'real' profit or by overcrowding the income statement so that the reader cannot determine easily the entity's GAAP performance. Where an entity presents its expenses by function, it will not be possible to show depreciation and amortisation as separate line items in arriving at operating profit, because depreciation and amortisation are types of expense, not functions of the business. In this case, EBITDA can only be disclosed by way of supplemental information in a box, in a footnote, in the notes or in the review of operations.

Material items of income and expense

1p97 10. When items of income and expense are material, their nature and amount is disclosed separately either in the income statement or in the notes. In the case of IFRS GAAP plc these disclosures are made in note 6. Some entities provide this information on the face of the income statement in the form of additional analyses, boxes or columns. Further discussion is available in the Manual of Accounting.

1p85, 97 11. IAS 1 does not provide a specific name for the types of items that should be separately disclosed. Where an entity discloses a separate category of 'exceptional', 'significant' or 'unusual' items either in the income statement or in the notes, the accounting policy note should include a definition of the chosen term. The presentation and definition of these items should be applied consistently from year to year.

Analysis of expenses by nature or function

12. Where an entity classifies its expenses by nature, it must take care to ensure that each class of expense includes all items related to that class. Material restructuring cost may, for example, include redundancy payments (employee benefit cost), inventory write-downs (changes in inventory) and impairments in property, plant and equipment. It is not normally acceptable to show restructuring costs as a separate line item in an analysis of expenses by nature where there is an overlap with other line items.

13. Entities that classify their expenses by function include the material items within the function to which they relate. In this case, material items can be disclosed as footnotes or in the notes to the financial statements.

Operating profit

1BC56 14. An entity may elect to include a sub-total for its result from operating activities. This is permitted, but care should be taken that the amount disclosed is representative of activities that would normally be considered to be 'operating'. Items that are clearly of an operating nature (for example, inventory write-downs, restructuring and relocation expenses) are not excluded simply because they occur infrequently or are unusual in amount. Nor can expenses be excluded on the grounds that they do not involve cash flows (for example, depreciation or amortisation). As a general rule, operating profit is the subtotal after 'other expenses' – that is, excluding finance costs and the share of profits of equity-accounted investments – although in some circumstances it may be appropriate for the share of profits of equity-accounted investments to be included in operating profit (see paragraph 16 below).

Re-ordering of line items

1p86 15. The line items and descriptions of those items are re-ordered where this is necessary to explain the elements of performance. However, entities are required to make a 'fair presentation' and should not make any changes unless there is a good reason to do so.

16. Normally, the share of profit of associates is shown after finance costs; this recognises that the share of profits from associates arises from what is essentially an investing activity, rather than part of the group's operating activities. However, were associates (and joint ventures) are an integral vehicle for the conduct of the group's operations and its strategy, it may be more appropriate to show finance costs after the share of profit of associates and joint ventures. In such cases, it may be appropriate either to insert a sub-total 'profit before finance costs' or to include the share of profits from associates and joint ventures in arriving at operating profit (if disclosed). It would not, however, be appropriate to include the share of associates and joint ventures within 'revenue' (and, therefore, within 'gross profit').

17. Finance revenue cannot be netted against finance costs; it is included in 'other revenue/other income' or shown separately in the income statement. Where finance income is an incidental benefit, it is acceptable to present finance revenue immediately before finance costs and include a sub-total of 'net finance costs' in the income statement. Where earning interest income is one of the entity's main line of business, it is presented as 'revenue'.

Discontinued operations

1p82(e) IFRS5 p33(a)(b) 18. As stated in paragraph 2(e) above, entities disclose a single amount in the statement of comprehensive income (or separate income statement), comprising the total of (i) the post-tax profit or loss of discontinued operations, and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. Paragraph 33 of IFRS 5, 'Non-current assets held for sale and discontinued operations', also requires an analysis of this single amount. This analysis may be presented in the notes or in the statement of comprehensive income (separate income statement). If it is presented in the income statement, it should be presented in a section identified as relating to discontinued operations – that is, separate from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see IFRS 5 para 11).

Earnings per share

33p66 19. IAS 33, 'Earnings per share', requires an entity to present in the statement of comprehensive income basic and diluted earnings per share (EPS) for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for total profit or loss attributable to the ordinary equity holders of the parent entity for each class of ordinary shares. Basic and diluted EPS are disclosed with equal prominence for all periods presented.

33p67A 20. If an entity presents a separate income statement, basic and diluted earnings per share are presented at the end of that statement.

33p73 21. Earnings per share based on alternative measures of earnings may also be given if considered necessary but should be presented in the notes to the financial statements only.

(All amounts in C thousands unless otherwise stated)

33p67 22. If diluted EPS is reported for at least one period, it should be reported for all periods presented, even if it equals basic EPS. If basic and diluted EPS are equal, dual presentation can be accomplished in one line in the statement of comprehensive income.

33p68 23. An entity that reports a discontinued operation discloses the basic and diluted amounts per share for the discontinued operation either in the statement of comprehensive income or in the notes to the financial statements.

33p69, 41, 43 24. Basic and diluted EPS are disclosed even if the amounts are negative (that is, a loss per share). However, potential ordinary shares are only dilutive if their conversion would increase the loss per share. If the loss decreases, the shares are anti-dilutive.

33p4 25. When an entity presents both consolidated financial statements and separate financial statements prepared in accordance with IAS 27, 'Consolidated and separate financial statements', the disclosures required by IAS 33 are presented only on the basis of the consolidated information. An entity that chooses to disclose EPS based on its separate financial statements presents such EPS information only in its separate statement of comprehensive income.

Components of other comprehensive income

1p7 26. Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs. They include: changes in the revaluation surplus relating to property, plant and equipment or intangible assets; actuarial gains and losses on defined benefit plans; gains and losses arising from translating the financial statements of a foreign operation; gains and losses on re-measuring available-for-sale financial assets; and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

1p91
1p90 27. Entities may present components of other comprehensive income either net of related tax effect or before related tax effects. IFRS GAAP plc has chosen to present the items net of tax. In this case the amount of income tax relating to each component of OCI, including reclassification adjustments, is disclosed in the notes.

1p92, 94 28. An entity discloses separately any reclassification adjustments relating to components of other comprehensive income either in the statement of comprehensive income or in the notes. IFRS GAAP plc provides this information in note 29, 'Other reserves'.

1p7, 95 29. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation, on derecognition of an available-for-sale financial asset and when a hedged forecast transaction affects profit or loss.

30.1 IAS 1 has been amended, effective for annual periods beginning on or after 1 July 2012. The amendment requires items of other comprehensive income, classified by nature, to be grouped into those that will be reclassified subsequently to profit or loss when specific conditions are met and those that will not be reclassified to profit or loss. The amendment also requires that if an entity presents items of other comprehensive income before related tax effects with the aggregate tax shown separately, it should allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified.

1p107 31. The amount of dividends recognised as distributions to owners during the period and the related amount per share are presented either in the statement of changes in equity or in the notes. Dividends cannot be displayed in the statement of comprehensive income or income statement.

Consistency

1p45 32. The presentation and classification of items in the financial statements is retained from one period to the next unless:

(a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements that another presentation or classification would be more appropriate, addressing the criteria for the selection and application of accounting policies in IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or

(b) IFRS requires a change in presentation.

Materiality and aggregation

1p29 33. Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

Offsetting

1p32 34. Assets and liabilities, and income and expenses, are not offset unless required or permitted by an IFRS. Examples of income and expenses that are required or permitted to be offset are as follows:

1p34(a) (a) Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses.

1p34(b) (b) Expenditure related to a provision that is recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets', and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement.

1p35 (c) Gains and losses arising from a group of similar transactions are reported on a net basis (for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading). However, such gains and losses are reported separately if they are material.

Summary

35. The requirements surrounding components of OCI can be summarised as follows:

Item	Reference	Requirement in standard	Presentation in IFRS GAAP plc
Each component of other comprehensive income recognised during the period, classified by nature	IAS 1 p82(g)	Statement of comprehensive income	Statement of comprehensive income
Reclassification adjustments during the period relating to components of other comprehensive income	IAS 1 p92	Statement of comprehensive income or notes	Note 29
Tax relating to each component of other comprehensive income, including reclassification adjustments	IAS 1 p90	Statement of comprehensive income or notes	Note 13
Reconciliation for each component of equity, showing separately: – Profit/loss – Other comprehensive income – Transactions with owners	IAS 1 p106(d)	Statement of changes in equity	Statement of changes in equity
For each component of equity, an analysis of other comprehensive income by item	IAS 1p106A	Statement of changes in equity or notes	Note 29

(All amounts in C thousands unless otherwise stated)

Consolidated balance sheet

			As at 31 December	
		Note	**2011**	2010
1p10(a), 113	**Assets**			
1p60, 66	**Non-current assets**			
1p54(a)	Property, plant and equipment	16	**155,341**	100,233
1p54(c)	Intangible assets	17	**26,272**	20,700
	Investments in subsidiaries	12a	**–**	–
1p54(e),28p38	Investments in associates	12b	**13,373**	13,244
1p54(o),56	Deferred income tax assets	32	**3,520**	3,321
1p54(d), IFRS7p8(d)	Available-for-sale financial assets	19	**17,420**	14,910
1p54(d), IFRS7p8(a)	Derivative financial instruments	20	**395**	245
1p54(h), IFRS7p8(c)	Trade and other receivables	21	**2,322**	1,352
			218,643	154,005
1p60, 1p66	**Current assets**			
1p54(g)	Inventories	22	**24,700**	18,182
1p54(h), IFRS7p8(c)	Trade and other receivables	21	**19,765**	18,330
1p54(d), IFRS7p8(d)	Available-for-sale financial assets	19	**1,950**	–
1p54(d), IFRS7p8(a)	Derivative financial instruments	20	**1,069**	951
1p54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss	23	**11,820**	7,972
1p54(i), IFRS7p8	Cash and cash equivalents (excluding bank overdrafts)	24	**17,928**	34,062
			77,232	79,497
IFRS5p38,40	Assets of disposal group classified as held for sale	25	**3,333**	–
			80,565	79,497
	Total assets		**299,208**	233,502
	Equity and liabilities			
1p54(r)	**Equity attributable to owners of the parent**			
1p78(e) 1p54(r)	Ordinary shares	26	**25,300**	21,000
1p78(e),1p55	Share premium	26	**17,144**	10,494
1p78(e)	Other reserves	29	**11,435**	7,005
1p78(e), 1p55	Retained earnings	28	**70,006**	48,681
			123,885	87,180
1p54(q)	**Non-controlling interests**		**7,888**	1,766
	Total equity		**131,773**	88,946
	Liabilities			
1p60,69	**Non-current liabilities**			
1p54(m), IFRS7p8(f)	Borrowings	31	**115,121**	96,346
1p54(m), IFRS7p8(e)	Derivative financial instruments	20	**135**	129
1p54(o), 1p56	Deferred income tax liabilities	32	**12,370**	9,053
1p55, 1p78(d)	Retirement benefit obligations	33	**4,635**	2,233
1p54(l), 1p78(d)	Provisions for other liabilities and charges	34	**1,320**	274
			133,581	108,035

Consolidated balance sheet

(All amounts in C thousands unless otherwise stated)

			As at 31 December	
		Note	**2011**	2010
1p60, 1p69	**Current liabilities**			
1p54(k), IFRS7p8(f)	Trade and other payables	30	**16,670**	12,478
1p54(n)	Current income tax liabilities		**2,566**	2,771
1p54(m), IFRS7p8(f)	Borrowings	31	**11,716**	18,258
1p54(m), IFRS7p8(e)	Derivative financial instruments	20	**460**	618
1p54(l)	Provisions for other liabilities and charges	34	**2,222**	2,396
			33,634	36,521
IFRS5p38, 1p54(p)	Liabilities of disposal group classified as held-for-sale	25	**220**	–
			33,854	36,521
	Total liabilities		**167,435**	144,556
	Total equity and liabilities		**299,208**	233,502

10p17 The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

The financial statements on pages 15 to 74 were authorised for issue by the board of directors on 24 February 2012 and were signed on its behalf.

CD Suede
Chief Executive

G Wallace
Finance Director

Commentary – balance sheet

The commentary that follows explains some of the key requirements in IAS 1, 'Presentation of financial statements', that impact the balance sheet/statement of financial position.

1p10 1. IAS 1 refers to the balance sheet as the 'statement of financial position'. This title is not mandatory, so IFRS GAAP plc has elected to retain the better-known title of 'balance sheet'.

1p54, 55 2. Paragraph 54 of IAS 1 sets out the line items that are, as a minimum, required to be presented in the balance sheet. Additional line items, headings and subtotals are presented in the balance sheet when such presentation is relevant to an understanding of the entity's financial position.

1p77, 78 3. An entity discloses, either in the balance sheet or in the notes, further sub- classifications of the line items presented, classified in a manner appropriate to the entity's operations. The detail provided in sub-classifications depends on the IFRS requirements and on the size, nature and function of the amounts involved.

Current/non-current distinction

1p60 4. An entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities are presented broadly in order of liquidity.

1p61 5. Whichever method of presentation is adopted, an entity discloses for each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than 12 months after the reporting period; and (b) more than 12 months after the reporting period, the amount expected to be recovered or settled after more than 12 months.

1p66-70 6. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting period. Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than 12 months after the reporting period.

1p68 7. The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in the form of cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.

(All amounts in C thousands unless otherwise stated)

Consistency

1p45 8. The presentation and classification of items in the financial statements is retained from one period to the next unless:

(a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate according to the criteria for selecting and applying accounting policies in IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or

(b) an IFRS requires a change in presentation.

Materiality and aggregation

1p29 9. Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

Current and deferred tax assets and liabilities

1p54, 56 10. Current and deferred tax assets and liabilities are presented separately from each other and from other assets and liabilities. When a distinction is made between current and non-current assets and liabilities in the balance sheet, deferred tax assets and liabilities are presented as non-current.

Offsetting

1p32 11. An entity does not offset assets and liabilities unless required or permitted to by an IFRS. Measuring assets net of valuation allowances – for example, obsolescence allowances on inventories and doubtful debt allowances on receivables – is not offsetting.

Three balance sheets required in certain circumstances

1p39 12. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements, it provides a third balance sheet as at the beginning of the earliest comparative period presented. However, where the retrospective change in policy or the restatement has no effect on this earliest statement of financial position, we believe that it would be sufficient for the entity merely to disclose that fact.

Consolidated statement of changes in equity

			Attributable to equity holders of the company						
1p108,109		Notes	Share capital	Share premium	Other reserves[1]	Retained earnings	Total	Non-controlling interest	Total equity
	Balance at 1 January 2010		20,000	10,424	6,364	48,470	85,258	1,500	86,758
1p106(d)(i)	Profit for the year		–	–	–	15,512	15,512	856	16,368
	Other comprehensive income for the year[2]				641	(407)	234	(40)	194
1p106(a)	**Total comprehensive income for the year**		**–**	**–**	**641**	**15,105**	**15,746**	**816**	**16,562**
IFRS2p50	Value of employee services	28	–	–	–	822	822	–	822
	Tax credit relating to share option scheme	28	–	–	–	20	20	–	20
	Proceeds from shares issued	26	1,000	70	–	–	1,070	–	1,070
1p106(d)(iii)	Dividends to equity holders of the company	35	–	–	–	(15,736)	(15,736)	(550)	(16,286)
1p106(d)(iii)	**Total contributions by and distributions to owners of the company, recognised directly in equity**		**1,000**	**70**	**–**	**(14,894)**	**(13,824)**	**(550)**	**(14,374)**
	Balance at 31 December 2010		**21,000**	**10,494**	**7,005**	**48,681**	**87,180**	**1,766**	**88,946**
	Balance at 1 January 2011		21,000	10,494	7,005	48,681	87,180	1,766	88,946
1p106(d)(i)	Profit for the year		–	–	–	30,617	30,617	2,548	33,165
	Other comprehensive income for the year[2]		–	–	2,261	90	2,351	252	2,603
1p106(a)	**Total comprehensive income for the year**		–	–	**2,261**	**30,707**	**32,968**	**2,800**	**35,768**
IFRS2p50	Value of employee services	28	–	–	–	690	690	–	690
	Tax credit relating to share option scheme	28	–	–	–	30	30	–	30
	Proceeds from shares issued	26	750	200	–	–	950	–	950
	Purchase of treasury shares	29	–	–	(2,564)	–	(2,564)	–	(2,564)
	Issue of ordinary shares related to business combination	26	3,550	6,450	–	–	10,000	–	10,000
	Convertible bond – equity component	29	–	–	5,433	–	5,433	–	5,433
1p106(d)(iii)	Dividends to equity holders of the company	35	–	–	–	(10,102)	(10,102)	(1,920)	(12,022)
1p106(d)(iii)	**Total contributions by and distributions to owners of the Company**		**4,300**	**6,650**	**2,869**	**(9,382)**	**4,437**	**(1,920)**	**2,517**

[1] Individual reserves can be grouped into 'other reserves' in the statement of changes in equity if these are similar in nature and can be regarded as a component of equity. If the individual reserves are not shown in the statement of changes in equity, an analysis should be given in the notes.
[2] The single-line presentation for other comprehensive income illustrated above reflects the group's application of the amendment to IAS 1 arising from 'Improvements to IFRSs' issued in 2010. Management can implement this by either (a) showing each line item of other comprehensive income separately in the above statement; or (b) by having a single-line presentation of other comprehensive income (as shown above) plus a separate note showing an analysis of each item of other comprehensive income for each component of equity. This has not been illustrated in these financial statements.

(All amounts in C thousands unless otherwise stated)

			Attributable to equity holders of the company						
		Notes	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
1p106(d)(iii)	Non-controlling interest arising on business combination	39	–	–	–	–	–	4,542	4,542
1p106(d)(iii)	Acquisition of non-controlling interest in XYZ Group	40	–	–	(400)	–	(400)	(300)	(700)
1p106(d)(iii)	Decrease in ownership	40	–	–	(300)	–	(300)	1000	700
1p106(d)(iii)	**Total transactions with owners of the company, recognised directly in equity**		**4,300**	**6,650**	**2,869**	**(9,382)**	**4,437**	**2,622**	**7,059**
	Balance at 31 December 2011		**25,300**	**17,144**	**11,435**	**70,006**	**123,885**	**7,888**	**131,773**

The notes to pages 15 to 74 are an integral part of these consolidated financial statements.

Commentary – statement of changes in equity

The commentary that follows explains some of the key requirements in IAS 1, ‘Presentation of financial statements’, and other aspects that impact the statement of changes in equity.

Non-controlling interest

1p106 1. Information to be included in the statement of changes in equity includes:

(a) Total comprehensive income for the period, showing separately the total amounts attributable to equity holders of the company and to non-controlling interest.

(b) For each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8.

(c) For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(i) profit or loss;

(ii) other comprehensive income; and

(iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in loss of control.

2. IAS 1 was amended in the 2010 ‘Improvements to IFRSs’ issued in May 2010. The amendment clarifies that for each component of equity, the analysis of other comprehensive income by item may be presented either in the statement of changes in equity or disclosed within the notes. The amendment is applicable for annual periods beginning on or after 1 January 2011.

Consolidated statement of cash flows

			Year ended 31 December	
7p10, 18(b), 1p38 1p113		Note	**2011**	2010
	Cash flows from operating activities			
	Cash generated from operations	36	**56,234**	41,776
7p31	Interest paid		**(7,835)**	(14,773)
7p35	Income tax paid		**(14,317)**	(10,526)
	Net cash generated from operating activities		**34,082**	16,477
7p21, 7p10	**Cash flows from investing activities**			
7p39	Acquisition of subsidiary, net of cash acquired	39	**(3,950)**	–
7p16(a)	Purchases of property, plant and equipment (PPE)	16	**(9,505)**	(6,042)
7p16(b)	Proceeds from sale of PPE	36	**6,354**	2,979
7p16(a)	Purchases of intangible assets	17	**(3,050)**	(700)
7p16(c)	Purchases of available-for-sale financial assets	19	**(2,781)**	(1,126)
7p16(e)	Loans granted to associates	41	**(1,000)**	(50)
7p16(f)	Loan repayments received from associates	41	**14**	64
7p16(e)	Loans granted to subsidiary undertakings		–	–
7p16(f)	Loan repayments received from subsidiary undertakings		–	–
7p31	Interest received		**1,054**	1,193
7p31	Dividends received		**1,130**	1,120
	Net cash used in investing activities		**(11,734)**	(2,562)
7p21, 7p10	**Cash flows from financing activities**			
7p17(a)	Proceeds from issuance of ordinary shares	26	**950**	1,070
7p17(b)	Purchase of treasury shares	28	**(2,564)**	–
7p17(c)	Proceeds from issuance of convertible bonds	31	**50,000**	
7p17(c)	Proceeds from issuance of redeemable preference shares	31	–	30,000
7p17(c)	Proceeds from borrowings		**8,500**	18,000
7p17(d)	Repayments of borrowings		**(78,117)**	(34,674)
7p17(c)	Proceeds from loan from subsidiary undertaking		**–**	–
7p31	Dividends paid to company's shareholders	35	**(10,102)**	(15,736)
7p31	Dividends paid to holders of redeemable preferences shares		**(1,950)**	(1,950)
7p31	Dividends paid to non-controlling interests		**(1,920)**	(550)
	Net cash used in financing activities		**(35,203)**	(3,840)
	Net (decrease)/increase in cash and cash equivalents		**(12,855)**	10,075
	Cash, cash equivalents and bank overdrafts at beginning of year	24	**27,598**	17,587
	Exchange gains/(losses) on cash and cash equivalents		**535**	(64)
	Cash and cash equivalents at end of year	24	**15,278**	27,598

The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

(All amounts in C thousands unless otherwise stated)

Commentary – statement of cash flows

The commentary that follows explains some of the key requirements in IAS 7, 'Statements of cash flows'.

Reporting cash flows

Cash flows from operating activities

7p18 1. Cash flows from operating activities are reported using either:

(a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or

(b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

7p20 2. IFRS GAAP plc continues to use the indirect method. For an illustration of a statement of cash flows presented using the direct method, refer to appendix I.

Cash flows from investing and financing activities

7p21 3. Major classes of gross cash receipts and gross cash payments arising from investing and financing activities are reported separately, except to the extent that cash flows described in paragraphs 22 and 24 of IAS 7 are reported on a net basis.

Sale of property, plant and equipment held for rental to others

7p14 4. Cash flows from the sale of property, plant and equipment are normally presented as cash flows from investing activities. However, cash payments to manufacture or acquire assets that will be held for rental to others and subsequently for sale are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also therefore cash flows from operating activities.

Reporting on a net basis

7p22, 23 5. Cash flows arising from the following operating, investing or financing activities may be reported on a net basis:

(a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity (for example, rents collected on behalf of, and paid over to, the owners of properties); and

(b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short (for example, advances made for, and repayment of, principal amounts relating to credit card customers).

7p24 6. Cash flows arising from each of the following activities of a financial institution may be reported on a net basis:

(a) Cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date.

(b) The placement of deposits with, and withdrawal of deposits from, other financial institutions.

(c) Cash advances and loans made to customers and the repayment of those advances and loans.

Interest and dividends

7p31 7. Cash flows from interest and dividends received and paid are each disclosed separately. Each is classified in a consistent manner from period to period as either operating, investing or financing activities.

7p33 8. Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of net profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.

7p34 9. Dividends paid may be classified as 'financing cash flows' because they are a cost of obtaining financial resources. Alternatively, they may be classified as operating cash flows to assist users to determine the ability of an entity to pay dividends out of operating cash flows.

Income taxes

7p35 10. Cash flows arising from income taxes are separately disclosed and classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

Effects of exchange rate changes

7p28 11. Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities. It also includes the differences, if any, had those cash flows been reported at period-end exchange rates.

Additional recommended disclosures

7p50 12. Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is encouraged and may include:

7p50(a) (a) The amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.

7p50(c) (b) The aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity.

7p50(d) (c) The amount of the cash flows arising from the operating, investing and financing activities of each reportable segment (see IFRS 8, ‘Operating segments’).

(All amounts in C thousands unless otherwise stated)

Notes to the consolidated financial statements

1 General information

1p138(b)-(c) 1p51(a)(b) IFRS GAAP plc ('the company') and its subsidiaries (together, 'the group') manufacture distribute and sell shoes through a network of independent retailers. The group has manufacturing plants around the world and sells mainly in countries within the UK, the US, Europe and Russia. During the year, the group acquired control of 'ABC Group', a shoe and leather goods retailer operating in the US and most western European countries.

1p138(a) The company is a public limited company, which is listed on EuroMoney Stock Exchange and incorporated and domiciled in One-Land. The address of its registered office is Nice Walk Way, One-Land.

2 Summary of significant accounting policies

1p112(a) 1p117(b) 1p119 The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

1p116 1p117(a) The consolidated financial statements of IFRS GAAP plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

8p28 There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011that would be expected to have a material impact on the group[1].

8p30 *(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted*

IAS 19, 'Employee benefits' was amended in June 2011. The impact on the group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The group is yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

[1] A detailed list of IFRSs and IFRIC interpretations effective on or after 1 January 2011 is included as appendix III.

IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS13’s full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

1p119

2.2 Consolidation

27p12 *(a) Subsidiaries*

27p14 27p30 Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group’s voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

IFRS3p5 IFRS3p37 IFRS3p39 IFRS3p18 IFRS3p19 The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

IFRS3p53 Acquisition-related costs are expensed as incurred.

IFRS3p42 If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

IFRS3p58 Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

IFRS3p32 IFRS3B63(a), 36p80 Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

27p20 27p24 Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Changes in ownership interests in subsidiaries without change of control

27p30, 31 Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

27p34 27p35 28p18 When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1p119 *(d) Associates*

28p13 28p11 Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

28p19A If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

28p29 28p30 The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

28p31 28p33 The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

28p22 28p26 Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

1p119 2.3 Segment reporting

IFRS8p5(b) Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

1p119 2.4 Foreign currency translation

1p119 *(a) Functional and presentation currency*

21p17 21p9, 18 1p51(d) Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'currency' (C), which is the group's presentation currency.

1p119 *(b) Transactions and balances*

21p21, 28 21p32 39p95(a) 39p102(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

39AG83 Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

21p30 Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

1p119 *(c) Group companies*

21p39 The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

21p39(a) (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

21p39(b) 21p39 (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

1p79(b) (c) all resulting exchange differences are recognised in other comprehensive income.

21p47 Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

1p119 2.5 Property, plant and equipment

16p73(a) 16p35(b) 16p15 16p17 39p98(b) Land and buildings comprise mainly factories, retail outlets and offices. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

16p12 Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

16p39, 1p79(b) 1p79(b) 16p40 16p41 Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

16p73(b), 50 16p73(c) Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

■ Buildings	25-40 years
■ Machinery	10-15 years
■ Vehicles	3-5 years
■ Furniture, fittings and equipment	3-8 years

16p51 The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

36p59 An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

16p68, 71 Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

16p41, 1p79(b) When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Intangible assets

1p119 *(a) Goodwill*

IFRS3p51 38p108(a) IFRS3p54 36p124 Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over IFRS GAAP Plc's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(All amounts in C thousands unless otherwise stated)

1p119 *(b) Trademarks and licences*

38p74 38p97 38p118(a),(b) Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 to 20 years.

38p4 38p118(a),(b) Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

1p119 *(c) Computer software*

38p57 Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

38p66 Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

38p68,71 Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

38p97 38p118(a),(b) Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

1p119

2.7 Impairment of non-financial assets

36p9 36p10 Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1p119

2.8 Non-current assets (or disposal groups) held for sale

IFRS5p6, 15 Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

1p119

2.9 Financial assets

2.9.1 Classification

IFRS7p21 39p9 The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

39p9 Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

39p9 1p66, 68 Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.14 and 2.15).

(c) Available-for-sale financial assets

39p9 1p66, 68 IFRS7 AppxB5(b) Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition and measurement

39p38 IFRS7 AppxBp5 39p43 39p16 39p46 Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for- sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

39p55(a) IFRS7Appx Bp5(e) Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

39p55(b) IFRS7 AppxBp5(e) 39AG83 1p79(b) Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

39p67 When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

2.10 Offsetting financial instruments

32p42 Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

39p58 39p59 The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

IFRS7B5(f) Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

IFRS7p16 39AG84 For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

IFRS7 AppxB5(d) 39p65 If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

39p67-70 The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

1p119

2.12 Derivative financial instruments and hedging activities

IFRS7p21 IFRS7p22 Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(c) hedges of a net investment in a foreign operation (net investment hedge).

39p88 The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

IFRS7p23, 24 The fair values of various derivative instruments used for hedging purposes are disclosed in note 11. Movements on the hedging reserve in other comprehensive income are shown in note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

39p89 *(a) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

39p92 If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

39p95 *(b) Cash flow hedge*

1p79(b) The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

39p99, 100 39p98(b) Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'revenue'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

39p101 When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.

39p102 (a)(b) *(c) Net investment hedge*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

1p79(b) Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

1p119

2.13 Inventories

2p36(a), 9
2p10, 25
23p6, 7
2p28, 30
39p98(b)

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials[1].

1p119

2.14 Trade receivables

IFRS7p21

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

39p43
39p46(a)
39p59
IFRS7 AppxBp5(f)
IFRS7 AppxB p5(d)

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1p119

2.15 Cash and cash equivalents

IFRS7p21
7p45

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

1p119

2.16 Share capital

IFRS7p21
32p18(a)

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 2.18).

32p37

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

32p33

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

1p119

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

IFRS7p21
39p43

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1p119

2.18 Borrowings

IFRS7p21
39p43
39p47

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

32p18(a)
32p35

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

[1] Management may choose to keep these gains in equity until the acquired asset affects profit or loss. At this time, management should re-classify the gains to profit or loss.

(All amounts in C thousands unless otherwise stated)

1p119

2.19 Borrowing costs

23p8 General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

23p12 Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

1p119

2.20 Compound financial instruments

32p28 Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

32AG31 The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

32p36 Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

1p69, 71 Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

1p119

2.21 Current and deferred income tax

12p58 12p61A The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

12p12 12p46 The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

12p24 12p15 12p47 Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

12p24 12p34 Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

12p39 12p44 Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

12p74 Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1p119

2.22 Employee benefits

(a) Pension obligations

19p27 19p25 19p7 19p120A(b) Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

19p79 19p80 19p64 The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

19p93-93D 19p120A(a) Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

19p96 Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

19p44 For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

19p120A (a-b) Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

19p133 19p134 19p139 19p140 Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Profit-sharing and bonus plans

19p17 The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1p119

2.23 Share-based payments

IFRS2 p15(b) IFRS2p19 The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- IFRS2p21 including any market performance conditions (for example, an entity's share price);
- IFRS2p20 excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- IFRS2p21A including the impact of any non-vesting conditions (for example, the requirement for employees to save).

IFRS2p15 IFRS2p20 Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting
period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

1p119

2.24 Provisions

37p14 37p72 37p63 Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

37p24 Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

37p45 Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1p119

2.25 Revenue recognition

18p35(a) Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

18p14 *(a) Sales of goods – wholesale*

The group manufactures and sells a range of footwear products in the wholesale market. Sales of goods are recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied.

The footwear products are often sold with volume discounts; customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with the market practice.

18p14 *(b) Sales of goods – retail*

The group operates a chain of retail outlets for selling shoes and other leather products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

It is the group's policy to sell its products to the retail customer with a right to return within 28 days. Accumulated experience is used to estimate and provide for such returns at the time of sale. The group does not operate any loyalty programmes.

18p14 *(c) Internet revenue*

Revenue from the provision of the sale of goods on the internet is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Transactions are settled by credit or payment card.

Provisions are made for internet credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns.

18p20 *(d) Sales of services*

The group sells design services and transportation services to other shoe manufacturers. For sales of services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

18p30(b) *(e) Royalty income*

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

18p30(a) 2.26 Interest income

39p63 Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.27 Dividend income

Dividend income is recognised when the right to receive payment is established.

1p119 2.28 Leases

17p33
SIC-15p5 Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

17p71 The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

17p20
17p27 Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

1p119 2.29 Dividend distribution

10p12 Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

1p119 2.30 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Commentary – summary of significant accounting policies

Statement of compliance with IFRS

1p16 1. An entity whose financial statements and notes comply with IFRS makes an explicit and unreserved statement of such compliance in the notes. The financial statements and notes are not described as complying with IFRS unless they comply with all the requirements of IFRS.

2. Where an entity can make the explicit and unreserved statement of compliance in respect of only:
(a) the parent financial statements and notes, or
(b) the consolidated financial statements and notes,
it clearly identifies to which financial statements and notes the statement of compliance relates.

Summary of accounting policies

3. A summary of significant accounting policies includes:
1p117(a) (a) the measurement basis (or bases) used in preparing the financial statements; and
1p117(b) (b) the other accounting policies used that are relevant to an understanding of the financial statements.

1p116 4. The summary may be presented as a separate component of the financial statements.

1p119 5. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Some IFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, IAS 16, 'Property, plant and equipment', requires disclosure of the measurement bases used for classes of property, plant and equipment.

Changes in accounting policies

Initial application of IFRS

8p28 6. When initial application of an IFRS:

(a) has an effect on the current period or any prior period;
(b) would have such an effect except that it is impracticable to determine the amount of the adjustment; or
(c) might have an effect on future periods, an entity discloses:
    (i) the title of the IFRS;
    (ii) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
    (iii) the nature of the change in accounting policy;
    (iv) when applicable, a description of the transitional provisions;
    (v) when applicable, the transitional provisions that might have an effect on future periods;
    (vi) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
    - for each financial statement line item affected;
    - if IAS 33, 'Earnings per share', applies to the entity, for basic and diluted earnings per share;

    (vii) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
    (viii) if retrospective application required by paragraph 19(a) or (b) of IAS 8, 'Accounting policies, changes in accounting estimates and errors', is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

Voluntary change in accounting policy

8p29 7. When a voluntary change in accounting policy:

(a) has an effect on the current period or any prior period,
(b) would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or
(c) might have an effect on future periods,
an entity discloses:
    (i) the nature of the change in accounting policy;
    (ii) the reasons why applying the new accounting policy provides reliable and more relevant information;
    (iii) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
    - for each financial statement line item affected, and
    - if IAS 33 applies to the entity, for basic and diluted earnings per share;

    (iv) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
    (v) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

Change during interim periods

1p112(c) 8. There is no longer an explicit requirement to disclose the financial effect of a change in accounting policy that was made during the final interim period on prior interim financial reports of the current annual reporting period. However, where the impact on prior interim reporting periods is significant, an entity should consider explaining this fact and the financial effect.

IFRSs issued but not yet effective

8p30 9. When an entity has not applied a new IFRS that has been issued but is not yet effective, it discloses:

(a) this fact; and
(b) known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.

8p31 10. An entity considers disclosing:

(a) the title of the new IFRS;
(b) the nature of the impending change or changes in accounting policy;
(c) the date by which application of the IFRS is required;

(d) the date as at which it plans to apply it initially; and
(e) either:
  (i) a discussion of the impact that initial application of the IFRS is expected to have on the entity's financial statements, or
  (ii) if that impact is not known or reasonably estimable, a statement to that effect.

11. Our view is that disclosures in the paragraph above are not necessary in respect of standards and interpretations that are clearly not applicable to the entity (for example industry-specific standards) or that are not expected to have a material effect on the entity. Instead, disclosure should be given in respect of the developments that are, or could be, significant to the entity. Management will need to apply judgement in determining whether a standard is expected to have a material effect. The assessment of materiality should consider the impact both on previous transactions and financial position and on reasonably foreseeable future transactions. For pronouncements where there is an option that could have an impact on the entity, the management expectation on whether the entity will use the option should be disclosed.

Disclosures not illustrated in IFRS GAAP plc financial statements

For disclosures relating to IAS 29, 'Financial reporting in hyperinflationary economies', and IFRS 6, 'Exploration for and evaluation of mineral resources', please refer to PwC's *IFRS disclosure checklist 2011*.

3 Financial risk management

3.1 Financial risk factors

IFRS7p31 The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

IFRS7 p33(a) The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

IFRS7 p33(b), 22(c) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group use forward contracts, transacted with group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

IFRS7 p22(c) The group treasury's risk management policy is to hedge between 75% and 100% of anticipated cash flows (mainly export sales and purchase of inventory) in each major foreign currency for the subsequent 12 months. Approximately 90% (2010: 95%) of projected sales in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

IFRS7 p33(a)(b) IFRS7 p22(c) The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

IFRS7p40 IFRS7IG36 At 31 December 2011, if the currency had weakened/strengthened by 11% against the US dollar with all other variables held constant, post-tax profit for the year would have been C362 (2010: C51) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables, financial assets at fair value through profit or loss, debt securities classified as available-for-sale and foreign exchange losses/gains on translation of US dollar-denominated borrowings. Profit is more sensitive to movement in currency/US dollar exchange rates in 2011 than 2010 because of the increased amount of US dollar-denominated borrowings. Similarly, the impact on equity would have been C6,850 (2010: C6,650) higher/ lower due to an increase in the volume of cash flow hedging in US dollars.

At 31 December 2011, if the currency had weakened/strengthened by 4% against the UK pound with all other variables held constant, post-tax profit for the year would have been C135 (2010: C172) lower/higher, mainly as a result of foreign exchange gains/losses on translation of UK pound-denominated trade receivables, financial assets at fair value through profit or loss, debt securities classified as available-for-sale and foreign exchange losses/gains on translation of UK pound-denominated borrowings.

(ii) Price risk

IFRS7 p33(a)(b) The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The group's investments in equity of other entities that are publicly traded are included in one of the following three equity indexes: DAX equity index, Dow Jones equity index and FTSE 100 UK equity index.

IFRS7p40 IFRS7IG36 The table below summarises the impact of increases/decreases of the three equity indexes on the group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the group's equity instruments moved according to the historical correlation with the index:

	Impact on post-tax profit in C		**Impact on other components of equity in C**	
	2011	2010	**2011**	2010
Index				
DAX	**200**	120	**290**	290
Dow Jones	**150**	120	**200**	70
FTSE 100 UK	**60**	30	**160**	150

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/ decrease as a result of gains/losses on equity securities classified as available for sale.

(iii) Cash flow and fair value interest rate risk

IFRS7p33 (a)(b), IFRSp22(c) The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2011 and 2010, the group's borrowings at variable rate were denominated in the Currency and the UK pound.

IFRS7p22(b)(c) The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post tax profit of a 0.1% shift would be a maximum increase of C41 (2010: C37) or decrease of C34 (2010: C29), respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

IFRS7p22(b)(c) Based on the various scenarios, the group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

IFRS7p22(b)(c) Occasionally the group also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the 60% target.

IFRS7p40 IFRS7IG36 At 31 December 2011, if interest rates on Currency-denominated borrowings had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been C22 (2010: C21) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been C5 (2010: C3) lower/ higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale. At 31 December 2011, if interest rates on UK pound-denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, post- tax profit for the year would have been C57 (2010: C38) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been C6 (2010: C4) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale.

(b) Credit risk

IFRS7p33(a)(b) IFRS7p34(a) Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. See note 9(b) for further disclosure on credit risk.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

IFRS7 p33(a),(b) 34(a) Cash flow forecasting is performed in the operating entities of the group in and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 22) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

IFRS7 p33(a),(b) 39(c) IFRS7B11E Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the group held money market funds of C6, 312 (2010: C934) and other liquid assets of C321 (2010: C1, 400) that are expected to readily generate cash inflows for managing liquidity risk.

IFRS7p39(a)(b) The table below analyses the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows[1].

At 31 December 2011	**Less than 3 months**	**Between 3 months and 1 year[2]**	**Between 1 and 2 years[2]**	**Between 2 and 5 years[2]**	**Over 5 years[2]**
Borrowings (ex finance lease liabilities)	5,112	15,384	22,002	67,457	38,050
Finance lease liabilities	639	2,110	1,573	4,719	2,063
Trading and net settled derivative financial instruments (interest rate swaps)	280	–	10	116	41
Trade and other payables	12,543	3,125[2]	–	–	–
Financial guarantee contracts	21	–	–		
At 31 December 2010					
Borrowings (ex finance lease liability)	4,061	12,197	11,575	58,679	38,103
Finance lease liabilities	697	2,506	1,790	5,370	2,891
Trading and net settled derivative financial instruments (interest rate swaps)	317	–	15	81	50
Trade and other payables	9,214	2,304[3]	–	–	–
Financial guarantee contracts	10	–	–		

IFRS7 B10A(a) Of the C67,457 disclosed in the 2011 borrowings time band 'Between 2 and 5 years' the company intends to repay C40,000 in the first quarter of 2011 (2010: nil).

IFRS7p39(b) The group's trading portfolio derivative instruments with a negative fair value have been included at their fair value of C268 (2010: C298) within the less than three month time bucket. This is because the contractual maturities are not

[1] IFRS7 p39(a)(b) The amounts included in the table are the contractual undiscounted cash flows, except for trading derivatives, which are included at their fair value (see below). As a result, these amounts will not reconcile to the amounts disclosed on the balance sheet except for short-term payables where discounting is not applied. Entities can choose to add a reconciling column and a final total that ties into the balance sheet, if they wish.

[2] The specific time-buckets presented are not mandated by the standard but are based on a choice by management based on how the business is managed. Sufficient time buckets should be provided to give sufficient granularity to provide the reader with an understanding of the entity's liquidity.

[3] The maturity analysis applies to financial instruments only; non-financial liabilities are not therefore included.

essential for an understanding of the timing of the cash flows These contracts are managed on a net-fair value basis rather than by maturity date. Net settled derivatives comprise interest rate swaps used by the group to manage the group's interest rate profile.

IFRS7p39(b) All of the non-trading group's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of C78,756 (2010: C83,077) and undiscounted contractual cash outflows of C78,241 (2010: C83,366).

1p134,135, IG10

3.2 Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During 2011, the group's strategy, which was unchanged from 2010, was to maintain the gearing ratio within 45% to 50% and a BB credit rating. The BB credit rating has been maintained throughout the period. The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011	2010
Total borrowings (note 22)	**126,837**	114,604
Less: cash and cash equivalents (note 15)	**(17,928)**	(34,062)
Net debt	**108,909**	80,542
Total equity	**131,773**	88,946
Total capital	**240,682**	169,488
Gearing ratio	**45%**	48%

The decrease in the gearing ratio during 2011 resulted primarily from the issue of share capital as part of the consideration for the acquisition of a subsidiary (notes 17 and 39).

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

IFRS7 p27B(a) The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives	–	250	111	361
– Trading securities	11,820	–	–	11,820
Derivatives used for hedging	–	1,103	–	1,103
Available-for-sale financial assets				
– Equity securities	18,735	–	–	18,735
– Debt investments	288	347	–	635
Total assets	30,843	1,700	111	32,654
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives	–	268	–	268
Derivatives used for hedging	–	327	–	327
Total liabilities	–	595	–	595

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
– Trading derivatives	–	321	–	321
– Trading securities	7,972	–	–	7,972
Derivatives used for hedging	–	875	–	875
Available-for-sale financial assets:				
– Equity securities	14,646	–	–	14,646
– Debt investments	–	264	–	264
Total assets	22,618	1,460		24,078
Liabilities				
Financial liabilities at fair value through profit or loss:				
– Trading derivatives	–	298	–	298
Derivatives used for hedging	–	449	–	449
Total liabilities	–	747	–	747

IFRS7p27 The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily DAX, FTSE 100 and Dow Jones equity investments classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in Level 2 except for certain forward foreign exchange contracts explained below.

IFRS7p27B(c) The following table presents the changes in Level 3 instruments for the year ended 31 December 2011.

	Trading derivative's at fair value through profit or loss	Total
Opening balance	–	–
Transfers into Level 3	115	115
Gains and losses recognised in profit or loss	(4)	(4)
Closing balance	111	111
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**(4)**	**(4)**

The following table presents the changes in Level 3 instruments for the year ended 31 December 2010.

	Trading derivative's at fair value through profit or loss	Total
Opening balance	62	62
Settlements	(51)	(51)
Gains and losses recognised in profit or loss	(11)	(11)
Closing balance	–	–
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	–	–

In 2011, the group transferred a held-for-trading forward foreign exchange contract from Level 2 into Level 3. This is because the counterparty for the derivative encountered significant financial difficulties, which resulted in a significant increase to the discount rate due to increased counterparty credit risk, which is not based on observable inputs.

IFRS7 p27B(e) If the change in the credit default rate would be shifted +/- 5% the impact on profit or loss would be C20.

Commentary – financial risk management

Accounting standard for presentation and disclosure of financial instruments

IFRS7p3 1. IFRS 7, 'Financial instruments: Disclosures', applies to all reporting entities and to all types of financial instruments except:

- Those interests in subsidiaries, associates and joint ventures that are accounted for under IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', or IAS 31, 'Interests in joint ventures'. However, entities should apply IFRS 7 to an interest in a subsidiary, associate or joint venture that according to IAS 27, IAS 28 or IAS 31 is accounted for under IAS 39, 'Financial instruments: Recognition and measurement'. Entities should also apply IFRS 7 to all derivatives on interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in IAS 32, 'Financial instruments: Presentation'. .
- Employers' rights and obligations under employee benefit plans, to which IAS 19, 'Employee benefits', applies.
- Insurance contracts as defined in IFRS 4, 'Insurance contracts'. However, IFRS 7 applies to derivatives that are embedded in insurance contracts if IAS 39 requires the entity to account for them separately. It also applies to financial guarantee contracts if the issuer applies IAS 39 in recognising and measuring the contracts.
- Financial instruments, contracts and obligations under share-based payment transactions to which IFRS 2, 'Share-based payment', applies, except for contracts within the scope of paragraphs 5-7 of IAS 39, which are disclosed under IFRS 7.
- Puttable financial instruments that are required to be classified as equity instruments in accordance with paragraphs 16A and 16B or 16C and 16D of IAS 32 .

Parent entity disclosures

IFRS7 2. Where applicable, all disclosure requirements outlined in IFRS 7 should be made for both the parent and consolidated entity. The relief from making parent entity disclosures, which was previously available under IAS 30, 'Disclosures in the financial statements of banks and similar financial institutions', and IAS 32, has not been retained in IFRS 7.

Classes of financial instrument

IFRS7p6, B1-B3 3. Where IFRS 7 requires disclosures by class of financial instrument, the entity groups its financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The entity should provide sufficient information to permit reconciliation to the line items presented in the balance sheet. Guidance on classes of financial instruments and the level of required disclosures is provided in appendix B of IFRS 7.

Level of detail and selection of assumptions – information through the eyes of management

IFRS7p34(a) 4. The disclosures in relation to an entity's financial risk management should reflect the information provided internally to key management personnel. As such, the disclosures that will be provided by an entity, their level of detail and the underlying assumptions used will vary greatly from entity to entity. The disclosures in this illustrative financial statement are only one example of the kind of information that may be disclosed; the entity should consider carefully what may be appropriate in its individual circumstances.

Nature and extent of risks arising from financial instruments

IFRS7p31 IFRS8p32 5. The financial statement should include qualitative and quantitative disclosures that enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

Qualitative disclosures

IFRS7p33 6. An entity should disclose for each type of risk:

(a) the exposures to the risk and how they arise;
(b) the entity's objectives, policies and processes for managing the risk and the methods used to measure the risk; and
(c) any changes in (a) or (b) from the previous period.

Quantitative disclosures

IFRS7p34(a)(c) 7. An entity should provide for each type of risk, summary quantitative data on risk exposure at the end of the reporting period, based on information provided internally to key management personnel and any concentrations of risk. This information can be presented in narrative form as is done on pages x to x of this publication. Alternatively, entities could provide the data in a table that sets out the impact of each major risk on each type of financial instruments. This table could also be a useful tool for compiling the information that should be disclosed under paragraph 34 of IFRS 7.

IFRS7p34(b) 8. If not already provided as part of the summary quantitative data, the entity should also provide the information in paragraphs 9-15 below, unless the risk is not material.

Credit risk

IFRS7p36 IFRS7p37 9. For each class of financial instrument, the entity should disclose:

(a) the maximum exposure to credit risk and any related collateral held;
(b) information about the credit quality of financial assets that are neither past due nor impaired;
(c) an analysis of the age of financial assets that are past due but not impaired; and
(d) an analysis of financial assets that are individually determined to be impaired including the factors in determining that they are impaired.

Liquidity risk

IFRS7p34(a) IFRS7p39 10 Information about liquidity risk shall be provided by way of:

(a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities;
(b) a maturity analysis for derivative financial liabilities (see paragraph 12 below for details); and
(c) a description of how the entity manages the liquidity risk inherent in (a) and (b).

IFRS7B11F 11 In describing how liquidity risk is being managed, an entity should consider discussing whether it:

(a) has committed borrowing facilities or other lines of credit that it can access to meet liquidity needs;
(b) holds deposits at central banks to meet liquidity needs;
(c) has very diverse funding sources;
(d) has significant concentrations of liquidity risk in either its assets or its funding sources;
(e) has internal control processes and contingency plans for managing liquidity risk;
(f) has instruments that include accelerated repayment terms (for example, on the downgrade of the entity's credit rating);
(g) has instruments that could require the posting of collateral (for example, margin calls for derivatives);
(h) has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares; and
(i) has instruments that are subject to master netting agreements.

Maturity analysis

IFRS7B11B 12. The maturity analysis for derivative financial liabilities should disclose the remaining contractual maturities if these maturities are essential for an understanding of the timing of the cash flows. For example, this will be the case for interest rate swaps in a cash flow hedge of a variable rate financial asset or liability and for all loan commitments. Where the remaining contractual maturities are not essential for an understanding of the timing of the cash flows, the expected maturities may be disclosed instead.

IFRS7p39, IFRS7B11D 13. For derivative financial instruments where gross cash flows are exchanged and contractual maturities are essential to understanding, the maturity analysis should disclose the contractual amounts that are to be exchanged on a gross basis. The amount disclosed should be the amount expected to be paid in future periods, determined by reference to the conditions existing at the end of the reporting period. However, IFRS 7 does not specify whether current or forward rates should be used. We therefore recommend that entities explain which approach has been chosen. This approach should be applied consistently.

IFRS7B11 14. The specific time buckets presented are not mandated by the standard but are based on what is reported internally to the key management personnel. The entity uses judgement to determine the appropriate number of time bands.

IFRS7B11D 15. If the amounts included in the maturity tables are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings, derivative financial instruments and trade and other payables. Entities can choose to add a column with the carrying amounts that ties into the balance sheet and a reconciling column if they so wish, but this is not mandatory.

IFRS7B10A 16. If an outflow of cash could occur either significantly earlier than indicated or be for significantly different amounts from those indicated in the entity's disclosures about its exposure to liquidity risk, the entity should state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk. This disclosure is not necessary if that information is included in the contractual maturity analysis.

Financing arrangements

IFRS7p39(c) 17. Committed borrowing facilities are a major element of liquidity management. Entities should therefore consider providing information about their undrawn facilities. IAS 7, 'Statements of cash flows', also recommends disclosure of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.

Market risk

IFRS7p40(a)(b) 18. Entities should disclose a sensitivity analysis for each type of market risk (currency, interest rate and other price risk) to which an entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by 'reasonably possible' changes in the relevant risk variable, as well as the methods and assumptions used in preparing such an analysis.

IFRS7p40(c) 19. If there have been any changes in methods and assumptions from the previous period, this should be disclosed, together with the reasons for the change.

Foreign currency risk

IFRS7B23 20. Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks. Translation exposures arise from financial and non-financial items held by an entity (for example, a subsidiary) with a functional currency different from the group's presentation currency. However, foreign currency denominated inter- company receivables and payables that do not form part of a net investment in a foreign operation are included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation under IAS 21 is not fully eliminated.

Interest rate risk

21. Sensitivity to changes in interest rates is relevant to financial assets or financial liabilities bearing floating interest rates due to the risk that future cash flows will fluctuate. However, sensitivity will also be relevant to fixed rate financial assets and financial liabilities that are re-measured to fair value.

Fair value disclosures

Financial instruments carried at other than fair value

IFRS7p25
IFRS7p29 22. An entity should disclose the fair value for each class of financial assets and financial liabilities (see paragraph 3 above) in a way that permits it to be compared with its carrying amount. Fair values do not need to be disclosed for the following:

(a) when the carrying amount is a reasonable approximation of fair value;
(b) investments in equity instruments (and derivatives linked to such equity instruments) that do not have a quoted market price in an active market and that are measured at cost in accordance with IAS 39 because their fair value cannot be measured reliably; or
(c) A contract containing a discretionary participation feature (as described in IFRS 4, 'Insurance contracts') where the fair value of that feature cannot be measured reliably.

23. The information about the fair values can be provided either in a combined financial instruments note or in the individual notes. However, fair values should be separately disclosed for each class of financial instrument (see paragraph 3 above), which means that each line item in the table would have to be broken down into individual classes. For that reason, IFRS GAAP plc has chosen to provide the information in the relevant notes.

Methods and assumptions in determining fair value

IFRS7p27 24. An entity should disclose for each class of financial instruments (see paragraph 3 above) the methods and, when a valuation technique is used, the assumptions applied in determining fair values. Examples of assumptions that should be disclosed are assumptions relating to prepayment rates, rates of estimated credit losses, interest rates or discount rates. If the entity has changed a valuation technique, that fact and the reason for the change should also be disclosed.

Financial instruments measured at cost where fair value cannot be determined reliably

IFRS7p30 25. If the fair value of investments in unquoted equity instruments, derivatives linked to such equity instruments or a contract containing a discretionary participation feature (as described in IFRS 4, 'Insurance contracts') cannot be measured reliably, the entity should disclose:

(a) the fact that fair value information has not been disclosed because it cannot be measured reliably;
(b) a description of the financial instruments, their carrying amount and an explanation of why fair value cannot be measured reliably;
(c) information about the market for the instruments;
(d) information about whether and how the entity intends to dispose of the financial instruments; and
(e) if the instruments are subsequently derecognised, that fact, their carrying amount at the time of derecognition and the amount of gain or loss recognised.

Fair value measurements recognised in the balance sheet

IFRS7p27B 26. For fair value measurements recognised in the balance sheet, the entity should also disclose for each class of financial instruments:

(a) the level in the fair value hierarchy into which the fair value measurements are categorised;
(b) any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers;
(c) for fair value measurements in Level 3 of the hierarchy, a reconciliation from the beginning balances to the ending balances, showing separately changes during the period attributable to the following:
    (i) total gains or losses for the period recognised in profit or loss, together with a description of where they are presented in the statement of comprehensive income or the income statement (as applicable);
    (ii) total gains or losses recognised in other comprehensive income;
    (iii) purchases, sales issues and settlements (each type disclosed separately); and
    (iv) transfers into or out of Level 3 and the reasons for those transfers;
(d) the amount of total gains or losses for the period included in profit or loss that are attributable to gains or losses relating to assets and liabilities held at the end of the reporting period, together with a description of where the gains and losses are presented in the statement of comprehensive income or the income statement (as applicable); and
(e) for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, that fact, the effect of those changes and how the effect was calculated.

IFRS7p27A 27. Entities should classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy should have the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
(b) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).
(c) Level 3: inputs for the asset or liability that are not based on observable market data.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

Additional information where quantitative data about risk exposure is unrepresentative

IFRS7p35
IFRS7p42 28. If the quantitative data disclosed under paragraphs 7, 9, 10 and 14 above is unrepresentative of the entity's exposure to risk during the period, the entity should provide further information that is representative. If the sensitivity analyses are unrepresentative of a risk inherent in a financial instrument (for example, where the year end exposure does not reflect the exposure during the year), the entity should disclose that fact and the reason why the sensitivity analyses are unrepresentative.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1p125 4.1 Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 17).

1p129, 36p134 (f)(i)-(iii) An impairment charge of C4,650 arose in the wholesale CGU in Step-land (included in the Russian operating segment) during the course of the 2011 year, resulting in the carrying amount of the CGU being written down to its recoverable amount. If the budgeted gross margin used in the value-in-use calculation for the wholesale CGU in Step-land had been 10% lower than management's estimates at 31 December 2011 (for example, 46% instead of 56%), the group would have recognised a further impairment of goodwill by C100 and would need to reduce the carrying value of property, plant and equipment by C300.

If the estimated cost of capital used in determining the pre-tax discount rate for the wholesale CGU in Step-land had been 1% higher than management's estimates (for example, 13.8% instead of 12.8%), the group would have recognised a further impairment against goodwill of C300.

(b) Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Were the actual final outcome (on the judgement areas) of expected cash flows to differ by 10% from management's estimates, the group would need to:

- increase the income tax liability by C120 and the deferred tax liability by C230, if unfavourable; or
- decrease the income tax liability by C110 and the deferred tax liability by C215, if favourable.

(c) Fair value of derivatives and other financial instruments

IFRS7p27 The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

The carrying amount of available-for-sale financial assets would be an estimated C12 lower or C15 higher were the discount rate used in the discount cash flow analysis to differ by 10% from management's estimates.

(d) Revenue recognition

The group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver design services. Use of the percentage-of-completion method requires the group to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from management's estimates, the amount of revenue recognised in the year would be increased by C1175 if the proportion performed were increased, or would be decreased by C1160 if the proportion performed were decreased.

(e) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 33.

Were the discount rate used to differ by 10% from management's estimates, the carrying amount of pension obligations would be an estimated C425 lower or C450 higher.

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4.2 Critical judgements in applying the entity's accounting policies

(a) Revenue recognition

The group has recognised revenue amounting to C950 for sales of goods to L&Co in the UK during 2011. The buyer has the right to return the goods if their customers are dissatisfied. The group believes that, based on past experience with similar sales, the dissatisfaction rate will not exceed 3%. The group has, therefore, recognised revenue on this transaction with a corresponding provision against revenue for estimated returns. If the estimate changes by 1%, revenue will be reduced/increased by C10.

(b) Impairment of available-for-sale equity investments

The group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the group would suffer an additional loss of C1,300 in its 2011 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the income statement.

(c) Investment in Alpha Limited

Management has assessed the level of influence that the Group has on Alpha Limited and determined that it has significant influence even though the share holding is below 20% because of the board representation and contractual terms. Consequently, this investment has been classified as an associate.

5 Segment information

IFRS8p22(a) The strategic steering committee is the group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance.

IFRS8p22(a)(b) The strategic steering committee considers the business from both a geographic and product perspective. Geographically, management considers the performance in the UK, US, China, Russia and Europe. From a product perspective, management separately considers the wholesale and retail activities in these geographies. The group only has retail activities in the UK and US. The wholesale segments derive their revenue primarily from the manufacture and wholesale sale of the group's own brand of shoes, Footsy Tootsy. The UK and US retail segments derive their revenue from retail sales of shoe and leather goods including the group's own brand and other major retail shoe brands.

IFRS8 p22(a) Although the China segment does not meet the quantitative thresholds required by IFRS 8 for reportable segments, management has concluded that this segment should be reported, as it is closely monitored by the strategic steering committee as a potential growth region and is expected to materially contribute to group revenue in the future.

IFRS8p29 During 2010, US retail did not qualify as a reportable operating segment. However, with the acquisition in 2011 of ABC Group (see note 39), retail qualifies as a reportable operating segment; the comparatives have been restated.

IFRS8p16 All other segments primarily relate to the sale of design services and goods transportation services to other shoe manufacturers in the UK and Europe and wholesale shoe revenue from the Central American region. These activities are excluded from the reportable operating segments, as these activities are not reviewed by the strategic steering committee.

IFRS8p27(b), 28 The strategic steering committee assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes discontinued operations and the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

(All amounts in C thousands unless otherwise stated)

Revenue

	Year ended 31 December 2011			Year ended 31 December 2010		
	Total segment revenue	Inter-segment revenue	Revenue from external customers	Total segment revenue	Inter-segment revenue	Revenue from external customers
UK wholesale	46,638	(11,403)	**35,235**	57,284	(11,457)	**45,827**
UK retail	43,257	–	**43,257**	1,682	–	**1,682**
US wholesale	28,820	(7,364)	**21,456**	33,990	(6,798)	**27,192**
US retail	42,672	–	**42,672**	2,390	–	**2,390**
Russia	26,273	(5,255)	**21,018**	8,778	(1,756)	**7,022**
China	5,818	(1,164)	**4,654**	3,209	(642)	**2,567**
Europe	40,273	(8,055)	**32,218**	26,223	(5,245)	**20,978**
All other segments	13,155	(2,631)	**10,524**	5,724	(1,022)	**4,702**
Total	246,906	(35,872)	**211,034**	139,280	(26,920)	**112,360**

IFRS8p27(a) Sales between segments are carried out at arm's length. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

IFRS8p23

Other profit and loss disclosures[1]

	Year ended 31 December 2011					Year ended 31 December 2010		
	Depreciation and amortisation	Goodwill impairment	Restructuring costs	Income tax expense	Share of profit/ (loss) from associates	Depreciation and amortisation	Income tax expense	Share of profit/ (loss) from associates
UK wholesale	(3,226)	–	–	(2,550)	200	(3,801)	(2,772)	155
UK retail	(3,830)	–	–	(2,780)	–	(201)	(650)	–
US wholesale	(1,894)	–	–	(1,395)	–	(2,448)	–1,407)	–
US retail	(3,789)	–	–	(3,040)	–	(199)	(489)	–
Russia	(2,454)	(4,650)	(1,986)	(1,591)	–	(453)	(509)	–
China	(386)	–	–	(365)	–	(286)	(150)	–
Europe	(2,706)	–	–	(2,490)		(2,701)	(2,201)	–
All other segments	(269)	–	–	(400)	15	(138)	(492)	(10)
Total	**(18,554)**	**(4,650)**	**(1,986)**	**(14,611)**	**215**	**(10,227)**	**(8,670)**	**145**

IFRS 8p23(i) See note 7 for details of the impairment of goodwill of C4,650 in the Russian operating segment in 2011 relating to the decision to reduce manufacturing output. There has been no further impact on the measurement of the group's assets and liabilities. There was no impairment charge or restructuring costs recognised in 2010.

IFRS8p27(f) Due to the European operations utilising excess capacity in certain Russian assets that are geographically close to the European region, a portion of the depreciation charge of C197 (2010: C50) relating to the Russian assets has been allocated to the European segment to take account of this.

[1] Paragraph 23 of IFRS 8 requires disclosures of interest revenue and expense even if not included in the measure of segment profit and loss. This disclosure has not been included in the illustrative because these balances are not allocated to the segments.

IFRS8p23,24, 28(c)

Assets[1]

	Year ended 31 December 2011			Year ended 31 December 2010		
	Total assets	Investments in associates	Additions to non-current assets[2]	**Total assets**	Investments in associates	Additions to non-current assets[2]
UK wholesale	46,957	7,207	–	43,320	7,050	–
UK retail	46,197	–	35,543	9580	–	47
US wholesale	27,313	–	–	32,967	–	–
US retail	45,529	–	39,817	8,550	–	46
Russia	22,659	–	–	5,067	–	–
China	6,226	–	11,380	20,899	–	2,971
Europe	42,636	–	–	36,450	–	–
All other segments	22,184	6,166	1,500	49,270	6,194	3,678
Total	**259,701**	**13,373**	**88,240**	**206,103**	**13,244**	**6,742**
Unallocated						
Deferred tax	3,520			3,321		
Available-for-sale financial assets	19,370			14,910		
Financial assets at fair value through the profit and loss	11,820			7,972		
Derivative financial instruments	1,464			1,196		
Assets of disposal group classified as held for sale	3,333			–		
Total assets per the balance sheet	**299,208**			**233,502**		

IFRS8p27(c) The amounts provided to the strategic steering committee with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Investment in shares (classified as available-for-sale financial assets or financial assets at fair value through profit or loss) held by the group are not considered to be segment assets but rather are managed by the treasury function. The group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

Entity-wide information

IFRS8p32 Breakdown of the revenue from all services is as follows:

	2011	2010
Analysis of revenue by category:		
– Sales of goods	**202,884**	104,495
– Revenue from services	**8,000**	7,800
– Royalty income	**150**	65
Total	**211,034**	112,360

IFRS8 p33(a) The group is domiciled in the UK. The result of its revenue from external customers in the UK is C50,697 (2010: C48,951), and the total of revenue from external customers from other countries is C160,337 (2010: C63,409). The breakdown of the major component of the total of revenue from external customers from other countries is disclosed above.

IFRS8 p33(b) The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the UK is C49,696 (2010: C39,567), and the total of such non-current assets located in other countries is C146,762 (2010: C93,299).

IFRS8p34 Revenues of approximately C32,023 (2010: C28,034) are derived from a single external customer. These revenues are attributable to the US retail and UK wholesale segments.

[1] The measure of assets has been disclosed for each reportable segment as is regularly provided to the chief operating decision-maker. If the chief operating decision-maker reviews a measure of liabilities, This should also be disclosed.

[2] Additions to non-current assets exclude other than financial instruments and deferred tax assets.

(All amounts in C thousands unless otherwise stated)

6 Exceptional items

Items that are material either because of their size or their nature, are presented within their relevant consolidated income statement category and disclosed separately in the notes to the financial statements. The separate reporting of exceptional items helps provide an understanding of the group's underlying performance.

An analysis of the amount presented as exceptional item in these financial statements is given below.

	2011	**2010**
Operating items:		
– Inventory write-down	3,117	–

The inventory write-down of C3,117 relates to leather accessories that have been destroyed by fire In an accident. This amount is included within cost of sales in the income statement.

7 Other income

		2011	2010
	Gain on re-measuring existing interest in ABC Group on acquisition (note 39)	**850**	–
18p35(b)(v)	Dividend income on available-for-sale financial assets	**1,100**	883
18p35(b)(v)	Dividend income on financial assets at fair value through profit or loss	**800**	310
	Investment income	**2,750**	1,193
	Insurance reimbursement	**–**	66
	Total	**2,750**	1,259

The insurance reimbursement relates to the excess of insurance proceeds over the carrying values of goods damaged.

8 Other (losses)/gains – net

		2011	2010
IFRS7 p20(a)(i)	Financial assets at fair value through profit or loss (note 23):		
	– Fair value losses	**(508)**	(238)
	– Fair value gains	**593**	–
IFRS7 p20(a)(i)	Foreign exchange forward contracts:		
	– Held for trading	**86**	88
21p52(a)	– Net foreign exchange gains/(losses) (note 15)	**(277)**	200
IFRS7 p24(a)	Ineffectiveness on fair value hedges (note 20)	**(1)**	(1)
IFRS7 p24(b)	Ineffectiveness on cash flow hedges (note 20)	**17**	14
	Total	**(90)**	63

9 Expenses by nature

		2011	2010
1p104	Changes in inventories of finished goods and work in progress	**6,950**	(2,300)
1p104	Raw materials and consumables used	**53,302**	31,845
1p104	Employee benefit expense (note 10a)	**40,082**	15,492
1p104	Depreciation, amortisation and impairment charges (notes 16 and 17)	**23,204**	10,227
1p104	Transportation expenses	**8,584**	6,236
1p104	Advertising costs	**14,265**	6,662
1p104	Operating lease payments (note 16)	**10,604**	8,500
1p104	Other expenses	**2,799**	1,659
	Total cost of sales, distribution costs and administrative expenses	**158,284**	78,321

10 Employee benefit expense

		2011	2010
19p142	Wages and salaries, including restructuring costs C799 (2010: nil) and other termination benefits C1,600 (2010: nil) (note 34)	**28,363**	10,041
	Social security costs	**9,369**	3,802
IFRS2p51(a)	Share options granted to directors and employees (notes 27 and 28)	**690**	822
19p46	Pension costs – defined contribution plans	**756**	232
19p120A(g)	Pension costs – defined benefit plans (note 33)	**755**	488
19p120A(g)	Other post-employment benefits (note 33)	**149**	107
		40,082	15,492

11 Finance income and costs

		2011	2010
IFRS7p20(b)	Interest expense:		
	– Bank borrowings	**(5,317)**	(10,646)
	– Dividend on redeemable preference shares (note 31)	**(1,950)**	(1,950)
	– Convertible bond (note 31)	**(3,083)**	–
	– Finance lease liabilities	**(550)**	(648)
37p84(e)	– Provisions: unwinding of discount (note 34)	**(44)**	(37)
21p52(a)	Net foreign exchange gains on financing activities (note 15)	**2,594**	996
	Fair value gains on financial instruments:		
IFRS7p23(d)	– Interest rate swaps: cash flow hedges, transfer from equity	**102**	88
IFRS7p24(a)(i)	– Interest rate swaps: fair value hedges	**16**	31
IFRS7p24(a)(ii)	Fair value adjustment of bank borrowings attributable to interest rate risk	**(16)**	(31)
	Finance costs	**(8,248)**	(12,197)
	Less: amounts capitalised on qualifying assets	**75**	–
	Total finance cost	**(8,173)**	(12,197)
	Finance income:		
	– Interest income on short-term bank deposits	**550**	489
IFRS7p20(b)	– Interest income on available-for-sale financial assets	**963**	984
IFRS7p20(b)	– Interest income on loans to related parties (note 41)	**217**	136
	Finance income	**1,730**	1,609
	Net finance costs	**(6,443)**	(10,588)

12 Investments in associates

		2011	2010
	At 1 January	**13,244**	13,008
28p38	Share of profit	**215**	145
	Exchange differences (note 20)	**(74)**	105
	Other equity movements: available-for-sale investments reserve (note 29)	**(12)**	(14)
28p38	**At 31 December**	**13,373**	13,244

28p37(b) The group's share of the results of its principal associates, and its aggregated assets (including goodwill) and liabilities, are as follows[1]:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit/ (Loss)	% interest held
31 December 2010:						
– Alfa Limited	Cyprus	27,345	20,295	35,012	155	18
– Beta SA	Greece	9,573	3,379	10,001	(10)	30
		36,918	23,674	45,013	145	
31 December 2011:						
– Alfa Limited	Cyprus	32,381	25,174	31,123	200	18
– Beta SA	Greece	12,115	5,949	9,001	15	30
		44,496	**31,123**	**40,124**	**215**	

[1] An alternative method of presentation is to give the gross amounts of assets and liabilities (excluding goodwill) of associates and not of the group's share.

(All amounts in C thousands unless otherwise stated)

28p37(a) As at 31 December 2011, the fair value of the groups interest in Beta SA, which is listed on the Euro Money Stock Exchange, was C5,500 (2010: C5,000) and the carrying amount of the groups interest was C5,000 (2010: 4,500).

28p37(c) Although the group holds less than 20% of the equity shares of Alfa Limited, the group exercises significant influence by virtue of its contractual right to appoint two directors to the board of directors of that company and has the power to participate in the financial and operating policy decisions of Alfa Limited.

13 Income tax expense

		2011	2010
	Current tax:		
12p80(a)	Current tax on profits for the year	**14,082**	6,035
12p80(b)	Adjustments in respect of prior years	**150**	–
	Total current tax	**14,232**	6,035
	Deferred tax (note 32):		
12p80(c)	Origination and reversal of temporary differences	**476**	2,635
12p80(d)	Impact of change in the Euravian tax rate	**(97)**	–
	Total deferred tax	**379**	2,635
	Income tax expense	**14,611**	8,670

12p81(c) The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2011	2010
Profit before tax	**47,676**	24,918
Tax calculated at domestic tax rates applicable to profits in the respective countries	**15,453**	7,475
Tax effects of:		
– Associates' results reported net of tax	**57**	(44)
– Income not subject to tax	**(1,072)**	(212)
– Expenses not deductible for tax purposes	**1,540**	1,104
– Utilisation of previously unrecognised tax losses	**(1,450)**	–
– Tax losses for which no deferred income tax asset was recognised	**30**	347
Re-measurement of deferred tax – change in the Euravian tax rate	**(97)**	–
Adjustment in respect of prior years	**150**	–
Tax charge	**14,611**	8,670

12p81(d) The weighted average applicable tax rate was 33% (2010: 30%). The increase is caused by a change in the profitability of the group's subsidiaries in the respective countries partially offset by the impact of the reduction in the Euravian tax rate (see below).

12p81(d) During the year, as a result of the change in the Euravian corporation tax rate from 30% to 28% that was substantively enacted on 26 June 2011 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the year to 31 December 2011 has been measured using the effective rate that will apply in Euravia for the period (28.5%).[1]

[1] If the effect of the proposed changes is material, disclosure should be given of the effect of the changes, either as disclosure of events after the reporting period or as future material adjustment to the carrying amounts of assets and liabilities. This disclosure does not need to be totalled or reconciled to the income statement.

12p81(ab) The tax (charge)/credit relating to components of other comprehensive income is as follows:

		2011			2010		
		Before tax	**Tax (charge) credit**	**After tax**	**Before tax**	**Tax (charge) credit**	**After tax**
	Fair value gains:						
1p90	– Land and buildings	**1,005**	**(250)**	**–755**	1,133	(374)	759
1p90	– Available-for-sale financial assets	**560**	**(198)**	**362**	123	(61)	62
1p90	Share of other comprehensive income of associates	**(86)**	**–**	**(86)**	91	–	91
1p90	Actuarial loss on retirement benefit obligations	**–**	**–**	**–**	(705)	211	(494)
1p90	Impact of change in the Euravian tax rate on deferred tax	**–**	**(10)**	**(10)**	–	–	–
1p90	Cash flow hedges	**97**	**(33)**	**64**	(3)	–	(3)
1p90	Net investment hedge	**(45)**	**–**	**(45)**	40	–	40
1p90	Currency translation differences	**2,413**	**–**	**2,413**	(1,111)	–	(1,111)
IFRS3p59	Recycling of revaluation of previously held interest in ABC Group	**(850)**	**–**	**(850)**	850	**–**	850
	Other comprehensive income	**3,094**	**(491)**	**2,603**	418	(224)	194
	Current tax[1]		**–**			**–**	
	Deferred tax (note 32)		**(491)**			(224)	
			(491)			(224)	

12p81(a) The income tax (charged)/credited directly to equity during the year is as follows:

	2011	2010
Current tax[2]		
Share option scheme	**–**	–
Deferred tax		
Share option scheme	**30**	20
Convertible bond – equity component[3] (note 20)	**(2,328)**	–
	(2,298)	20

In addition, deferred income tax of C49 (2010: C43) was transferred from other reserves (note 29) to retained earnings (note 28). This represents deferred tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

14 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares (note 26).

		2011	2010
33p70(a)	Profit attributable to equity holders of the company	**30,517**	15,392
	Profit from discontinued operation attributable to equity holders of the company	**100**	120
	Total	**30,617**	15,512
33p70(b)	Weighted average number of ordinary shares in issue (thousands)	**23,454**	20,500

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

[1] There are no current tax items relating to other comprehensive income in these financial statements, but the line item is shown for illustrative purposes.

[2] IAS 12 requires disclosure of current tax charged/credited directly to equity, in addition to deferred tax. There are no current tax items shown directly in equity in these financial statements, but the line item is shown for illustrative purposes.

[3] It is assumed that the tax base on the convertible bond is not split between the debt and equity elements. If the tax base were split, this would impact the deferred tax position.

(All amounts in C thousands unless otherwise stated)

		2011	2010
	Earnings		
	Profit attributable to equity holders of the company	**30,517**	15,392
	Interest expense on convertible debt (net of tax)	**2,158**	–
33p70(a)	Profit used to determine diluted earnings per share	**32,675**	15,392
	Profit from discontinued operations attributable to equity holders of the company	**100**	120
		32,775	15,512
	Weighted average number of ordinary shares in issue (thousands)	**23,454**	20,500
	Adjustments for:		
	– Assumed conversion of convertible debt (thousands)	**3,030**	–
	– Share options (thousands)	**1,213**	1,329
33p70(b)	Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,697**	21,829

15 Net foreign exchange gains/(losses)

21p52(a) The exchange differences (charged)/credited to the income statement are included as follows:

	2011	2010
Other (losses)/gains – net (note 26)	**(277)**	200
Net finance costs (note 31)	**2,594**	996
Total	**2,317**	1,196

16 Property, plant and equipment

1p78(a)		Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Construction in progress	Total
16p73(d)	**At 1 January 2010**					
	Cost or valuation	39,664	71,072	20,025	–	130,761
	Accumulated depreciation	(2,333)	(17,524)	(3,690)	–	(23,547)
	Net book amount	**37,331**	**53,548**	**16,335**	**–**	**107,214**
16p73(e)	**Year ended 31 December 2010**					
	Opening net book amount	37,331	53,548	16,335	–	107,214
16p73(e)(viii)	Exchange differences	(381)	(703)	(423)	–	(1,507)
16p73(e)(iv)	Revaluation surplus (note 29)	1,133	–	–	–	1,133
16p73(e)(i)	Additions	1,588	2,970	1,484	–	6,042
16p73(e)(ix)	Disposals (note 36)	–	(2,607)	(380)	–	(2,987)
16p73(e)(vii)	Depreciation charge (note 9a)	(636)	(4,186)	(4,840)	–	(9,662)
	Closing net book amount	**39,035**	**49,022**	**12,176**	**–**	**100,233**
16p73(d)	**At 31 December 2010**				–	
	Cost or valuation	40,232	68,125	20,026	–	128,383
	Accumulated depreciation	(1,197)	(19,103)	(7,850)	–	(28,150)
	Net book amount	**39,035**	**49,022**	**12,176**	**–**	**100,233**
	Year ended 31 December 2011					
16p73(e)	Opening net book amount	39,035	49,022	12,176	–	100,233
16p73(e)(viii)	Exchange differences	846	1,280	342	–	2,468
16p73(e)(iv)	Revaluation surplus (note 29)	1,005	–	–	–	1,005
16p73(e)(iii)	Acquisition of subsidiary (note 39)	49,072	5,513	13,199	–	67,784
16p73(e)(i)	Additions	4,421	427	2,202	2,455	9,505
16p73(e)(ix)	Disposals (note 36)	(2,000)	(3,729)	(608)		(6,337)
	Transfers	1,245	–	–	(1,245)	–
16p73(e)(vii)	Depreciation charge (note 9(a))	(3,545)	(4,768)	(9,441)	–	(17,754)
IFRS5p38	Transferred to disposal group classified as held for sale	(341)	(1,222)	–	–	(1,563)
	Closing net book amount	**89,738**	**46,523**	**17,870**	**1,210**	**155,341**
16p73(d)	**At 31 December 2011**					
	Cost or valuation	93,919	58,268	26,927	1,210	180,324
	Accumulated depreciation	(4,181)	(11,745)	(9,057)	–	(24,983)
	Net book amount	**89,738**	**46,523**	**17,870**	**1,210**	**155,341**

DV Property, plant and equipment transferred to the disposal group classified as held-for-sale amounts to C1,563 and relates to assets that are used by Shoes Limited (part of the UK wholesale segment). See note 16 for further details regarding the disposal group held for sale.

16p77(a-d)
1p79(b)
An independent valuation of the group's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2011 and 2010. The valuation, which conforms to International Valuation Standards, was determined by reference to recent market transactions on arm's length terms. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'other reserves in shareholders' equity (note 29).

DV, 1p104 Depreciation expense of C8,054 (2010: C5,252) has been charged in 'cost of goods sold', C5,568 (2010: C2,410) in 'selling and marketing costs' and C4,132 (2010: C2,000) in 'administrative expenses'.

17p35(c) Lease rentals amounting to C1,172 (2010: C895) and C9,432 (2010: C7,605) relating to the lease of machinery and property, respectively, are included in the income statement (note 9).

Construction work in progress as at 31 December 2011 mainly comprises new shoe manufacturing equipment being constructed in the UK.

23p26 During the year, the group has capitalised borrowing costs amounting to 75 (2010: nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 7.5%.

16p77(e) If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2011	2010
Cost	**93,079**	37,684
Accumulated depreciation	**(6,131)**	(2,197)
Net book amount	**86,948**	35,487

16p74(a) Bank borrowings are secured on land and buildings for the value of C37,680 (2010: C51,306) (note 31).

Vehicles and machinery includes the following amounts where the group is a lessee under a finance lease:

17p31(a)

	2011	2010
Cost – capitalised finance leases	**13,996**	14,074
Accumulated depreciation	**(5,150)**	(3,926)
Net book amount	**8,846**	10,148

17p35(d) The group leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between three and 15 years, and ownership of the assets lie within the group.

(All amounts in C thousands unless otherwise stated)

17 Intangible assets

		Goodwill	Trademarks and licences	Internally generated software development costs	Total
IFRS3B67(d)(i)	**Cost**				
38p118(c)	At 1 January 2010	12,546	8,301	1,455	22,302
IFRS3 B67(d)(viii)	Exchange differences	(546)	(306)	(45)	(897)
38p118(e)(i)	Additions	–	700	–	700
	As at 31 December 2010	**12,000**	**8,695**	**1,410**	**22,105**
IFRS3 B67(d)(viii)	Exchange differences	341	96	134	571
38p118(e)(i)	Additions	–	684	2,366	3,050
IFRS3B67(d)(ii)	Acquisition of subsidiary (note 39)	4,501	4,000	–	8,501
IFRS5p38	Transferred to disposal group classified as held for sale	(100)	(1,000)		(1,100)
	As at 31 December 2011	**16,742**	**12,475**	**3,910**	**33,127**
	Accumulated amortisation and impairment				
	At 1 January 2010	–	(330)	(510)	(840)
IFRS3B67(d)(i)	Amortisation charge	–	(365)	(200)	(565)
	At 31 December 2010	**–**	**(695)**	**(710)**	**(1,405)**
IFRS3B67(d)(v)	Impairment charge	(4,650)	–	–	(4,650)
IFRS3B67(d)(i)	Amortisation charge	–	(680)	(120)	(800)
	At 31 December 2011	**(4,650)**	**(1,375)**	**(830)**	**(6,855)**
	Net book value				
	Cost	12,000	8,695	1,410	22,105
IFRS3B67 (d)(v)	Accumulated amortisation and impairment	–	(695)	(710)	(1,405)
	At 31 December 2010	**12,000**	**8,000**	**700**	**20,700**
	Cost	16,742	12,475	3,910	33,127
IFRS 3B67 (d)(v)	Accumulated amortisation and impairment	(4,650)	(1,375)	(830)	(6,855)
	At 31 December 2011	**12,092**	**11,100**	**3,080**	**26,272**

36p126(a) The carrying amount of the segment (Russia – wholesale) has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss has been included in 'cost of goods sold' in the income statement.

38p118(d) Amortisation of C40 (2010: C100) is included in the 'cost of goods sold' the income statement; C680 (2010: C365) in 'distribution costs; and C80 (2010: C100) in 'administrative expenses'.

DV The trademark transferred to the disposal group classified as held for sale relates to the Shoes Limited trademark (part of the wholesale segment), which was previously recognised by the group on the acquisition of the entity in 2006. A further net book amount of C100 transferred to the disposal group relates to goodwill. See note 25 for further details regarding the disposal group held for sale.

Impairment tests for goodwill

36p134(d) Management reviews the business performance based on geography and type of business. It has identified UK, US, China, Russia and Europe as the main geographies. There are both retail and wholesale segments in the UK and the US. In all other geographies, the group has only wholesale business. Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

36p134(a)

	Opening	Addition	Disposal	Impairment	Other adjustments	Closing
UK wholesale	6,070	–	(100)	–	285	6,255
UK retail	20	–	–	–	–	120
US wholesale	125	–	–	–	–	125
US retail	30	3,597	–	–	–	3,627
Europe wholesale	705	904	–	–	–	1,609
Russia wholesale	4,750	–	–	(4,650)	–	100
China wholesale	100	-	–	–	46	146
All other segments	200	–	–	–	10	210
Total	**12,000**	**4,501**	**(100)**	**(4,650)**	**341**	**12,092**

	Opening	Addition	Disposal	Impairment	Other adjustments	Closing
UK wholesale	6,370	–	–	–	(300)	6,070
UK retail	20	–	–	–	–	20
US wholesale	125	–	–	–	–	125
US retail	131	–	–	–	(101)	30
Europe wholesale	705	–	–	–	–	705
Russia wholesale	4,750	–	–	–	–	4,750
China wholesale	175	–	–	–	(75)	100
All other segments	270	–	–	–	(70)	200
Total	**12,546**	**–**	**–**	**–**	**(546)**	**12,000**

During 2010, US retail did not qualify as a reportable operating segment. However, with the acquisition in 2011 of ABC Group (note 39), US retail qualifies as a separate reportable operating segment; the comparatives have therefore been restated to be consistent.

36p130(e) 36p134(c) 36p134 (d)(iii) The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the shoe business in which the CGU operates.

36p134 (d)(i) The key assumptions used for value-in-use calculations in 2011 are as follows[1]:

36p134(d) 36p134(d)(iv) 36p134(d)(v) 36p130(g)

	UK wholesale	US wholesale	Europe– wholesale	Russia wholesale	China wholesale	UK retail	US retail	All other segments
Gross margin[2]	60.0%	59.0%	60.0%	55.5%	47.0%	48.0%	46.0%	46.00%
Growth rate[3]	1.8%	1.8%	1.8%	2.0%	3.0%	2.1%	2.3%	3.90%
Discount rate[4]	12.5%	12.0%	12.7%	13.8%	14.0%	14.5%	14.0%	14.80%

36p134(d)(i) The key assumptions used for value-in-use calculations in 2010 are as follows:

36p134(d) 36p134(d)(iv) 36p134(d)(v) 36p130g

	UK wholesale	US wholesale	Europe wholesale	Russia wholesale	China wholesale	UK retail	US retail	All other segments
Gross margin[2]	62.5%	61.0%	62.5%	58.0%	49.0%	50.0%	50.8%	48.0%
Growth rate[3]	2.0%	2.0%	2.0%	2.5%	3.5%	2.3%	2.5%	3.3%
Discount rate[4]	12.0%	11.5%	12.1%	13.5%	14.5%	13.0%	14.4%	13.0%

36p134 (d)(ii) These assumptions have been used for the analysis of each CGU within the operating segment.

36p134 (d)(ii) Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

36p130(a) The impairment charge arose in a wholesale CGU in Step-land (included in the Russian operating segment) following a decision in early 2011 to reduce the manufacturing output allocated to these operations (note 34). This was a result of a redefinition of the group's allocation of manufacturing volumes across all CGUs in order to benefit from advantageous market conditions. Following this decision, the group reassessed the depreciation policies of its property, plant and equipment in this country and estimated that their useful lives would not be affected. No class of

[1] Disclosure of long-term growth rates and discount rates is required. Other key assumptions are required to be disclosed and quantified where a reasonably possible change in the key assumption would remove any remaining headroom in the impairment calculation. Otherwise the additional disclosures are encouraged but not required.

[2] Budgeted gross margin.

[3] Weighted average growth rate used to extrapolate cash flows beyond the budget period.

[4] Pre-tax discount rate applied to the cash flow projections.

asset other than goodwill was impaired. The pre-tax discount rate used in the previous years for the wholesale CGU in Step-land was 13.5%.

36p134(f) In European Wholesale, the recoverable amount calculated based on value in use exceeded carrying value by C205. A reduction in gross margin of 1.5%, a fall in growth rate to 1.6% or a rise in discount rate to 10.9% would remove the remaining headroom.

18(a) Financial instruments by category

31 December 2011

IFRS7p6

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for sale	Total
Assets as per balance sheet					
Available-for-sale financial assets	–	–	–	19,370	19,370
Derivative financial instruments	–	361	1,103	–	1,464
Trade and other receivables excluding pre-payments[1]	20,787	–	–	–	20,787
Financial assets at fair value through profit or loss	–	11,820	–	–	11,820
Cash and cash equivalents	17,928	–	–	–	17,928
Total	**38,715**	**12,181**	**1,103**	**19,370**	**71,369**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	–	–	117,839	117,839
Finance lease liabilities	–	–	8,998	8,998
Derivative financial instruments	268	327	–	595
Trade and other payables excluding non-financial liabilities[2]	–	–	15,668	15,668
Total	**268**	**327**	**142,505**	**143,100**

31 December 2010

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for sale	Total
Assets as per balance sheet					
Available-for-sale financial assets	–	–	–	14,910	14,910
Derivative financial instruments	–	321	875	–	1,196
Trade and other receivables excluding prepayments[1]	18,536	–	–	–	18,536
Financial assets at fair value through profit or loss	–	7,972	–	–	7,972
Cash and cash equivalents	34,062	–	–	–	34,062
Total	**52,598**	**8,293**	**875**	**14,910**	**76,676**

[1] Pre-payments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.

[2] Non-financial liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments.

(All amounts in C thousands unless otherwise stated)

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings excluding finance lease liabilities[1]	–	–	104,006	104,006
Finance lease liabilities[1]	–	–	10,598	10,598
Derivative financial instruments	298	449	–	747
Trade and other payables excluding non-financial liabilities[2]	–	–	11,518	11,518
Total	**298**	**449**	**126,122**	**126,869**

18(b) Credit quality of financial assets

IFRS7 p36(c) The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2011	2010
Trade receivables		
Counterparties with external credit rating (Moody's)		
A	**5,895**	5,757
BB	**3,200**	3,980
BBB	**1,500**	1,830
	10,595	11,567
Counterparties without external credit rating		
Group 1	**750**	555
Group 2	**4,832**	3,596
Group 3	**1,770**	1,312
	7,352	5,463
Total unimpaired trade receivables	**17,947**	17,030
Cash at bank and short-term bank deposits[3]		
AAA	**8,790**	15,890
AA	**5,300**	7,840
A	**3,038**	9,832
	17,128	33,562
DV **Available-for-sale debt securities**		
AA	**347**	264
	347	264
DV **Derivative financial assets**		
AAA	**1,046**	826
AA	**418**	370
	1,464	1,196
Loans to related parties		
Group 2	**2,501**	1,301
Group 3	**167**	87
	2,668	1,388

- Group 1 – new customers/related parties (less than 6 months).
- Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.
- Group 3 – existing customers/related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Note: None of the loans to related parties is past due but not impaired.

[1] The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.
[2] Non-financial liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments.
[3] The rest of the balance sheet item 'cash and cash equivalents' is cash in hand.

(All amounts in C thousands unless otherwise stated)

19 Available-for-sale financial assets

		2011	2010
	At 1 January	**14,910**	14,096
	Exchange differences	**646**	(435)
	Acquisition of subsidiary (note 39)	**473**	–
	Additions	**4,037**	1,126
	Disposals	**(1,256)**	–
	Net gains/(losses) transfer from equity (note 29)	**(130)**	(152)
1p79(b)	Net gains/(losses) transfer to equity (note 29)	**690**	275
	At 31 December	**19,370**	14,910
1p66	Less: non-current portion	**(17,420)**	(14,910)
1p66	**Current portion**	**1,950**	–

IFRS7 p20(a)(ii) The group removed profits of C217 (2010: C187) and losses C87 (2010: C35) from equity into the income statement. Losses in the amount of C55 (2010: C20) were due to impairments.

IFRS7p,31, 34 Available-for-sale financial assets include the following:

	2011	2010
Listed securities:		
–Equity securities – UK	**8,335**	8,300
–Equity securities – Europe	**5,850**	2,086
–Equity securities – US	**4,550**	4,260
–Debentures with fixed interest of 6.5% and maturity date of 27 August 2013	**210**	–
–Non-cumulative 9.0% non-redeemable preference shares	**78**	–
Unlisted securities:		
–Debt securities with fixed interest ranging from 6.3% to 6.5% and maturity dates between July 2012 and May 2014	**347**	264
Total	**19,370**	14,910

IFRS7 p34(c) Available-for-sale financial assets are denominated in the following currencies:

	2011	2010
UK pound	**7,897**	8,121
Euro	**5,850**	2,086
US dollar	**4,550**	4,260
Other currencies	**1,073**	443
Total	**19,370**	14,910

IFRS7p27 The fair values of unlisted securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities (2011: 6%; 2010: 5.8%).

IFRS7 p36(a) The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available for sale.

IFRS7 p36(c) None of these financial assets is either past due or impaired.

20 Derivative financial instruments

		2011		2010	
		Assets	Liabilities	Assets	Liabilities
IFRS7 p22(a)(b)	Interest rate swaps – cash flow hedges	**351**	**110**	220	121
IFRS7 p22(a)(b)	Interest rate swaps – fair value hedges	**57**	**37**	49	11
IFRS7 p22(a)(b)	Forward foreign exchange contracts – cash flow hedges	**695**	**180**	606	317
	Forward foreign exchange contracts – held-for- trading	**361**	**268**	321	298
	Total	**1,464**	**595**	1,196	747
1p66,69	Less non-current portion:				
	Interest rate swaps – cash flow hedges	**345**	**100**	200	120
	Interest rate swaps – fair value hedges	**50**	**35**	45	9
		395	**135**	245	129
1p66,69	**Current portion**	**1,069**	**460**	951	618

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

IFRS7p24 The ineffective portion recognised in the profit or loss that arises from fair value hedges amounts to a loss of C1 (2010: loss of C1) (note 8). The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to a gain of C17 (2010: a gain of C14) (note 8). There was no ineffectiveness to be recorded from net investment in foreign entity hedges.

(a) Forward foreign exchange contracts

IFRS7p31 The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2011 were C92,370 (2010: C89,689).

IFRS7 p23(a) 39p100, 1p79(b) The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity (note 29) on forward foreign exchange contracts as of 31 December 2011 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months of the end of the reporting period unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets, in which case recognitionis over the lifetime of the asset (five to 10 years).

(b) Interest rate swaps

IFRS7p31 The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2011 were C4,314 (2010: C3,839).

IFRS7 p23(a) At 31 December 2011, the fixed interest rates vary from 6.9% to 7.4% (2010: 6.7% to 7.2%), and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity (note 29) on interest rate swap contracts as of 31 December 2011 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings (note 31).

(c) Hedge of net investment in foreign entity

IFRS7p22, 1p79(b) A proportion of the group's US dollar-denominated borrowing amounting to C321 (2010: C321) is designated as a hedge of the net investment in the group's US subsidiary. The fair value of the borrowing at 31 December 2011 was C370 (2010: C279). The foreign exchange loss of C45 (2010: gain of C40) on translation of the borrowing to currency at the end of the reporting period is recognised in other comprehensive income.

IFRS7 p36(a) The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

21 Trade and other receivables

		2011	2010
IFRS7p36, 1p77	Trade receivables	**18,174**	17,172
	Less: provision for impairment of trade receivables	**(109)**	(70)
1p78(b)	Trade receivables – net	**18,065**	17,102
1p78(b)	Prepayments	**1,300**	1,146
1p78(b), 24Rp18(b)	Receivables from related parties (note 41)	**54**	46
1p78(b), 24Rp18(b)	Loans to related parties (note 41)	**2,668**	1,388
		22,087	19,682
1p78(b), 1p66	Less non-current portion: loans to related parties	**(2,322)**	(1,352)
1p66	**Current portion**	**19,765**	18,330

All non-current receivables are due within five years from the end of the reporting period.

IFRS7p25 The fair values of trade and other receivables are as follows:

	2011	2010
Trade receivables	**18,065**	17,102
Receivables from related parties	**54**	46
Loans to related parties	**2,722**	1,398
	20,841	18,546

IFRS7p27 The fair values of loans to related parties are based on cash flows discounted using a rate based on the borrowings rate of 7.5% (2010: 7.2%). The discount rate equals to LIBOR plus appropriate credit rating.

24Rp18(b)(i) The effective interest rates on non-current receivables were as follows:

	2011	2010
Loans to related parties (note 41)	**6.5-7.0%**	6.5-7.0%

IFRS7p14 Certain European subsidiaries of the group transferred receivable balances amounting to C1,014 to a bank in exchange for cash during the year ended 31 December 2011. The transaction has been accounted for as a collateralised borrowing (note 31). In case the entities default under the loan agreement, the bank has the right to receive the cash flows from the receivables transferred. Without default, the entities will collect the receivables and allocate new receivables as collateral.

DV As of 31 December 2011, trade receivables of C17,670 (2010: C16,823) were fully performing.

IFRS7 p37(a) As of 31 December 2011, trade receivables of C277 (2010: C207) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011	2010
Up to 3 months	**177**	108
3 to 6 months	**100**	99
	277	207

IFRS7 p37(b) As of 31 December 2011, trade receivables of C227 (2010: C142) were impaired. The amount of the provision was C109 as of 31 December 2011 (2010: C70). The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2011	2010
3 to 6 months	**177**	108
Over 6 months	**50**	34
	227	142

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2011	2010
UK pound	**9,846**	8,669
Euros	**5,987**	6,365
US dollar	**6,098**	4,500
Other currencies	**156**	148
	22,087	19,682

IFRS7p16 Movements on the group provision for impairment of trade receivables are as follows:

		2011	2010
	At 1 January	**70**	38
IFRS7 p20(e)	Provision for receivables impairment	**74**	61
	Receivables written off during the year as uncollectible	**(28)**	(23)
	Unused amounts reversed	**(10)**	(8)
	Unwind of discount	**3**	2
	At 31 December	**109**	70

The creation and release of provision for impaired receivables have been included in 'other expenses' in the income statement (note 9). Unwind of discount is included in 'finance costs' in the income statement (note 11). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

IFRS7p16 The other classes within trade and other receivables do not contain impaired assets.

IFRS7 p36(a) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

22 Inventories

		2011	2010
2p36(b), 1p78(c)	Raw materials	**7,622**	7,612
	Work in progress	**1,810**	1,796
	Finished goods[1]	**15,268**	8,774
		24,700	18,182

2p36(d), 38 The cost of inventories recognised as expense and included in 'cost of sales' amounted to C60,252 (2010: C29,545).

2p36 (f)(g) The group reversed C603 of a previous inventory write-down in July 2011. The group has sold all the goods that were written down to an independent retailer in Australia at original cost. The amount reversed has been included in 'cost of sales' in the income statement.

23 Financial assets at fair value through profit or loss

		2011	2010
IFRS7p8(a), 31, 34(c)	Listed securities – held for trading		
	– Equity securities – UK	**5,850**	3,560
	– Equity securities – Europe	**4,250**	3,540
	—Equity securities – US	**1,720**	872
		11,820	7,972

7p15 Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows (note 36).

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other (losses)/gains – net' in the income statement (note 8).

IFRS7p27 The fair value of all equity securities is based on their current bid prices in an active market.

[1] Separate disclosure of finished goods at fair value less cost to sell is required, where applicable.

(All amounts in C thousands unless otherwise stated)

24 Cash and cash equivalents

	2011	2010
Cash at bank and on hand	**8,398**	28,648
Short-term bank deposits	**9,530**	5,414
Cash and cash equivalents (excluding bank overdrafts)	**17,928**	34,062

7p45 Cash and cash equivalents include the following for the purposes of the statement of cash flows:

		2011	2010
	Cash and cash equivalents	**17,928**	34,062
7p8	Bank overdrafts (note 31)	**(2,650)**	(6,464)
	Cash and cash equivalents	**15,278**	27,598

25 Non-current assets held for sale and discontinued operations

IFRS5p41 (a)(b)(d) The assets and liabilities related to company Shoes Limited (part of the UK wholesale segment) have been presented as held for sale following the approval of the group's management and shareholders on 23 September 2011 to sell company Shoes Limited in the UK. The completion date for the transaction is expected by May 2012.

		2011	2010
IFRS5p33(c)	Operating cash flows[1]	**300**	190
IFRS5p33(c)	Investing cash flows[1]	**(103)**	(20)
IFRS5p33(c)	Financing cash flows[1]	**(295)**	(66)
	Total cash flows	**(98)**	104

IFRS5p38 *(a) Assets of disposal group classified as held for sale*

	2011	2010
Property, plant and equipment	**1,563**	–
Goodwill	**100**	–
Other intangible assets	**1,000**	–
Inventory	**442**	–
Other current assets	**228**	–
Total	**3,333**	–

IFRS5p38 *(b) Liabilities of disposal group classified as held for sale*

	2011	2010
Trade and other payables	**104**	–
Other current liabilities	**20**	–
Provisions	**96**	–
Total	**220**	–

IFRS5p38 *(c) Cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held for sale*

	2011	2010
Foreign exchange translation adjustments[2]	**–**	–
Total	**–**	–

[1] Under this approach, the entity presents the statement of cash flows as if no discontinued operation has occurred and makes the required IFRS 5 para 33 disclosures in the notes. It would also be acceptable to present the three categories separately on the face of the statement of cash flows and present the line-by-line breakdown of the categories, either in the notes or on the face of the statement of cash flows. It would not be acceptable to present all cash flows from discontinued operations in one line either as investing or operating activity.

[2] IFRS 5 requires the separate presentation of any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale. There are no items recognised in equity relating to the disposal group classified as held-for-sale, but the line items are shown for illustrative purposes.

IFRS5p33(b) Analysis of the result of discontinued operations, and the result recognised on the re- measurement of assets or disposal group, is as follows[1]:

		2011	2010
	Revenue	**1,200**	1,150
	Expenses	**(960)**	(950)
	Profit before tax of discontinued operations	**240**	200
12p81(h)(ii)	Tax	**(96)**	(80)
	Profit after tax of discontinued operations	**144**	120
	Pre-tax gain/(loss) recognised on the re-measurement of assets of disposal group	**(73)**	–
12p81(h)(ii)	Tax	**29**	–
	After tax gain/(loss) recognised on the re-measurement of assets of disposal group	**(44)**	–
	Profit for the year from discontinued operations	**100**	120

26 Share capital and premium

1p79		Number of shares (thousands)	Ordinary shares	Share premium	Total
	At 1 January 2010	20,000	20,000	10,424	30,424
	Employee share option scheme:				
1p106 (d)(iii)	– Proceeds from shares issued	1,000	1,000	70	1,070
	At 31 December 2010	21,000	21,000	10,494	31,494
	Employee share option scheme:				
1p106 (d)(iii)	– Proceeds from shares issued	750	750	200	950
IFRS3 p67(d)(ii)	Acquisition of subsidiary (note 39)	3,550	3,550	6,450	10,000
1p79(a)	**At 31 December 2011**	**25,300**	**25,300**	**17,144**	**42,444**

1p79(a) The company acquired 875,000 of its own shares through purchases on the EuroMoney stock exchange on 18 April 2011. The total amount paid to acquire the shares, net of income tax, was C2,564. The shares are held as 'treasury shares'[2]. The company has the right to re-issue these shares at a later date. All shares issued by the company were fully paid.

The group issued 3,550,000 shares on 1 March 2011 (14.0% of the total ordinary share capital issued) to the shareholders of ABC group as part of the purchase consideration for 70% of its ordinary share capital. The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to C10,050 (C2.83 per share). The related transaction costs amounting to C50 have been netted off with the deemed proceeds.

27 Share-based payment

IFRS2 p45(a) Share options are granted to directors and to selected employees. The exercise price of the granted options is equal to the market price of the shares less 15% on the date of the grant. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the group achieving its target growth in earnings per share over the period of inflation plus 4%; the options have a contractual option term of five years. The group has no legal or constructive obligation to repurchase or settle the options in cash.

[1] These disclosures can also be given on the face of the primary financial statements.

[2] The accounting treatment of treasury shares should be recorded in accordance with local company law and practice. Treasury shares may be disclosed separately on the balance sheet or deducted from retained earnings or a specific reserve. Depending on local company law, the company could have the right to resell the treasury shares.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

		2011		2010	
		Average exercise price in C per share option	**Options (thousands)**	Average exercise price in C per share option	Options (thousands)
IFRS2p45(b)(i)	At 1 January	**1.73**	**4,744**	1.29	4,150
IFRS2p45(b)(ii)	Granted	**2.95**	**964**	2.38	1,827
IFRS2p45(b)(iii)	Forfeited	**2.30**	**(125)**	0.80	(33)
IFRS2p45(b)(iv)	Exercised	**1.28**	**(750)**	1.08	(1,000)
IFRS2p45(b)(v)	Expired	**–**	**–**	2.00	(200)
IFRS2p45(b)(vi)	**At 31 December**	**2.03**	**4,833**	1.73	4,744

IFRS2p45(b)(vii), IFRS2 p45(c) Out of the 4,833,000 outstanding options (2010: 4,744,000 options), 1,875,000 options (2010: 1,400,000) were exercisable. Options exercised in 2011 resulted in 750,000 shares (2010: 1,000,000 shares) being issued at a weighted average price of C1.28 each (2010: C1.08 each). The related weighted average share price at the time of exercise was C2.85 (2010: C2.65) per share. The related transaction costs amounting to C10 (2010: C10) have been netted off with the proceeds received.

IFRS2 p45(d) Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant-vest	**Expiry date – 1 July**	**Exercise price in C per share**	**Shares**	
			2011	2010
2006-9	2011	1.10	**–**	500
2007-10	2012	1.20	**800**	900
2008-11	2013	1.35	**1,075**	1,250
2009-12	2014	2.00	**217**	267
2010-13	2015	2.38	**1,777**	1,827
2011-14	2016	2.95	**964**	–
			4,833	4,744

IFRS2p46 IFRS2 p47(a) The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was C0.86 per option (2010: C0.66). The significant inputs into the model were weighted average share price of C3.47 (2010: C2.80) at the grant date, exercise price shown above, volatility of 30% (2010: 27%), dividend yield of 4.3% (2010: 3.5%), an expected option life of three years (2010: 3 years) and an annual risk-free interest rate of 5% (2010: 4%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 30a for the total expense recognised in the income statement for share options granted to directors and employees.

28 Retained earnings

1p106(d)	At 1 January 2010	48,470
	Profit for the year	15,512
1p106(d)	Dividends paid relating to 2009	(15,736)
IFRS2p50	Value of employee services[1]	822
16p41	Depreciation transfer on land and buildings net of tax	87
12p68C	Tax credit relating to share option scheme	20
19p93A	Actuarial loss on post employment benefit obligations net of tax	(494)
	At 31 December 2010	**48,681**
1p106(d)	At 1 January 2011	48,681
	Profit for the year	30,617
1p106(d)	Dividends relating to 2010	(10,102)
IFRS2p50	Value of employee services[1]	690
16p41	Depreciation transfer on land and buildings net of tax	100
12p68C	Tax credit relating to share option scheme	30
19p93A	Actuarial loss on post employment benefit obligations net of tax	–
12p81(a),(b)	Impact of change in Euravian tax rate on deferred tax	(10)
	At 31 December 2011	**70,006**

[1] The credit entry to equity in respect of the IFRS 2 charge should be recorded in accordance with local company law and practice. This may be a specific reserve, retained earnings or share capital.

29 Other reserves

		Convertible bond	Land and buildings revaluation[1]	Hedging	Treasury shares	Available-for-sale investments	Translation	Transactions with NCI	Total
	At 1 January 2010	–	1,152	65	–	1,320	2,977	–	5,514
16p39, IFRS7 p20(a)(ii)	Revaluation – gross (notes 16 and 19)	–	1,133	–	–	275	–	–	1,408
	Revaluation transfer – gross (note 19)	–		–	–	(152)	–	–	(152)
12p61A, 81(ab)	Revaluation – tax (note 13)	–	(374)	–	–	(61)	–	–	(435)
28p39	Revaluation – associates (note 12)	–	–	–	–	(14)	–	–	(14)
16p41	Depreciation transfer – gross	–	(130)	–	–	–	–	–	(130)
16p41	Depreciation transfer – tax	–	43	–	–	–	–	–	43
1p106(d)	Cash flow hedges:								
IFRS7p23(c)	– Fair value gains in year	–	–	300	–	–	–	–	300
12p61, 81(a)	– Tax on fair value gains (note 13)	–	–	(101)	–	–	–	–	(101)
IFRS7p23(d)	– Transfers to sales	–	–	(236)	–	–	–	–	(236)
12p61A, 81(ab)	– Tax on transfers to sales (note 13)	–	–	79	–	–	–	–	79
IFRS7p23(e)	– Transfers to inventory	–	–	(67)	–	–	–	–	(67)
12p61, 81(a)	– Tax on transfers to inventory (note 13)	–	–	22	–	–	–	–	22
39p102(a)	Net investment hedge (note 20)	–	–	–	–	–	40	–	40
1p106(d)	Currency translation differences:								
21p52(b)	– Group	–	(50)	–	–	–	(171)	–	(221)
28p39	– Associates	–	–	–	–	–	105	–	105
IFRS3p59	Recycling of revaluation of previously held interest in ABC Group	–	–	–	–	850	–	–	850
	At 31 December 2010	**–**	**1,774**	**62**	–	**2,218**	**2,951**	–	**7,005**
16p39, IFRS7 p20(a)(ii)	Revaluation – gross (note 16 and note 30)	–	1,005	–	–	690	–	–	1,695
	Revaluation transfer – gross (note 19)	–	–	–	–	(130)	–	–	(130)
12p61A, 81(a),(b)	Revaluation – tax (note 13)	–	(250)	–	–	(198)	–	–	(448)
28p39	Revaluation – associates (note 12)	–	–	–	–	(12)	–	–	(12)
16p41	Depreciation transfer - gross	–	(149)	–	–	–	–	–	(149)
16p41	Depreciation transfer – tax	–	49	–	–	–	–	–	49
1p96(b)	Cash flow hedges:								
IFRS7p23(c)	– Fair value gains in year	–	–	368	–	–	–	–	368
12p61A, 81(a)(b)	– Tax on fair value gains (note 13)	–	–	(123)	–	–	–	–	(123)
IFRS7p23(d)	– Transfers sales	–	–	(120)	–	–	–	–	(120)
12p61A, 81(a)(b)	– Tax on transfers to sales (note 13)	–	–	40	–	–	–	–	40
IFRS7p23(e)	– Transfers to inventory	–	–	(151)	–	–	–	–	(151)
12p61A, 81(a)(b)	– Tax on transfers to inventory (note 13)	–	–	50	–	–	–	–	50
39p102(a)	Net investment hedge (note 20)	–	–	–	–	–	(45)	–	(45)
1p106(d)	Currency translation differences:				–			–	
21p52(b)	– Group	–	15	–	–	–	2,146	–	2,161
28p39	– Associates	–	–	–	–	–	(74)	–	(74)
	Convertible bond – equity component (note 31)	7,761	–	–	–	–	–	–	7,761
12p61A, 81(a),	Tax on convertible bond (note 13)[2]	(2,328)	–	–	–	–	–	–	(2,328)

[1] An entity should disclose in its financial statements whether there are any restrictions on the distribution of the 'land and buildings' fair value reserve to the equity holders of the company (IAS16p77(f)).

[2] Temporary taxable difference for the liability component of the convertible bond in accordance with paragraph 23 of IAS 12.

(All amounts in C thousands unless otherwise stated)

		Convertible bond	Land and buildings revalu ation	Hedging	Treasury shares	Available-for-sale invest ments	Trans-lation	Trans-actions with NCI	Total
	Purchase of treasury shares	–	–	–	(2,564)	–	–	–	(2,564)
1p106(d)(iii)	Acquisition of non-controlling interest in XYZ Group (Footnote)	–	–	–	–	–	–	(400)	(400)
1p106(d)(iii)	Decrease in ownership Footnote) interest in Red Limited	–	–	–	–	–	–	(300)	(300)
IFRS3p59	Recycling of revaluation of previously held interest in ABC Group	–	–	–	–	(850)	–	–	(850)
	At 31 December 2011	**5,433**	**2,444**	**126**	**(2,564)**	**1,718**	**4,978**	**(700)**	**11,435**

Note: It is assumed that the tax base on the convertible bond is not split between the debt and equity elements. If the tax base were split, this would impact the deferred tax position.

30 Trade and other payables

		2011	2010
1p77	Trade payables	**8,983**	9,495
24p17	Amounts due to related parties (note 41)	**3,202**	1,195
	Social security and other taxes	**1,502**	960
	Other liabilities – contingent consideration (note 39)	**1,500**	–
	Accrued expenses	**1,483**	828
		16,670	12,478

31 Borrowings

	2011	2010
Non-current		
Bank borrowings	**32,193**	40,244
Convertible bond	**42,822**	–
Debentures and other loans	**3,300**	18,092
Redeemable preference shares	**30,000**	30,000
Finance lease liabilities	**6,806**	8,010
	115,121	96,346
Current		
Bank overdrafts (note 24)	**2,650**	6,464
Collateralised borrowings	**1,014**	–
Bank borrowings	**3,368**	4,598
Debentures and other loans	**2,492**	4,608
Finance lease liabilities	**2,192**	2,588
	11,716	18,258
Total borrowings	**126,837**	114,604

(a) Bank borrowings

IFRS7p31 Bank borrowings mature until 2015 and bear average coupons of 7.5% annually (2010: 7.4% annually).

IFRS7p14 Total borrowings include secured liabilities (bank and collateralised borrowings) of C37,680 (2010: C51,306). Bank borrowings are secured by the land and buildings of the group (note 16). Collateralised borrowings are secured by trade receivables (note 21).

IFRS7p31 The exposure of the group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2011	2010
6 months or less	**10,496**	16,748
6-12 months	**36,713**	29,100
1-5 years	**47,722**	38,555
Over 5 years	**31,906**	30,201
	126,837	114,604

IFRS7p25 The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2011	2010	**2011**	2010
Bank borrowings	**32,193**	40,244	**32,590**	39,960
Redeemable preference shares	**30,000**	30,000	**28,450**	28,850
Debentures and other loans	**3,300**	18,092	**3,240**	17,730
Convertible bond	**42,822**	–	**42,752**	–
Finance lease liabilities	**6,806**	8,010	**6,205**	7,990
Total	**115,121**	96,346	**113,237**	94,530

IFRS7 p29(a) IFRS7p25 The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 7.5% (2010: 7.2%).

IFRS7p31, 34(c) The carrying amounts of the group's borrowings are denominated in the following currencies:

	2011	2010
UK pound	**80,100**	80,200
Euro	**28,353**	16,142
US dollar	**17,998**	17,898
Other currencies	**386**	364
Total	**126,837**	114,604

DV7p50(a) The group has the following undrawn borrowing facilities:

	2011	2010
Floating rate:		
– Expiring within one year	**6,150**	4,100
– Expiring beyond one year	**14,000**	8,400
Fixed rate:		
– Expiring within one year	**18,750**	12,500
Total	**38,900**	25,000

The facilities expiring within one year are annual facilities subject to review at various dates during 2012. The other facilities have been arranged to help finance the proposed expansion of the group's activities in Europe.

(b) Convertible bonds

IFRS7p17 1p79(b) The company issued 500,000 5.0% convertible bonds at a par value of C50 million[1] on 2 January 2011. The bonds mature five years from the issue date at their nominal value of C50 million or can be converted into shares at the holder's option at the maturity date at the rate of 33 shares per C5,000. The values of the liability component and the equity conversion component were determined at issuance of the bond.

32p28 32p31 1p79(b) The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves (note 29), net of income taxes.

The convertible bond recognised in the balance sheet is calculated as follows:

	2011	2010
Face value of convertible bond issued on 2 January 2011	**50,000**	–
Equity component (note 29)	**(7,761)**	–
Liability component on initial recognition at 2 January 2011	**42,239**	–
Interest expense (note 11)	**3,083**	–
Interest paid	**(2,500)**	–
Liability component at 31 December 2011	**42,822**	–

12Appx BEx4

IFRS7p27 The fair value of the liability component of the convertible bond at 31 December 2011 amounted to C42,617. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 7.5%.

[1] These amounts are not in C thousands.

(c) Redeemable preference shares

32p15, 32p18(a) The group issued 30 million cumulative redeemable preference shares with a par value of C1 per share on 4 January 2010. The shares are mandatorily redeemable at their par value on 4 January 2014, and pay dividends at 6.5% annually.

10p21 On 1 February 2012, the group issued C6,777 6.5% US dollar bonds to finance its expansion programme and working capital requirements in the US. The bonds are repayable on 31 December 2015.

(d) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

17p31(b)

	2011	2010
Gross finance lease liabilities – minimum lease payments:		
– No later than 1 year	**2,749**	3,203
– Later than 1 year and no later than 5 years	**6,292**	7,160
– Later than 5 years	**2,063**	2,891
	11,104	13,254
Future finance charges on finance leases	**(2,106)**	(2,656)
Present value of finance lease liabilities	**8,998**	10,598

17p31(b) The present value of finance lease liabilities is as follows:

	2011	2010
No later than 1 year	**2,192**	2,588
Later than 1 year and no later than 5 years	**4,900**	5,287
Later than 5 years	**1,906**	2,723
	8,998	10,598

32 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

1p61

	2011	2010
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**(2,873)**	(3,257)
– Deferred tax asset to be recovered within 12 months	**(647)**	(64)
	(3,520)	(3,321)
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	**10,743**	8,016
– Deferred tax liability to be recovered within 12 months	**1,627**	1,037
	12,370	9,053
Deferred tax liabilities (net)	**8,850**	5,732

The gross movement on the deferred income tax account is as follows:

	2011	2010
At 1 January	**5,732**	3,047
Exchange differences	**(2,003)**	(154)
Acquisition of subsidiary (note 39)	**1,953**	–
Income statement charge (note 13)	**379**	2,635
Tax charge/(credit) relating to components of other comprehensive income (note 32)	**491**	224
Tax charged/(credited) directly to equity	**2,298**	(20)
At 31 December	**8,850**	5,732

12p81(g)(i)(ii) The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax liabilities	Accelerated tax depreciation	Fair value gains	Convertible bond	Other	Total
	At 1 January 2010	6,058	272	–	284	6,614
12p81(g)(ii)	Charged/(credited) to the income statement	1,786	–	–	799	2,585
12p81(ab)	Charged/(credited) to other comprehensive income	241	535	–	–	776
12p81(g)(i)	At 31 December 2010	8,085	807	–	1,083	9,975
12p81(g)(ii)	Charged/(credited) to the income statement	425	–	(193)	138	370
12p81(ab)	Charged/(credited) to other comprehensive income	(571)	(32)	–	(123)	(726)
12p81(a)	Charged directly to equity	–	–	2,328	–	2,328
	Acquisition of subsidiary	553	1,375	–	275	2,203
12p81(g)(i)	**At 31 December 2011**	**8,492**	**2,150**	**2,135**	**1,373**	**14,150**

	Deferred tax assets	Retirement benefit obligation	Provisions	Impairment losses	Tax losses	Other	Total
	At 1 January 2010	(428)	(962)	(732)	(1,072)	(373)	(3,567)
12p81(g)(ii)	Charged/(credited) to the income statement	–	181	–	–	(131)	50
12p81(ab)	Charged/(credited) to other comprehensive income	(211)	(35)	–	(460)–		(706)
12p81(a)	Charged/(credited) directly to equity	–	–	–	–	(20)	(20)
12p81(g)(i)	At 31 December 2010	(639)	(816)	(732)	(1,532)	(524)	(4,243)
	(Credited)/charged to the income statement	–	(538)	(322)	1,000	(131)	9
12p81(ab)	Charged/(credited) to other comprehensive income	10	(125)	(85)	(350)	(236)	(786)
12p81(a)	Charged/(credited) directly to equity	–	–	–	–	(30)	(30)
	Acquisition of subsidiary (note 39)	(250)	–	–	–	–	(250)
12p81(g)(i)	**At 31 December 2011**	**(879)**	**(1,479)**	**(1,139)**	**(882)**	**(921)**	**(5,300)**

12p81(e) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of C333 (2010: C1,588) in respect of losses amounting to C1,000 (2010: C5,294) that can be carried forward against future taxable income. Losses amounting to C900 (2010: C5,294) and C100 (2010: nil) expire in 2013 and 2014 respectively.

12p81(f) Deferred income tax liabilities of C3,141 (2010: C2,016) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled C30,671 at 31 December 2011 (2010: C23,294).

33 Retirement benefit obligations

		2011	2010
	Balance sheet obligations for:		
	– Pension benefits	**3,225**	1,532
	– Post-employment medical benefits	**1,410**	701
	Liability in the balance sheet	**4,635**	2,233
	Income statement charge for (note 10a):		
	– Pension benefits	**755**	488
	– Post-employment medical benefits	**149**	107
		904	595
19p120A(h)	Actuarial losses recognised in the statement of other comprehensive income in the period	**–**	705
19p120A(i)	Cumulative actuarial losses recognised in the statement of other comprehensive income	**908**	203

(a) Pension benefits

DV The group operates defined benefit pension plans in the UK and the US based on employee pensionable remuneration and length of service. The majority of plans are externally funded. Plan assets are held in trusts, foundations or similar entities, governed by local regulations and practice in each country, as is the nature of the relationship between the group and the trustees (or equivalent) and their composition.

(All amounts in C thousands unless otherwise stated)

19p120A (d)(f) The amounts recognised in the balance sheet are determined as follows:

	2011	2010
Present value of funded obligations	**6,155**	2,943
Fair value of plan assets	**(5,991)**	(2,797)
Deficit of funded plans	**164**	146
Present value of unfunded obligations	**3,206**	1,549
Unrecognised past service cost	**(145)**	(163)
Liability in the balance sheet	**3,225**	1,532

19p120A(c) The movement in the defined benefit obligation over the year is as follows:

	2011	2010
At 1 January	**4,492**	3,479
Current service cost	**751**	498
Interest cost	**431**	214
Employee contributions	**55**	30
Actuarial losses/(gains)	**(15)**	706
Exchange differences	**(61)**	(330)
Past service cost	**18**	16
Benefits paid	**(66)**	(121)
Liabilities acquired in a business combination (note 39)	**3,691**	–
Curtailments	**65**	–
Settlements [37]	**–**	–
At 31 December	**9,361**	4,492

19p120A(e) The movement in the fair value of plan assets of the year is as follows:

	2011	2010
At 1 January	**2,797**	2,264
Expected return on plan assets	**510**	240
Actuarial (losses)/gains	**(15)**	1
Exchange differences	**25**	(22)
Employer contributions	**908**	411
Employee contributions	**55**	30
Benefits paid	**(66)**	(127)
Assets acquired in a business combination (note 39)	**1,777**	–
Settlements	**–**	–
At 31 December	**5,991**	2,797

19p120A(g) The amounts recognised in the income statement are as follows:

	2011	2010
Current service cost	**751**	498
Interest cost	**431**	214
Expected return on plan assets	**(510)**	(240)
Past service cost	**18**	16
Losses on curtailment[1]	**65**	–
Total, included in staff costs (note 10a[1])	**755**	488

19p120A(g) Of the total charge, C516 (2010: C319) and C239 (2010: C169) were included in 'cost of goods sold' and 'administrative expenses' respectively.

19p120A(m) The actual return on plan assets was C495 (2010: C419).

19p120A(n) The principal actuarial assumptions were as follows:

	2011		2010	
	UK	**US**	UK	US
Discount rate	**6.0%**	**6.1%**	5.5%	5.6%
Inflation rate	**3.6%**	**3.0%**	3.3%	2.7%
Expected return on plan assets	**8.5%**	**8.3%**	8.7%	8.7%
Future salary increases	**5.0%**	**4.5%**	4.5%	4.0%
Future pension increases	**3.6%**	**2.8%**	3.1%	2.7%

[1] The gain or loss on curtailment is in principle the resulting change in surplus (or deficit) plus unrecognised past service cost attributable to the affected employees.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following post-retirement mortality tables: (i) UK: PNMA 00 and PNFA 00 with medium cohort adjustment subject to a minimum annual improvement of 1% and scaling factors of 110% for current male pensioners, 125% for current female pensioners and 105% for future male and female pensioners; and (ii) US: RP2000 with a projection period of 10-15 years.

These tables translate into an average life expectancy in years for a pensioner retiring at age 65:

	2011		2010	
	UK	**US**	UK	US
Retiring at the end of the reporting period:				
– Male	**22**	**20**	22	20
– Female	**25**	**24**	25	24
– Retiring 20 years after the end of the reporting period:				
– Male	**24**	**23**	24	23
– Female	**27**	**26**	27	26

DV The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Change in assumption	**Impact on overall liability**
Discount rate	Increase/decrease by 0.5%	Increase/decrease by 7.2%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 5.1%
Salary growth rate	Increase/decrease by 0.5%	Increase/decrease by 3.3%
Life expectancy	Increase by 1 year	Increase by 5.2%

19p122(b) *(b) Post-employment medical benefits*

The group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. The majority of these plans are unfunded.

19p120A(n) In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of 8.0% a year (2010: 7.6%).

19p120A (d)(f) The amounts recognised in the balance sheet were determined as follows:

	2011	2010
Present value of funded obligations	**705**	340
Fair value of plan assets	**(620)**	(302)
Deficit of the funded plans	**85**	38
Present value of unfunded obligations	**1,325**	663
Liability in the balance sheet	**1,410**	701

19p120A(c) Movement in the defined benefit obligation is as follows:

	2011	2010
At 1 January	**1,003**	708
Current service cost	**153**	107
Interest cost	**49**	25
Employee contributions by plan participants[1]	**–**	–
Actuarial losses/(gains)	**(2)**	204
Exchange differences	**25**	(41)
Benefits paid[2]	**–**	–
Past service costs[1]	**–**	–
Liabilities acquired in a business combination (note 39)	**802**	–
Curtailments[1]	**–**	–
Settlements[1]	**–**	–
At 31 December	**2,030**	1,003

[1] IAS 19 requires the disclosure of employee contributions, benefits paid and settlements as part of the reconciliation of the opening and closing balances of plan assets. There is no such movement on the plan assets relating to post-employment medical benefits in these financial statements, but the line items have been shown for illustrative purposes.

[2] IAS 19 requires the disclosure of employee contributions, benefits paid, past service costs, settlements and curtailments as part of the reconciliation of the opening and closing balances of the present value of the defined benefit obligation. There is no such movement on the defined benefit obligation relating to pension plans in these financial statements, but the line item has been shown for illustrative purposes.

19p120A(e) The movement in the fair value of plan assets of the year is as follows:

	2011	2010
At 1 January	**302**	207
Expected return on plan assets	**53**	25
Actuarial gains/(losses)	**(2)**	(1)
Exchange differences	**5**	(2)
Employer contributions	**185**	73
Employee contributions[1]	**–**	–
Benefits paid[2]	**–**	–
Assets acquired in a business combination (note 39)	**77**	–
Settlements[2]	–	–
At 31 December	**620**	302

19p120A(g) The amounts recognised in the income statement were as follows:

	2011	2010
Current service cost	**153**	107
Interest cost	**49**	25
Expected return on plan assets	**(53)**	(25)
Total, included in staff costs (note 30a)	**149**	107

19p120A(g) Of the total charge, C102 (2010: C71) and C47 (2010: C36) respectively were included in cost of goods sold and administrative expenses.

19p120A(m) The actual return on plan assets was C51 (2010: C24).

19p120A(o) The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	**Decrease**
Effect on the aggregate of the current service cost and interest cost	24	(20)
Effect on the defined benefit obligation	366	(313)

(c) Post-employment benefits (pension and medical)

19p120A(j) Plan assets are comprised as follows:

	2011		2010	
Equity instruments	**3,256**	**49%**	1,224	40%
Debt instruments	**1,524**	**23%**	571	18%
Property	**1,047**	**16%**	943	30%
Other	**784**	**12%**	361	12%
Total	**6,611**	**100%**	3,099	100%

DV Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities, although the group also invests in property, bonds, hedge funds and cash. The group believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% of equities held in the UK and Europe, 30% in the US and the remainder in emerging markets.

19p120A(k) Pension plan assets include the company's ordinary shares with a fair value of C136 (2010: C126) and a building occupied by the group with a fair value of C612 (2010: C609).

19p120A(l) The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting period. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

19p120(q) Expected contributions to post-employment benefit plans for the year ending 31 December 2012 are C1,150.

[1] IAS 19 requires the disclosure of employee contributions, benefits paid and settlements as part of the reconciliation of the opening and closing balances of plan assets. There is no such movement on the plan assets relating to post-employment medical benefits in these financial statements, but the line items have been shown for illustrative purposes.

[2] IAS 19 requires the disclosure of employee contributions, benefits paid, past service costs, settlements and curtailments as part of the reconciliation of the opening and closing balances of the present value of the defined benefit obligation. There is no such movement on the defined benefit obligation relating to pension plans in these financial statements, but the line item has been shown for illustrative purposes.

DV The group has agreed that it will aim to eliminate the deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed regular contribution rate is 14% of pensionable salaries in the UK and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2012. The group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

DV An alternative method of valuation to the projected unit credit method is a buy-out valuation. This assumes that the entire post-employment benefit obligation will be settled by transferring all obligations to a suitable insurer. The group estimates the amount required to settle the post- employment benefit obligation at the end of the reporting period would be C15,500.

19p120A(p)		**2011**	2010	2009	2008	2007
	At 31 December					
	Present value of defined benefit obligation	**11,391**	5,495	4,187	3,937	3,823
	Fair value of plan assets	**(6,611)**	(3,099)	(2,471)	(2,222)	(2,102)
	Deficit in the plan	**4,780**	2,396	1,716	1,715	1,721
	Experience adjustments on plan liabilities	**(17)**	910	55	18	(32)
	Experience adjustments on plan assets	**17**	–	(197)	(50)	(16)

34 Provisions for other liabilities and charges

1p78(d)		Environmental restoration	Restructuring	Legal claims	Profit-sharing and bonuses	Contingent liability arising on a business combination	Total
37p84(a)	At 1 January 2011	842	–	828	1,000	–	2,670
	Charged/(credited) to the income statement:						
37p84(b)	– Additional provisions/fair value adjustment on acquisition of ABC Group	316	1,986	2,405	500	1,000	6,207
37p84(d)	– Unused amounts reversed	(15)	–	(15)	(10)	–	(40)
37p84(e)	– Unwinding of discount	40	–	–	–	4	44
37p84(c)	Used during year	(233)	(886)	(3,059)	(990)	–	(5,168)
	Exchange differences	(7)	–	(68)	–	–	(75)
IFRS5p38	Transferred to disposal group/ classified as held for sale	(96)	–	–	–	–	(96)
37p84(a)	**At 31 December 2011**	**847**	**1,100**	**91**	**500**	**1,004**	**3,542**

Analysis of total provisions:

		2011	2010
1p69	Non-current	**1,320**	274
1p69	Current	**2,222**	2,396
	Total	**3,542**	2,670

(a) Environmental restoration

37p85 (a)-(c) The group uses various chemicals in working with leather. A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that C531 will be used during 2012 and C320 during 2013. Total expected costs to be incurred are C880 (2010: C760).

DV The provision transferred to the disposal group classified as held for sale amounts to C96 and relates to an environmental restoration provision for Shoes Limited (part of the UK wholesale segment). See note 25 for further details regarding the disposal group held for sale.

(b) Restructuring

37p85(a)-(c) The reduction of the volumes assigned to manufacturing operations in Step-land (a subsidiary) will result in the reduction of a total of 155 jobs at two factories. An agreement was reached with the local union representatives, which specifies the number of staff involved and the voluntary redundancy compensation package offered by the group, as well as amounts payable to those made redundant, before the financial year-end. The estimated staff restructuring costs to be incurred are C799 at 31 December 2011 (note 10a). Other direct costs attributable to the restructuring, including lease termination, are C1,187. These costs were fully provided for in 2011. The provision of C1,100 at 31 December 2011 is expected to be fully utilised during the first half of 2012.

36p130 A goodwill impairment charge of C4,650 was recognised in the cash-generating unit relating to Step-land as a result of this restructuring (note 17).

(c) Legal claims

37p85(a)-(c) The amounts represent a provision for certain legal claims brought against the group by customers of the US wholesale segment. The provision charge is recognised in profit or loss within 'administrative expenses'. The balance at 31 December 2011 is expected to be utilised in the first half of 2011. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2011.

(d) Profit-sharing and bonuses

19p8(c),10, DV, 37p85(a) The provision for profit-sharing and bonuses is payable within three month of finalisation of the audited financial statements.

(e) Recognised contingent liability

A contingent liability of C1,000 has been recognised on the acquisition of ABC Group for a pending lawsuit in which the entity is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by the end of 2012. The potential undiscounted amount of all future payments that the group could be required to make if there was an adverse decision related to the lawsuit is estimated to be between C500 and C1,500. As of 31 December 2011, there has been no change in the amount recognised (except for the unwinding of the discount of C4) for the liability at 31 March 2011, as there has been no change in the probability of the outcome of the lawsuit.

IFRS3B64(g), p57 The selling shareholders of ABC Group have contractually agreed to indemnify IFRS GAAP plc for the claim that may become payable in respect of the above-mentioned lawsuit. An indemnification asset of C1,000, equivalent to the fair value of the indemnified liability, has been recognised by the group. The indemnification asset is deducted from consideration transferred for the business combination. As is the case with the indemnified liability, there has been no change in the amount recognised for the indemnification asset as at 31 December 2011, as there has been no change in the range of outcomes or assumptions used to develop the estimate of the liability.

35 Dividends per share

1p107, 1p137(a) 10p12 The dividends paid in 2011 and 2010 were C10,102 (C0.48 per share) and C15,736 (C0.78 per share) respectively. A dividend in respect of the year ended 31 December 2011 of C0.51 per share, amounting to a total dividend of C12,945, is to be proposed at the annual general meeting on 30 April 2012. These financial statements do not reflect this dividend payable.

36 Cash generated from operations

		2011	2010
7p18(b), 20	Profit before income tax including discontinued operations	**47,916**	25,118
	Adjustments for:		
	– Depreciation (note 16)	**17,754**	9,662
	– Amortisation (note 17)	**800**	565
	– Goodwill impairment charge (note 17)	**4,650**	–
	– (Profit)/loss on disposal of property, plant and equipment (see below)	**(17)**	8
	– Share-based payment and increase in retirement benefit obligations	**509**	1,470
	– Fair value gains on derivative financial instruments (note 8)	**(86)**	(88)
	– Fair value (gains)/losses on financial assets at fair value through profit or loss (note 8)	**(85)**	238
	– Dividend income on available-for-sale financial assets (note 7)	**(1,100)**	(883)
	– Dividend income on financial assets at fair value through profit or loss (note 7)	**(800)**	(310)
	– Finance costs – net (note 11)	**6,443**	10,588
	– Share of loss/(profit) from associates (note 12)	**(215)**	(145)
	– Foreign exchange losses/(gains) in operating activities (note 8)	277	(200)
	Gains on revaluation of existing investments (Note 39)	(850)	
	Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
	– Inventories	**(6,077)**	(966)
	– Trade and other receivables	**(1,893)**	(2,966)
	– Financial assets at fair value through profit or loss	**(3,747)**	(858)
	– Trade and other payables	**(7,245)**	543
	Cash generated from operations	**56,234**	41,776

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2011	2010
Net book amount (note 16)	**6,337**	2,987
Profit/(loss) on disposal of property, plant and equipment	**17**	(8)
Proceeds from disposal of property, plant and equipment	**6,354**	2,979

Non-cash transactions

7p43 The principal non-cash transaction is the issue of shares as consideration for the acquisition discussed in note 39.

37 Contingencies

37p86 The group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (note 34).

38 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

		2011	2010
16p74(c)	Property, plant and equipment	**3,593**	3,667
38p122(e)	Intangible assets	**460**	474
	Total	**4,053**	4,141

(b) Operating lease commitments – group company as lessee

17p35(d) The group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between five and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

17p35(d) The group also leases various plant and machinery under cancellable operating lease agreements. The group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 9(a).

17p35(a) The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011	2010
No later than 1 year	**11,664**	10,604
Later than 1 year and no later than 5 years	**45,651**	45,651
Later than 5 years	**15,710**	27,374
Total	**73,025**	83,629

39 Business combinations

IFRS3B64(a-d) On 30 June 2010, the group acquired 15% of the share capital of ABC Group for C1,150. On 1 March 2011, the group acquired a further 55% of the share capital and obtained control of ABC Group, a shoe and leather goods retailer operating in the US and most western European countries.

IFRS3B64(e) As a result of the acquisition, the group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale. The goodwill of C 4,501 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the group and ABC Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

IFRS3B64(k) The following table summarises the consideration paid for ABC group, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

(All amounts in C thousands unless otherwise stated)

	Consideration at 1 March 2011	
IFRS3B64(f)(i), B64(f)(iv)	Cash	4,050
IFRS3B64(f)(iii)	Equity instruments (3,55m ordinary shares)	10,000
IFRS3B64(g)(i)	Contingent consideration	1,000
IFRS3B64(f)	**Total consideration transferred**	**15,050**
	Indemnification asset	(1,000)
IFRS3B64(p)(i)	Fair value of equity interest in ABC Group held before the business combination	2,000
	Total consideration	**16,050**
IFRS3B64(i)	**Recognised amounts of identifiable assets acquired and liabilities assumed**	
	Cash and cash equivalents	300
	Property, plant and equipment (note 16)	67,784
	Trademarks (included in intangibles) (note 17)	2,500
	Licences (included in intangibles) (note 17)	1,500
	Available-for-sale financial assets (note 19)	473
	Inventories	2,313
	Trade and other receivables	585
	Trade and other payables	(11,409)
	Retirement benefit obligations:	
	– Pensions (note 33)	(3,691)
	– Other post-retirement obligations (note 33)	(802)
	Borrowings	(40,509)
	Contingent liability	(1,000)
	Deferred tax liabilities (note 32)	(1,953)
	Total identifiable net assets	**16,091**
IFRS3B64(o)(i)	**Non-controlling interest**	(4,542)
	Goodwill	4,501
	Total	**16,050**

IFRS3B64(m) Acquisition-related costs of C 200 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2011.

IFRS3B64(f)(iv) IFRS3B64(m) The fair value of the 3,550 thousand ordinary shares issued as part of the consideration paid for ABC Group (C10, 050) was based on the published share price on 1 March 2011. Issuance costs totalling C50 have been netted against the deemed proceeds.

IFRS3B64(f)(iii) IFRS3B64(g) IFRS3B67(b) The contingent consideration arrangement requires the group to pay in cash the former owners of ABC Group 10% of the average profit of ABC Group for three years from 2011 - 2013, in excess of C 7,500, up to a maximum undiscounted amount of C2,500.

The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between C0 and C2,500.

The fair value of the contingent consideration arrangement of C1,000 was estimated by applying the income approach. The fair value estimates are based on a discount rate of 8% and assumed probability-adjusted profit in ABC Group of C10,000 to C20,000.

As of 31 December 2011, there was an increase of C500 recognised in the income statement for the contingent consideration arrangement, as the assumed probability-adjusted profit in ABC Group was recalculated to be approximately C20,000-30,000.

IFRS3B64(h) The fair value of trade and other receivables is C585 and includes trade receivables with a fair value of C510. The gross contractual amount for trade receivables due is C960, of which C450 is expected to be uncollectible.

IFRS3B67(a) The fair value of the acquired identifiable intangible assets of C4,000 (including trademarks and licences) is provisional pending receipt of the final valuations for those assets.

IFRS3B64(j), B67(c), 37p84, 85 A contingent liability of C1,000 has been recognised for a pending lawsuit in which ABC Group is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by the end of 2012. The potential undiscounted amount of all future payments that the group could be required to make if there was an adverse decision related to the lawsuit is estimated to be between C500 and C1,500. As of 31 December 2011, there has been no change in the amount recognised (except for unwinding of the discount C4) for the liability at 1 March 2011, as there has been no change in the range of outcomes or assumptions used to develop the estimates.

IFRS3B64(g), p57 The selling shareholders of ABC Group have contractually agreed to indemnify IFRS GAAP plc for the claim that may become payable in respect of the above-mentioned lawsuit. An indemnification asset of C1,000, equivalent to the fair value of the indemnified liability, has been recognised by the group. The indemnification asset is deducted from consideration transferred for the business combination. As is the case with the indemnified liability, there has been no change in the amount recognised for the indemnification asset as at 31 December 2011, as there has been no change in the range of outcomes or assumptions used to develop the estimate of the liability.

IFRS3B64(o) The fair value of the non-controlling interest in ABC Group, an unlisted company, was estimated by using the purchase price paid for acquisition of 55% stake in ABC group. This purchase price was adjusted for the lack of control and lack of marketability that market participants would consider when estimating the fair value of the non-controlling interest in ABC Group.

IFRS3B64(p)(ii) The group recognised a gain of C850 as a result of measuring at fair value its 15% equity interest in ABC Group held before the business combination. The gain is included in other income in the group's statement of comprehensive income for the year ended 31 December 2011.

IFRS3B64(q)(i) The revenue included in the consolidated statement of comprehensive income since 1 March 2011 contributed by ABC Group was C44,709. ABC Group also contributed profit of C12,762 over the same period.

IFRS3B64(q)(ii) Had ABC Group been consolidated from 1 January 2011, the consolidated statement of income would show revenue of C220,345 and profit of C35,565.

40 Transactions with non-controlling interests

(a) Acquisition of additional interest in a subsidiary

On 21 April 2011, the Company acquired the remaining 5% of the issued shares of XYZ group for a purchase consideration of C800. The group now holds 100% of the equity share capital of XYZ group. The carrying amount of the non-controlling interests in ABC Group on the date of acquisition was C300. The group derecognised non-controlling interests of C300and recorded a decrease in equity attributable to owners of the parent of C 200. The effect of changes in the ownership interest of XYZ group on the equity attributable to owners of the Company during the year is summarised as follows:

	2011	**2010**
Carrying amount of non-controlling interests acquired	300	–
Consideration paid to non-controlling interests	(700)	–
Excess of consideration paid recognised in parent's equity	(400)	–

(b) Disposal of interest in a subsidiary without loss of control

On 5 September 2011, the Company disposed of a 10% interest out of the 80% interest held in Red Limited at a consideration of C700. The carrying amount of the non-controlling interests in Red Limited on the date of disposal was C2,000 (representing 20% interest). This resulted in an increase in non-controlling interests of C1,000 and a decrease in equity attributable to owners of the parent of C300. The effect of changes in the ownership interest of Red Limited on the equity attributable to owners of the Company during the year is summarised as follows:

	31 December 2011	**31 December 2010**
Carrying amount of non-controlling interests disposed of	(1,000)	–
Consideration received from non-controlling interests	700	–
Gain on disposal recorded within parent's equity	**(300)**	–

There were no transactions with non-controlling interests in 2010.

27p41(e) *(c) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the year ended 31 December 2011*

	31 December 2011
Changes in equity attributable to shareholders of the Company arising from:	
– Acquisition of additional interests in subsidiary	(400)
– Disposal of interests in a subsidiary without loss of control	(300)
Net effect in equity	**(700)**

(All amounts in C thousands unless otherwise stated)

41 Related-parties

1p138(c)
24Rp13 The group is controlled by M Limited (incorporated in the UK), which owns 57% of the company's shares. The remaining 43% of the shares are widely held. The group's ultimate parent is G Limited (incorporated in the UK). The group's ultimate controlling party is Mr Power.

24Rp18, 19, 24 The following transactions were carried out with related parties:

24Rp18(a) *(a) Sales of goods and services*

	2011	2010
Sales of goods:		
– Associates	**1,002**	204
– Associates of G Limited	121	87
Sales of services:		
– Ultimate parent (legal and administration services)	**67**	127
– Close family members of the ultimate controlling party (design services)	**100**	104
Total	**1,290**	522

Goods are sold based on the price lists in force and terms that would be available to third parties[1]. Sales of services are negotiated with related parties on a cost-plus basis, allowing a margin ranging from 15% to 30% (2010: 10% to 18%).

24Rp18(a) *(b) Purchases of goods and services*

	2011	2010
Purchases of goods:		
– Associates	**3,054**	3,058
Purchases of services:		
– Entity controlled by key management personnel	**83**	70
– Immediate parent (management services)	**295**	268
Total	**3,432**	3,396

24Rp23 Goods and services are bought from associates and an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by key management personnel is a firm belonging to Mr Chamois, a non-executive director of the company. Management services are bought from the immediate parent on a cost-plus basis, allowing a margin ranging from 15% to 30% (2010: 10% to 24%).

24Rp17 *(c) Key management compensation*

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is shown below:

		2011	2010
24Rp17(a)	Salaries and other short-term employee benefits	**2,200**	1,890
24Rp17(d)	Termination benefits	**1,600**	–
24Rp17(b)	Post-employment benefits	**123**	85
24Rp17(c)	Other long-term benefits	**26**	22
24Rp17(e)	Share-based payments	**150**	107
	Total	**4,099**	2,104

(d) Year-end balances arising from sales/purchases of goods/services

	2011	2010
Receivables from related parties (note 12):		
– Associates	**26**	32
– Associates of G Limited	**24**	8
– Ultimate parent	**50**	40
– Close family members of key management personnel	**4**	6
Payables to related parties (note 21):		
– Immediate parent	**200**	190
– Associates	**2,902**	1, 005
– Entity controlled by key management personnel	**100**	–

[1] Management should disclose that related-party transactions were made on an arm's length basis only when such terms can be substantiated (24Rp23).

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2010: nil).

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

24Rp18, 1p77 *(e) Loans to related parties*

	2011	2010
Loans to key management of the company (and their families)[1]:		
At 1 January	**196**	168
Loans advanced during year	**343**	62
Loan repayments received	**(49)**	(34)
Interest charged	**30**	16
Interest received	**(30)**	(16)
At 31 December	**490**	196
Loans to associates:		
At 1 January	**1,192**	1,206
Loans advanced during year	**1,000**	50
Loan repayments received	**(14)**	(64)
Interest charged	**187**	120
Interest received	**(187)**	(120)
At 31 December	**2,178**	1,192
Total loans to related parties:		
At 1 January	**1,388**	1,374
Loans advanced during year	**1,343**	112
Loan repayments received	**(63)**	(98)
Interest charged	**217**	136
Interest received (note 11)	**(217)**	(136)
At 31 December (note 21)	**2,668**	1,388

24Rp18(b)(i) The loans advanced to key management have the following terms and conditions:

Name of key management	**Amount of loan**	**Term**	**Interest rate**
2011			
Mr Brown	173	Repayable monthly over 2 years	6.3%
Mr White	170	Repayable monthly over 2 years	6.3%
2010			
Mr Black	20	Repayable monthly over 2 years	6.5%
Mr White	42	Repayable monthly over 1 year	6.5%

IFRS7p15 Certain loans advanced to associates during the year amounting to C1,500 (2010: C500) are collateralised by shares in listed companies. The fair value of these shares was C65 at the end of the reporting period (2010: C590).

The loans to associates are due on 1 January 2012 and carry interest at 7.0% (2010:8%). The fair values and the effective interest rates of loans to associates are disclosed in note 21.

24Rp18(c) No provision was required in 2011 (2010: nil) for the loans made to key management personnel and associates.

[1] None of the loans made to members of key management has been made to directors.

(All amounts in C thousands unless otherwise stated)

42 Events after the reporting period

(a) Business combinations

10p21, IFRS3 B64(a)-(d) The group acquired 100% of the share capital of K&Co, a group of companies specialising in the manufacture of shoes for extreme sports, for a cash consideration of C5, 950 on 1 February 2012.

Details of net assets acquired and goodwill are as follows:

		2011
IFRS3B64 (f),(i)	Purchase consideration:	
	– Cash paid	**5,950**
IFRS3B64(m)	– Direct cost relating to the acquisition – charged in the income statement	**150**
7p40(a)	Total purchase consideration	**5,950**
	Fair value of assets acquired (see below)	**(5,145)**
	Goodwill	**805**

IFRS3B64(e) The above goodwill is attributable to K&Co's strong position and profitability in trading in the niche market for extreme-sports equipment.

IFRS3B64(i) The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	Fair value
Cash and cash equivalents	195
Property, plant and equipment	29,056
Trademarks	1,000
Licences	700
Customer relationships	1,850
Favourable lease agreements	800
Inventories	995
Trade and other receivables	855
Trade and other payables	(9,646)
Retirement benefit obligations	(1,425)
Borrowings	(19,259)
Deferred tax assets	24
Net assets acquired	**5,145**

(b) Associates

10p21 The group acquired 40% of the share capital of L&Co, a group of companies specialising in the manufacture of leisure shoes, for a cash consideration of C2,050 on 25 January 2012.

Details of net assets acquired and goodwill are as follows:

	2011
Purchase consideration:	
– Cash paid	2,050
– Direct cost relating to the acquisition	70
Total purchase consideration	2,120
Share of fair value of net assets acquired (see below)	(2,000)
Goodwill	**120**

DV The goodwill is attributable to L&Co's strong position and profitability in trading in the market of leisure shoes and to its workforce, which cannot be separately recognised as an intangible asset.

DV The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	Fair value
Contractual customer relationships	380
Property, plant and equipment	3,200
Inventory	500
Cash	220
Trade creditors	(420)
Borrowings	(1,880)
Net assets acquired	**2,000**

(c) Equity transactions

10p21 33p71(e) 10p21, 22(f) On 1 January 2012, 1,200 thousand share options were granted to directors and employees with an exercise price set at the market share prices less 15% on that date of C3.13 per share (share price: C3.68) (expiry date: 31 December 2016).

The company re-issued 500,000 treasury shares for a total consideration of C1, 500 on 15 January 2012.

(d) Borrowings

10p21 On 1 February 2012, the group issued C6,777 6.5% US dollar bonds to finance its expansion programme and working capital requirements in the US. The bonds are repayable on 31 December 2016.

(All amounts in C thousands unless otherwise stated)

Independent auditor's report to the shareholders of IFRS GAAP plc

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of IFRS GAAP plc, which comprise the consolidated balance sheet as at 31 December 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs)[1], and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view[2] in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view[3] of the financial position of IFRS GAAP plc and its subsidiaries as at 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Report on other legal and regulatory requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities, if any.]

Auditor's signature
Date of the auditor's report
Auditor's address

[The format of the audit report will need to be tailored to reflect the legal framework of particular countries. In certain countries, the audit report covers both the current year and the comparative year.]

[1] This can be changed to say, 'Management is responsible for the preparation and fair presentation of these financial statements in accordance...' where the term 'true and fair view' is not used.

[2] This can be changed to say '...relevant to the entity's preparation and fair presentation of the consolidated financial statements in order...' where the term 'true and fair view' is not used.

[3] The term 'give a true and fair view' can be changed to 'present fairly, in all material aspects'.

Appendix I – Operating and financial review; management commentary

International Organization of Securities Commissions

In 1998, the International Organization of Securities Commissions (IOSCO) issued 'International disclosure standards for cross-border offerings and initial listings by foreign issuers', comprising recommended disclosure standards, including an operating and financial review and discussion of future prospects. IOSCO standards for prospectuses are not mandatory, but they are increasingly incorporated in national stock exchange requirements for prospectuses and annual reports. The text of IOSCO's standard on operating and financial reviews and prospects is reproduced below. Although the standard refers to a 'company' throughout, we consider that, where a company has subsidiaries, it should be applied to the group.

Standard

Discuss the company's financial condition, changes in financial condition and results of operations for each year and interim period for which financial statements are required, including the causes of material changes from year to year in financial statement line items, to the extent necessary for an understanding of the company's business as a whole. Information provided also shall relate to all separate segments of the group. Provide the information specified below as well as such other information that is necessary for an investor's understanding of the company's financial condition, changes in financial condition and results of operations.

A Operating results. Provide information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the company's income from operations, indicating the extent to which income was so affected. Describe any other significant component of revenue or expenses necessary to understand the company's results of operations.

(1) To the extent that the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the extent to which such changes are attributable to changes in prices or to changes in the volume or amount of products or services being sold or to the introduction of new products or services.

(2) Describe the impact of inflation, if material. If the currency in which financial statements are presented is of a country that has experienced hyperinflation, the existence of such inflation, a five-year history of the annual rate of inflation and a discussion of the impact of hyperinflation on the company's business shall be disclosed.

(3) Provide information regarding the impact of foreign currency fluctuations on the company, if material, and the extent to which foreign currency net investments are hedged by currency borrowings and other hedging instruments.

(4) Provide information regarding any governmental economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the company's operations or investments by host country shareholders.

B Liquidity and capital resources. The following information shall be provided:

(1) Information regarding the company's liquidity (both short and long term), including:

(a) a description of the internal and external sources of liquidity and a brief discussion of any material unused sources of liquidity. Include a statement by the company that, in its opinion, the working capital is sufficient for the company's present requirements, or, if not, how it proposes to provide the additional working capital needed.

(b) an evaluation of the sources and amounts of the company's cash flows, including the nature and extent of any legal or economic restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends, loans or advances and the impact such restrictions have had or are expected to have on the ability of the company to meet its cash obligations.

(c) information on the level of borrowings at the end of the period under review, the seasonality of borrowing requirements and the maturity profile of borrowings and committed borrowing facilities, with a description of any restrictions on their use.

(2) Information regarding the type of financial instruments used, the maturity profile of debt, currency and interest rate structure. The discussion also should include funding and treasury policies and objectives in terms of the manner in which treasury activities are controlled, the currencies in which cash and cash equivalents are held, the extent to which borrowings are at fixed rates, and the use of financial instruments for hedging purposes.

(3) Information regarding the company's material commitments for capital expenditures as of the end of the latest financial year and any subsequent interim period and an indication of the general purpose of such commitments and the anticipated sources of funds needed to fulfil such commitments.

C Research and development, patents and licenses, etc. Provide a description of the company's research and development policies for the last three years, where it is significant, including the amount spent during each of the last three financial years on group-sponsored research and development activities.

D Trend information. The group should identify the most significant recent trends in production, sales and inventory, the state of the order book and costs and selling prices since the latest financial year. The group also should discuss, for at least the current financial year, any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the group's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

(All amounts in C thousands unless otherwise stated)

Management commentary

The IASB issued a non-mandatory practice statement on management commentary in December 2010 that provides principles for the presentation of a narrative report on an entity's financial performance, position and cash flows.

The IASB's practice statement provides a broad framework of principles, qualitative characteristics and elements that might be used to provide users of financial reports with decision-useful information. The practice statement recommends that the commentary is entity-specific and may include the following components:

- A description of the business including discussion of matters such as the industries, markets and competitive position; legal, regulatory and macro-economic environment; and the entity's structure and economic model.
- Management's objectives and strategies to help users understand the priorities for action and the resources that must be managed to deliver results.
- The critical financial and non-financial resources available to the entity and how those resources are used in meeting management's objectives for the entity.
- The principal risks, and management's plans and strategies for managing those risks, and the effectiveness of those strategies.
- The performance and development of the entity to provide insights into the trends and factors affecting the business and to help users understand the extent to which past performance may be indicative of future performance.
- The performance measures that management uses to evaluate the entity's performance against its objectives, which helps users to assess the degree to which goals and objectives are being achieved.

Appendix II – Alternative presentation of primary statements

Consolidated statement of cash flows – direct method

IAS 7 encourages the use of the 'direct method' for the presentation of cash flows from operating activities. The presentation of cash flows from operating activities using the direct method in accordance with IAS 7p18 is as follows:

Consolidated statement of cash flows

1p113, 7p10			**Year ended 31 December**	
		Note	**2011**	2010
7p18(a)	**Cash flows from operating activities**			
	Cash receipts from customers		**212,847**	114,451
	Cash paid to suppliers and employees		**(156,613)**	(72,675)
	Cash generated from operations		**56,234**	41,776
	Interest paid		**(7,835)**	14,773)
	Income taxes paid		**(14,317)**	(10,526)
	Net cash flows from operating activities		**34,082**	16,477
7p21	**Cash flows from investing activities**			
7p39	Acquisition of subsidiary, net of cash acquired	39	**(3,950)**	–
7p16(a)	Purchases of property, plant and equipment (PPE)	6	**(9,755)**	(6,042)
7p16(b)	Proceeds from sale of PPE	36	**6,354**	2,979
7p16(a)	Purchases of intangible assets	7	**(3,050)**	(700)
7p16(c)	Purchases of available-for-sale financial assets	10	**(2,781)**	(1,126)
7p16(e)	Loans granted to associates	40	**(1,000)**	(50)
7p16(f)	Loan repayments received from associates	40	**14**	64
7p31	Interest received		**1,254**	1,193
7p31	Dividends received		**1,180**	1,120
	Net cash used in investing activities		**(11,734)**	(2,562)
7p21	**Cash flows from financing activities**			
7p17(a)	Proceeds from issuance of ordinary shares	17	**950**	1,070
7p17(b)	Purchase of treasury shares	17	**(2,564)**	–
7p17(c)	Proceeds from issuance of convertible bond		**50,000**	–
7p17(c)	Proceeds from issuance of redeemable preference shares		**–**	30,000
7p17(c)	Proceeds from borrowings		**8,500**	18,000
7p17(d)	Repayments of borrowings		**(78,117)**	(34,674)
7p31	Dividends paid to group shareholders		**(10,102)**	(15,736)
7p31	Dividends paid to holders of redeemable preference shares		**(1,950)**	(1,950)
7p31	Dividends paid to non-controlling interests		**(1,920)**	(550)
	Net cash used in financing activities		**(35,203)**	(3,840)
	Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(12,855)**	10,075
	Cash, cash equivalents and bank overdrafts at beginning of the year		**27,598**	17,587
	Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		**535**	(64)
	Cash, cash equivalents and bank overdrafts at end of the year	15	**15,278**	27,598

The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

(All amounts in C thousands unless otherwise stated)

Consolidated statement of comprehensive income – single statement, showing expenses by function

			Year ended 31 December	
1p10(b),81(a)		Note	2011	2010
	Continuing operations			
1p82(a), 103	Revenue	5	**211,034**	112,360
1p99,103	Cost of sales		**(77,366)**	(46,68)
1p103	**Gross profit**		**133,668**	65,678
1p99, 103	Distribution costs		**(52,140)**	(21,213)
1p99, 103	Administrative expenses		**(28,778)**	(10,426)
1p99, 103	Other income	27	**2,750**	1,259
1p85	Other (losses)/gains – net	26	**(90)**	63
1p85	Loss on expropriated land	28	**(1,117)**	–
1p85	**Operating profit**		**54,293**	35,361
1p85	Finance income	31	**1,730**	1,609
1p82(b)	Finance cost	31	**(8,173)**	(12,197)
1p85	Finance costs – net	31	**(6,443)**	(10,558)
1p82(c)	Share of (loss)/profit of associates	8	**(174)**	145
1p85	**Profit before income tax**		**47,676**	24,918
1p82(d), 12p77	Income tax expense	32	**(14,611)**	(8,670)
1p85	Profit for the year from continuing operations	16	**33,065**	16,248
IFRS5p34,	**Discontinued operations:**			
	Profit for the year from discontinued operations		**100**	120
1p82(f)	**Profit for the year**		**33,165**	16,368
1p82(g),	**Other comprehensive income:**			
1p82(g),	Gains on revaluation of land and buildings	20	**–**	1,133
IFRS7p20(a)(ii)	Available-for-sale financial assets	20	**560**	123
28p39, 1p82(h)	Share of other comprehensive income of associates	20	**(12)**	(14)
1p82(g),				
19p93B	Actuarial loss on retirement benefit obligations		**–**	(70)
12p80(d)	Impact of change in the Euravian tax rate on deferred tax	23	**(10)**	
IFRS7p23(c)	Cash flow hedges	20	**97**	(3)
1p82(g)	Net investment hedge	20	**(45)**	40
1p82(g)	Currency translation differences	20	**2,244**	(156)
1p91(b)	Income tax relating to components of other comprehensive income		**(231)**	(224)
	Other comprehensive income for the year, net of tax		**2,603**	194
1p82(i)	**Total comprehensive income for the year**		**35,768**	16,562
1p83(a)	**Profit attributable to:**			
1p83(a)(ii)	Equity holders of the company		**30,617**	15,512
1p83(a)(i)				
27p27	Non-controlling interest		**2,548**	856
			33,165	16,368
1p83(b)	**Total comprehensive income attributable to:**			
1p83(b)(ii)	Equity holders of the company		**32,968**	15,746
1p83(b)(i)	Non-controlling interest		**2,800**	816
			35,768	16,562
	Total comprehensive income attributable to equity shareholders arises from:			
	Continuing operations		**32,868**	15,626
IFRS5p33(d)	Discontinued operations	16	**100**	120
			32,968	15,746

(All amounts in C thousands unless otherwise stated)

Earnings per share from continuing and discontinued operations to the equity holders of the company during the year
(expressed in C per share)

			2011	2010
	Basic earnings per share			
33p66	From continuing operations	34	**1.26**	0.75
33p68	From discontinued operations		**0.01**	0.01
			1.27	0.76
	Diluted earnings per share[1]			
33p66	From continuing operations	34	**1.15**	0.71
33p68	From discontinued operations		**0.01**	0.01
			1.16	0.72

The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

[1] EPS for discontinued operations may be given in the notes to the accounts instead of the face of the income statement. The income tax effect has been presented on an aggregate basis; therefore an additional note disclosure resents the income tax effect of each component. Alternatively, this information could be presented within the statement of comprehensive income.

(All amounts in C thousands unless otherwise stated)

Appendix III – Areas not illustrated in financial statements of IFRS GAAP plc

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1 Biological assets

Note 1 – General information

1p138(b), 41p46(a) The group is engaged in the business of farming sheep and poultry, primarily for sale to meat processors. The group earns ancillary income from various agricultural produce, such as wool.

Note 2 – Accounting policies

Basis of preparation

1p117(a) The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments at fair value through profit or loss) and certain biological assets.

1p119 **Biological assets**

41p41,47 Biological assets comprise sheep, poultry and hatching eggs.

Sheep are measured at fair value less estimated cost to sell, based on market prices at auction of livestock of similar age, breed and genetic merit with adjustments, where necessary, to reflect the differences.

Broiler chickens older than 10 weeks are measured at fair value less costs to sell based on estimated pre-tax net cash flows. The calculation is based on estimated selling prices of fully grown broiler chickens reduced by estimated farming costs to be incurred until they reach slaughter size.

The fair value of broiler chickens younger than 10 weeks and hatching eggs cannot be reliably estimated due to the high mortality rates and are carried at cost less impairment. Costs include cost of purchase of eggs and all direct and indirect farming costs. These assets are not depreciable.

41p54(a), (b) Costs to sell include the incremental selling costs, including auctioneers' fees and commission paid to brokers and dealers.

Changes in fair value of livestock are recognised in the income statement.

Farming costs such as feeding, labour costs, pasture maintenance, veterinary services and shearing are expensed as incurred. The cost of purchase of sheep and eggs plus transportation charges are capitalised as part of biological assets.

Note 3 – Estimates and judgements – Biological assets

40p47 In measuring fair value of poultry and sheep livestock, management estimates and judgements are required for the determination of fair value. These estimates and judgements relate to the market prices, average weight and quality of animals and mortality rates.

(a) Sheep

Market price of sheep is obtained from the weekly auctions at the local market. The quality of livestock sold at the local market is considered to approximate the group's breeding and slaughter livestock.

The sheep grow at different rates and there can be a considerable spread in the quality and weight of animals and that affects the price achieved. An average weight is assumed for the slaughter sheep livestock that are not yet at marketable weight.

(b) Poultry

For broiler chickens more than 10 weeks old, the estimated farming costs are allocated on a time proportionate basis. The cash flows are not discounted as the time value of money is insignificant due to the short-term nature of the livestock.

Consolidated income statement (extracts)

		Note	2011	2010
	Revenue	4	**26,240**	27,548
41p40	Change in fair value of biological assets	5	**23,000**	19,028
	Livestock cost of sales	5	**(23,180)**	(24,348)

Consolidated balance sheet (extracts)

1p68		Note	2011	2010
	Assets			
1p51	**Non-current assets**			
1p68(a)	Property, plant and equipment		**155,341**	98,670
1p54(f)	Biological assets	5	**4,300**	5,760
1p51	**Current assets**			
1p54(f)	Biological assets	5	**37,500**	25,940

Note 4 – Revenue (extracts)

	Note	2011	2010
Sale of livestock	5	**23,740**	25,198
Sale of wool		**2,500**	2,350
Total revenue		**26,240**	27,548

Note 5 – Biological assets[1]

		2011	2010
41p50	At 1 January	**31,700**	32,420
	Value changes caused by:		
41p50(a)	– Birth and growth of animals	**21,950**	17,930
41p50(b)	– Increase due to purchases	**10,280**	4,600
41p50(a)	– Livestock losses	**(480)**	(350)
41p50(a)	Change in fair value of livestock due to price changes	**1,530**	1,448
41p50(c)	Decrease due to sales	**(23,180)**	(24,348)
	At 31 December	**41,800**	31,700
41p43,45	Sheep – at fair value less cost to sell:		
	– Mature	**4,300**	5,760
	– Immature	**28,200**	20,690
		32,500	26,450
	Poultry		
	– Immature – at fair value less cost to sell	**5,650**	3,030
41p55	– Immature – at cost less impairment	**2,150**	1,230
		7,800	4,260
41p55	Hatching eggs – at cost less impairment	**1,500**	990
	At 31 December	**41,800**	31,700

41p46(b) As at 31 December the group had 6,500 sheep and 26,000 poultry (2010: 5,397 sheep and 14,700 poultry). In addition, the biological assets include 25,000 hatching eggs (2010: 16,500). During the year the group sold 3,123 sheep (2010: 4,098 sheep) and 25,000 chickens (2010:18,000)

41p43 Breeding sheep are classified as mature livestock and slaughter sheep are classified as immature livestock. All chickens are classified as immature livestock as the carrying amount of chickens at slaughter weight is insignificant.

41p54(f), 55(a) The total gross carrying amount of broiler chicken and hatching eggs carried at cost at end of the year amount to C3,870 (2010:C2,405 and 2009:C2,650). The impairment losses included in profit or loss and carried at end of the year amount to C220 (2010:C185 and 2009:192).

Selling expenses of C560 (2010:C850) were incurred during the year.

Livestock are classified as current assets if they are to be sold within one year. These include broiler chickens, hatching eggs and slaughter sheep.

[1] The reconciliation per IAS 41p55 is not presented because of the short life of chickens (about 26 weeks). The information would not provide meaningful information. However, for longer-life assets such as forests, it would be a required disclosure.

41p49(c)

Note 6 – Financial risk management strategies

The group is exposed to risks arising from environmental and climatic changes, commodity prices and financing risks.

The group's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as droughts and floods and disease outbreaks. The group has strong environmental policies and procedures in place to comply with environmental and other laws.

The group is exposed to risks arising from fluctuations in the price and sales volume of sheep. Where possible, the group enters into supply contracts for sheep to ensure sales volumes can be met by meat processing companies. The group has long-term contracts in place for supply of poultry to its major customers.

The seasonal nature of the sheep farming business requires a high level of cash flow in the second half of the year. The group actively manages the working capital requirements and has secured sufficient credit facilities sufficient to meet the cash flow requirements.

41p49(b)

Note 7 – Commitments

The group has entered into a contract to acquire 250 breeding sheep at 31 December 2011 for C1,250 (2010: nil).

2 Construction contracts

Note – Accounting policies

11p3 A construction contract is defined by IAS 11, 'Construction contracts', as a contract specifically negotiated for the construction of an asset.

11p22 When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Consolidated balance sheet (extracts)

		Note	2011	2010
1p60	**Current assets**			
1p54(h)	Trade and other receivables	12	**23,303**	20,374
1p60	**Current liabilities**			
1p54(k)	Trade and other payables	21	**17,667**	13,733

Consolidated income statement (extracts)

		Note	2011	2010
11p39(a)	Contract revenue		**58,115**	39,212
11p16	Contract costs		**(54,729)**	(37,084)
1p103	Gross profit		**3,386**	2,128
1p103	Selling and marketing costs		**(386)**	(128)
1p103	Administrative expenses		**(500)**	(400)

(All amounts in C thousands unless otherwise stated)

Note – Trade and other receivables (extracts)[1]

		2011	2010
IFRS7p36, 1p78(b)	Trade receivables	**18,174**	16,944
	Less: Provision for impairment of receivables	**(109)**	(70)
	Trade receivables – net	**18,065**	16,874
11p42(a)	Amounts due from customers for contract work	**1,216**	920
	Prepayments	**1,300**	1,146
1p77, 24p17	Receivables from related parties (note 40)	**54**	46
1p77, 24p17	Loans to related parties (note 40)	**2,668**	1,388
	Total	**23,303**	20,374

Note – Trade and other payables (extracts)[2]

		2011	2010
1p77	Trade payables	**10,983**	9,495
24p17	Amounts due to related parties (note 40)	**2,202**	1,195
11p42(b)	Amounts due to customers for contract work	**997**	1,255
	Social security and other taxes	**2,002**	960
	Accrued expenses	**1,483**	828
	Total	**17,667**	13,733

Note – Construction contracts

		2011	2010
11p40(a)	The aggregate costs incurred and recognised profits (less recognised losses) to date	**69,804**	56,028
	Less: Progress billings	**(69,585)**	(56,383)
	Net balance sheet position for ongoing contracts	**219**	(355)

3 Oil and gas exploration assets

Note – Accounting policies

IFRS6p24 Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

(a) Development tangible and intangible assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific field, it is transferred to production or intangible assets. No depreciation or amortisation is charged during the exploration and evaluation phase.

(b) Oil and gas production assets

Oil and gas production properties are aggregated exploration and evaluation tangible assets, and development expenditures associated with the production of proved reserves.

(c) Depreciation/amortisation

Oil and gas properties intangible assets are depreciated or amortised using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to

[1] For the purpose of this illustrative appendix, comparatives for the year ended 31 December 2010 are not disclosed, although they are required by IAS 1.

[2] At 31 December 2011, trade and other payables include customer advances of C142 (2010: C355) related to construction contracts in progress

be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(d) Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

(e) Impairment – proved oil and gas production properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Note – Property, plant and equipment[1]

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Subtotal – assets under construction	Production assets	Other businesses and corporate assets	Total
At 1 January 2011						
Cost	218	12,450	12,668	58,720	3,951	75,339
Accumulated amortisation and impairment	(33)	–	(33)	(5,100)	(77)	(5,210)
Net book amount	185	12,450	12,635	53,620	3,874	70,129
Year ended 31 December 2011						
Opening net book amount	185	12,450	12,635	53,620	3,874	70,129
Exchange differences	17	346	363	1,182	325	1,870
Acquisitions	–	386	386	125	4	515
Additions	45	1,526	1,571	5,530	95	7,196
Transfers	(9)	(958)	(967)	1,712	–	745
Disposals	(12)	(1,687)	(1,699)	–	–	(1,699)
Depreciation charge	–	–	–	(725)	(42)	(767)
Impairment charge	(7)	(36)	(43)	(250)	(3)	(296)
Closing net book amount	**219**	**12,027**	**12,246**	**61,194**	**4,253**	**77,693**
At 31 December 2011						
Cost	264	12,027	12,291	67,019	4,330	83,640
Accumulated amortisation and impairment	(45)	–	(45)	(5,825)	(77)	(5,947)
Net book amount	**219**	**12,027**	**12,246**	**61,194**	**4,253**	**77,693**

[1] For the purpose of this illustrative appendix, comparatives for the year ended 31 December 2010 are not disclosed, although they are required by IAS 1.

(All amounts in C thousands unless otherwise stated)

Note – Intangible assets[1]

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Subtotal – intangible assets in progress expenditure	Production assets	Goodwill	Other	Total
At 1 January 2011							
Cost	5,192	750	5,942	3,412	9,475	545	19,374
Accumulated amortisation and impairment	(924)	–	(924)	(852)	(75)	(19)	(1,870)
Net book amount	**4,268**	**750**	**5,018**	**2,560**	**9,400**	**526**	**17,504**
Year ended 31 December 2011							
Opening net book amount	4,268	750	5,018	2,560	9,400	526	17,504
Exchange differences	152	8	160	195	423	28	806
Acquisitions	26	32	58	5	–	5	68
Additions	381	8	389	15	–	86	490
Transfers	(548)	548	–	–	–	–	-
Transfers to production	–	(850)	(850)	105	–	–	(745)
Disposals	–	(28)	(28)	(15)	–	–	(43)
Amortisation charge	–	–	–	(98)	–	(42)	(140)
Impairment charge	(45)	–	(45)	–	(175)	(5)	(225)
Closing net book amount	**4,234**	**468**	**4,702**	**2,767**	**9,648**	**598**	**17,715**
At 31 December 2011							
Cost	5,203	468	5,671	3,717	9,898	659	19,945
Accumulated amortisation and impairment	(969)	–	(969)	(950)	(250)	(61)	(2,230)
Net book amount	**4,234**	**468**	**4,702**	**2,767**	**9,648**	**598**	**17,715**

Assets and liabilities related to the exploration and evaluation of mineral resources other than those presented above are as follows:

	2011	2010
Receivables from joint venture partners	**25**	22
Payable to subcontractors and operators	**32**	34

Exploration and evaluation activities have led to total expenses of C59,000 (2010: C57,000), of which C52,000 (2010: C43,000) are impairment charges.

In 2011, the disposal of a 16.67% interest in an offshore exploration stage 'Field X' resulted in post-tax profits on sale of C3000 (2010: nil).

Cash payments of C415,000 (2010: C395,000) have been incurred related to exploration and evaluation activities. The cash proceeds due to the disposal of the interest in Field X were C8,000 (2010: nil).

4 Financial guarantee contracts

39p9

Note – Accounting policies (under IAS 39)

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

39p43, 47
39AG4(a)
IFRS7p3(d)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, 'Employee benefits', and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

[1] For the purpose of this illustrative appendix, comparatives for the year ended 31 December 2010 are not disclosed, although they are required by IAS 1.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the company.

Note – Financial risk factors

IFRS7p34(a), 36(a)
IFRS 7 Appx B9,10
IFRS7 IG21

Maximum exposure to credit risk before collateral held or other credit enhancements

	Group Maximum exposure	
	2011	**2010**
Credit risk exposure relating to off-balance sheet items		
Financial guarantees	660	789
At 31 December	660	789

Liquidity risk (extracts)

	Group	
	Less than 1 year	**Between 1 and 2 years**
At 31 December 2011		
Financial guarantee contracts	21	–
At 31 December 2010		
Financial guarantee contracts	10	–

Note – Other financial liabilities (extracts)

	Group	
	2011	**2010**
Current		
Liabilities for financial guarantees	90	10
Total current other financial liabilities	90	10
Non-current		
Liabilities for financial guarantees	30	80
Total non-current other financial liabilities	30	80

Note – Financial guarantees

The group has guaranteed the bank overdrafts and drawn components of bank loans of a number of subsidiaries. Under the terms of the financial guarantee contracts, the group will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

Terms and face values of the liabilities guaranteed were as follows:

		31 December 2011	**31 December 2010**
	Year of maturity	**Face value**	**Face value**
Bank term loans of controlled entities	2011-2013	660	789

The method used in determining the fair value of these guarantees has been disclosed in the company's entity's accounting policy 'Financial guarantee contracts'. See note 3.3.

	Company	
	2011	**2010**
Amortisation of financial guarantee contracts	3	2

Commentary

IAS 39 requires the financial guarantee contract to be initially recorded at fair value, which is likely to equal the premium received (IAS 39 AG4(a)). Where the issuer of a financial guarantee is entitled to receive recurring future premiums over the life of the contract, IFRS allows but does not require recognition of a gross receivable for future premiums not yet due, together with a liability for the guarantee. The entity should select a presentation policy and apply it consistently to all issued financial guarantee contracts.

If the group has previously asserted explicitly that it regards issued financial guarantee contracts as insurance contracts and has used accounting applicable to insurance contracts, it may elect to apply either IAS 39 or IFRS 4, 'Insurance contracts', to such financial guarantee contracts.

5 Leases: accounting by lessor

17p4 A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Note – Accounting policies

1p119 When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Commentary

Additional disclosure is required of the following for a lease:

(a) reconciliation between the gross investment in the lease and the present value of the minimum lease payments receivable at the end of the reporting period. An entity discloses the gross investment in the lease and the present value of the minimum lease payments receivable at the end of the reporting periods:
  (i) no later than one year;
  (ii) later than one year and no later than five years; and
  (iii) later than five years;
(b) unearned finance income;
(c) the unguaranteed residual values accruing to the benefit of the lessor;
(d) the accumulated allowance for uncollectible minimum lease payments receivable;
(e) contingent rents recognised as income in the period;
(f) a general description of the lessor's material leasing arrangements;

The method for allocating gross earnings to accounting periods is referred to a as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

17p49 When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

17p50 Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

Note – Property, plant and equipment

The category of vehicles and equipment includes vehicles leased by the group to third parties under operating leases with the following carrying amounts:

17p57		**2011**	2010
	Cost	**70,234**	83,824
	Accumulated depreciation at 1 January	**(14,818)**	(9,800)
	Depreciation charge for the year	**(5,058)**	(3,700)
	Net book amount	**50,358**	70,324

Note – Trade and other receivables

1p78(b)		**2011**	2010
	Non-current receivables		
17p47(a)	Finance leases – gross receivables	**1,810**	630
17p47(b)	Unearned finance income	**(222)**	(98)
		1,588	532
1p78(b)	**Current receivables**		
17p47(a)	Finance leases – gross receivables	**1,336**	316
17p47(b)	Unearned finance income	**(140)**	(38)
		1,196	278
1p78(b)	Gross receivables from finance leases:		
17p47(a)	– No later than 1 year	**1,336**	316
	– Later than 1 year and no later than 5 years	**1,810**	630
	– Later than 5 years	**–**	–
		3,146	946
1p78(b), 17p47(b)	Unearned future finance income on finance leases	**(362)**	(136)
	Net investment in finance leases	**2,784**	810

1p78(b) The net investment in finance leases may be analysed as follows:

		2011	2010
17p47(a)	No later than 1 year	**1,196**	278
	Later than 1 year and no later than 5 years	**1,588**	532
	Later than 5 years	**–**	–
	Total	**2,784**	810

Note – Operating leases

17p56(a) **Operating leases rental receivables – group company as lessor**

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2011	2010
No later than 1 year	**12,920**	12,920
Later than 1 year and no later than 5 years	**41,800**	41,800
Later than 5 years	**840**	10,840
Total	**55,560**	65,560

17p56(b) Contingent-based rents recognised in the income statement were C235 (2010: C40).

17p56(c) The company leases vehicles under various agreements which terminate between 2011 and 2016. The agreements do not include an extension option.

6 Government grants

Note – Accounting policies

Government grants

20p39(a) 20p12 Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Note – Other (losses)/gains

20p39(b) 20p39(c) The group obtained and recognised as income a government grant of C100 (2010: nil) to compensate for losses caused by flooding incurred in the previous year. The group is obliged not to reduce its average number of employees over the next three years under the terms of this government grant.

The group benefits from government assistance for promoting in international markets products made in the UK; such assistance includes marketing research and similar services provided by various UK government agencies free of charge.

7 Joint ventures

Note – Accounting policies

1p119 **Consolidation**

(c) Joint ventures

31p57 The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Note – Interest in joint venture

31p56 The group has a 50% interest in a joint venture, JV&Co, which provides products and services to the automotive industry. The following amounts represent the group's 50% share of the assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

		2011	2010
	Assets:		
	– Non-current assets	**2,730**	2,124
	– Current assets	**803**	717
		3,533	2,841
	Liabilities:		
	– Non-current liabilities	**1,114**	1,104
	– Current liabilities	**355**	375
		1,469	1,479
	Net assets	**2,064**	1,362
	– Income	**5,276**	5,618
	– Expenses	**(3,754)**	(4,009)
	Profit after income tax	**1,522**	1,609
31p55(b)	**Proportionate interest in joint venture's commitments**	**90**	92

31p54 There are no contingent liabilities relating to the group's interest in the joint venture, and no contingent liabilities of the venture itself.

8 Revenue recognition: multiple-element arrangements

Note – Accounting policies

The group offers certain arrangements whereby a customer can purchase a personal computer together with a two-year servicing agreement. Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately. The revenue relating to the computer is recognised when risks and rewards of the computer are transferred to the customer, which occurs on delivery. Revenue relating to the service element is recognised on a straight-line basis over the service period.

(All amounts in C thousands unless otherwise stated)

9 Customer loyalty programme

Note – Accounting policy

The group operates a loyalty programme where customers accumulate points for purchases made, which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage is recognised as reward points are redeemed based upon expected redemption rates. Reward points expire 12 months after the initial sale.

Note – Current liabilities – other liabilities

	2011	2010
Deferred revenue: customer loyalty programme	**395**	370

10 Put option arrangements

The potential cash payments related to put options issued by the group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognised at fair value within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries

The group recognises the cost of writing such put options, determined as the excess of the fair value of the option over any consideration received as a financing cost. Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

11 Foreign currency translations – disposal of foreign operation and partial disposal

21p48, 48A, 48B, 48C On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

12 Share-based payments – modification and cancellation

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(All amounts in C thousands unless otherwise stated)

Appendix IV – New standards and amendments

This appendix details (a) new standards and amendments effective for the first time for periods on or after 1 January 2011; (b) improvements to IFRSs; and (c) forthcoming requirements that is, new standards and amendments issued and effective after 1 January 2011.

New standards and amendments

Below is a list of standards/interpretations that have been issued and are effective for periods starting on or after 1 January 2011.

Topic	Key requirements	Effective date
Amendment to IAS 32, 'Financial instruments: Presentation – Classification of rights issues'	Amended to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.	1 February 2010
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'	Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.	1 July 2010
Amendment to IFRS 1, 'First-time adoption of IFRS – Limited exemption from comparative IFRS 7 disclosures for first-time adopters'	Provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. Also clarifies the transition provisions of the amendments to IFRS 7.	1 July 2010
IAS 24, 'Related party disclosures' (revised 2009)	Amends the definition of a related party and modifies certain related-party disclosure requirements for government-related entities.	1 January 2011
Amendment to IFRIC 14, 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction'	Removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. Results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense.	1 January 2011

Improvements to IFRSs 2010

The amendments are applicable for annual periods beginning after 1 January 2011 unless otherwise stated

Topic	Key requirements	Effective date
IFRS 1, 'First-time adoption of IFRS'	*(a) Accounting policy changes in the year of adoption* Clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34, 'Interim financial reporting', it should explain those changes and update the reconciliations between previous GAAP and IFRS.	Applied prospectively.
	(b) Revaluation basis as deemed cost Allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition but before the first IFRS financial statements are issued. When such remeasurement occurs after the date of transition to IFRSs but during the period covered by its first IFRS financial statements, any subsequent adjustment to that event-driven fair value is recognised in equity.	Entities that adopted IFRSs in previous periods are permitted to apply the amendment retrospectively in the first annual period after the amendment is effective, provided the measurement date is within the period covered by the first IFRS financial statements.
	(c) Use of deemed cost for operations subject to rate regulation Entities subject to rate regulation are allowed to use previous GAAP carrying amounts of property, plant and equipment or intangible assets as deemed cost on an item-by-item basis. Entities that use this exemption are required to test each item for impairment under IAS 36 at the date of transition.	Applied prospectively.

Appendix IV – New standards and amendments

(All amounts in C thousands unless otherwise stated)

Topic	Key requirements	Effective date
IFRS 3, 'Business combinations'	*(a) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS* Clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).	Applicable to annual periods beginning on or after 1 July 2010. Applied retrospectively.
	(b) Measurement of non- controlling interests The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.	Applicable to annual periods beginning on or after 1 July 2010. Applied prospectively from the date the entity applies IFRS 3.
	(c) Un-replaced and voluntarily replaced share- based payment awards The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards	Applicable to annual periods beginning on or after 1 July 2010. Applied prospectively.
IFRS 7, 'Financial instruments'	Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.	1 January 2011. Applied retrospectively.
IAS 1, 'Presentation of financial statements'	Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.	1 January 2011. Applied retrospectively.
IAS 27, 'Consolidated and separate financial statements'	Clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier.	Applicable to annual periods beginning on or after 1 July 2010. Applied retrospectively.
IAS 34, 'Interim financial reporting'	Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around: ● The circumstances likely to affect fair values of financial instruments and their classification; ● Transfers of financial instruments between different levels of the fair value hierarchy; ● Changes in classification of financial assets; and ● Changes in contingent liabilities and assets	1 January 2011. Applied retrospectively.
IFRIC 13, 'Customer loyalty programmes'	The meaning of 'fair value' is clarified in the context of measuring award credits under customer loyalty programmes.	1 January 2011

(All amounts in C thousands unless otherwise stated)

Forthcoming requirements

Below is a list of standards/interpretations that have been issued and are effective for periods after 1 January 2011.

Topic	Key requirements	Effective date
Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition	This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application subject to EU endorsement is permitted.	1 July 2011
Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation	These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.	1 July 2011
Amendment to IAS 12, 'Income taxes' on deferred tax	IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.	1 January 2012
Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income	The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.	1 July 2012
Amendment to IAS 19, 'Employee benefits'	These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.	1 January 2013
IFRS 9, 'Financial instruments'	IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for) financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.	1 January 2013
IFRS 10, 'Consolidated financial statements'	The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements.	1 January 2013
IFRS 11, 'Joint arrangements'	IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.	1 January 2013
IFRS 12, 'Disclosures of interests in other entities'	IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	1 January 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.	1 January 2013
IAS 27 (revised 2011), 'Separate financial statements'	IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	1 January 2013
IAS 28 (revised 2011), 'Associates and joint ventures'	IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	1 January 2013

Appendix V – IFRS 9, Financial instruments

This appendix presents an illustrative example of the requirements of IFRS 9, 'Financial instruments', applicable to IFRS GAAP plc's financial statements. IFRS 9 allows for early adoption but is retrospectively applicable for annual periods beginning on or after 1 January 2013[1]. If an entity adopts IFRS 9 for annual periods beginning before 1 January 2012, it does not need to restate prior periods (IFRS9p7.2.14) but can do so if it so chooses.

The main assumptions applied in this illustrative appendix are as follows:

1 IFRS GAAP plc decided to early adopt IFRS 9. It chose 1 January 2011 as the date of initial application.

2 The group decided to apply the limited exemption in IFRS9p7.2.14 and has not restated prior periods in its year of the initial application. Therefore:

(a) Where this exemption is applied, the entity should recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings (or other component of equity, as appropriate) of the reporting period that includes the date of initial application. In this appendix, IFRS plc does not have any such difference mainly because there were no changes in classification that could originate such a difference (that is, financial assets previously classified at amortised cost or cost and now classified as fair value through profit or loss or vice versa).

(b) The entity is not required to present a statement of financial position at the beginning of the earliest comparative period in accordance with IAS1p10(f), because comparative information is not restated as a result of early adoption.

(c) As the group is not restating prior periods, it discloses the applicable accounting policies for both periods, applying IAS 39 for the prior period and IFRS 9 for the current period. This appendix only includes the disclosures regarding IFRS 9.

(d) The previous point is also relevant for the notes regarding classification, measurement and disclosure of financial instruments previously applied, which are retained for the previous period. This illustrative appendix only includes the disclosures regarding IFRS 9 for the current period.

3 The group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available for sale, because its business model is not to hold these equity investments for trading. These investments do not meet the definition of held for trading of IAS39p1 and IAS39p9 (IFRS 9p5.7.5).

4 Debt securities and debentures were not considered to meet the criteria to be classified at amortised cost in accordance with IFRS 9, because the objective of the group's business model is not to hold these debt securities in order to collect their contractual cash flows. They were therefore reclassified from available for sale to financial assets at fair value through profit or loss.

5 The group did not have any financial instruments designated as at fair value through profit or loss in the fair value option condition in accordance with IAS 39.

6 The group did not designate any financial asset or financial liabilities as at fair value through profit or loss on initial application in accordance with IFRS9p4.1.5 or IFRS 9p4.2.2.

7 The group does not have unquoted equities or derivatives on unquoted equities.

Readers should refer to other PwC publications where necessary.

[1] At the time of going to print, an exposure draft issued by IASB was open for comment on a potential move of the effective date to 1 January 2015.

(All amounts in C thousands unless otherwise stated)

Consolidated income statement

1p10(b), 81(a)			As at 31 December	
		Note	**2011**	**2010**
	Continuing operations			
1p82(a)	Revenue	5	**211,034**	112,360
1p99, 103	Cost of sales		**(77,366)**	(46,682)
1p103	**Gross profit**		**133,668**	65,678
1p99, 103	Distribution costs		**(52,140)**	(21,213)
1p99, 103	Administrative expenses		**(36,184)**	(10,426)
	Other income	27	**2,750**	1,259
1p85	Other (losses)/gains — net	26	**888**	63
1p82(aa)	Net gain/(loss) from derecognising financial assets measured at amortised cost		**–**	–
1p82(ca)	Net gain/ loss) on reclassification of financial assets from amortised cost to fair value through profit or loss		**–**	–
1p85	Loss on expropriated land	28	**(1,117)**	–
1p85	**Operating profit**		**62,677**	35,361
1p85	Finance income	31	**767**	1,609
1p82(b)	Finance costs	31	**(8,173)**	(12,197)
1p85	Finance costs — net	31	**(7,406)**	(10,588)
1p82(c)	Share of (loss)/profit of associates	8	**(174)**	145
1p85	**Profit before income tax**		**47,691**	24,918
1p82(d), 12p77	Income tax expense	32	**(14,616)**	(8,670)
1p85	**Profit for the year from continuing operations**		**33,075**	16,248
IFRS5p33(a)	**Discontinued operations**			
	Profit for the year from discontinued operations (attributable to Equity holders of the company)	16	**100**	120
1p82(f)	**Profit for the year**		**33,175**	16,368
	Profit attributable to:			
1p83(a)(ii)	– Equity holders of the company		**30,626**	15,512
1p83(a)(i), 27p27	– Non-controlling interest		**2,549**	856
			33,175	16,368
	Earnings per share from continuing and discontinued operations attributable to the equity holders of the company during the year (expressed in C per share)			
	Basic earnings per share:			
33p66	– From continuing operations	34	**1.31**	0.75
33p68	– From discontinued operations		**0.01**	0.01
33p66	**From total profit**		**1.32**	0.76
	Diluted earnings per share:			
33p66	– From continuing operations	34	**1.19**	0.71
33p68	– From discontinued operations		**0.01**	0.01
33p66	**From total profit**		**1.20**	0.72

Note: IFRS GAAP plc has no 'Net gains/(losses) from derecognising financial assets measured at amortised cost' or 'Net gains/(losses) on reclassification of financial assets from amortised cost to fair value through profit or loss' amounts. However, these line items are shown for illustrative purposes, as they are required in IAS 1p82(aa) and (ca) as IFRS 9 consequential amendments.

(All amounts in C thousands unless otherwise stated)

Consolidated statement of comprehensive income

			Year ended 31 December	
		Note	**2011**	**2010**
	Profit for the year		**33,175**	16,368
	Other comprehensive income:			
1p82(g)	Gains on revaluation of land and buildings	20	**–**	759
IFRS7p20(a)(ii)	Available-for-sale financial assets	20	**–**	62
IFRS9p5.7.1, IFRS7p20 (a)(viii)	Gain/(loss) arising on revaluation of financial assets at fair value through other comprehensive income	20	**352**	–
	Share of other comprehensive income of associates	20	**(86)**	91
19p93B	Actuarial loss on post employment benefit obligations	24	**–**	(494)
12p80(d)	Impact of change in Euravian tax rate on deferred tax	23	**(10)**	–
IFRS7p23(c)	Cash flow hedges	20	**64**	(3)
1p82(g)	Net investment hedge	20	**(45)**	40
	Currency translation differences	20	**2,318**	(261)
	Other comprehensive income for the year, net of tax		**2,593**	194
	Total comprehensive income for the year		**35,768**	16,562
	Attributable to:			
1p83(b)(ii)	– Equity holders of the company		**32,968**	15,746
1p83(b)(i) 27p27	– Non-controlling interest		**2,800**	816
	Total comprehensive income for the year		**35,768**	16,562
	Total comprehensive income attributable to equity shareholders arises from:			
	– Continuing operations		32,868	15,626
IFRS5p33(d)	– Discontinued operations	16	100	120
			32,968	15,746

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 32.

The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

(All amounts in C thousands unless otherwise stated)

Consolidated balance sheet

			As at 31 December	
		Note	**2011**	**2010**
	Assets			
1p60,66	**Non-current assets**			
1p54(a)	Property, plant and equipment	6	**155,341**	100,233
1p54(c)	Intangible assets	7	**26,272**	20,700
1p54(e)	Investments in associates	8b	**13,373**	13,244
1p54(n), 1p54(d)	Deferred income tax assets	23	**3,520**	3,321
1p54(d), IFRS 7p8(d)	Available-for-sale financial asset	10, 14	**–**	14,910
1p54(d), IFRS 7p11A	Financial assets at fair value through other comprehensive income	14	**16,785**	–
1p54(d), IFRS 7p8(a)	Derivative financial instruments	11	**395**	245
1p54(d), IFRS 7p8(a)	Financial assets at fair value through profit or loss	14	**635**	–
1p54(h), IFRS7p8(c)	Trade and other receivables	12	**2,322**	1,352
			218,643	154,005
1p60, 1p66	**Current assets**			
1p54(g)	Inventories	13	**24,700**	18,182
1p54(h), IFRS7p8(c)	Trade and other receivables	12	**19,765**	18,330
1p54(d), IFRS7p11A	Financial assets at fair value through other comprehensive income	14	**1,950**	–
1p54(d), IFRS7p8(a)	Derivative financial instruments	11	**1,069**	951
1p54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss	14	**11,820**	7,972
1p54(i), IFRS7p8	Cash and cash equivalents	15	**17,928**	34,062
			77,232	79,497
IFRS5p38	Assets of disposal group classified as held for sale	16	**3,333**	–
			80,565	79,497
	Total assets		**299,208**	233,502
	Equity and liabilities			
1p54(r)	**Equity attributable to equity holders of the company**			
1p78(e)	Ordinary shares	17	**25,300**	21,000
1p78(e)	Share premium	17	**17,144**	10,494
1p78(e)	Other reserves	20	**14539**	7,005
1p78(e)	Retained earnings	19	**67,601**	48,681
			124,584	87,180
1p54(q)	**Non-controlling interest**		**7,189**	1,766
	Total equity		**131,773**	88,946

(All amounts in C thousands unless otherwise stated)

			As at 31 December	
		Note	**2011**	**2010**
1p60	**Liabilities**			
	Non-current liabilities			
1p54(m), IFRS7p8(f)	Borrowings	22	115,121	96,346
1p54(m), IFRS7p8(e)	Derivative financial instruments	11	135	129
1p54(o), 1p56	Deferred income tax liabilities	23	12,370	9,053
1p54(l), 1p78(d)	Retirement benefit obligations	24	4,635	2,233
1p54(l), 1p78(d)	Provisions for other liabilities and charges	25	1,320	274
			133,581	108,035
1p60, 1p69	**Current liabilities**			
1p54(k), IFRS7p8(f)	Trade and other payables	21	16,670	12,478
1p54(n)	**Current income tax liabilities**		2,566	2,771
1p54(m), IFRS7p8(f)	Borrowings	22	11,716	18,258
1p54(m), IFRS7p8(e)	Derivative financial instruments	11	460	618
1p54(l)	Provisions for other liabilities and charges	25	2,222	2,396
			33,634	36,521
IFRS5p38	Liabilities of disposal group classified as held for sale	16	220	–
			33,854	36,521
	Total liabilities		167,435	144,556
	Total equity and liabilities		299,208	233,502

10p17 The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

Commentary — consolidated balance sheet

IFRS9p7.2.14 An entity should apply IFRS 9 retrospectively in accordance to the transition provisions. However, these transition provisions have an exception that allow an entity that adopts IFRS 9 for reporting periods beginning before 1 January 2012 not to restate prior periods. Therefore, the requirement to present a statement of financial position as at the beginning of the earliest comparative period in accordance with IAS1p10(f) is not required in this example.

(All amounts in C thousands unless otherwise stated)

Consolidated statement of changes in equity

			Attributable to equity holders of the company						
1p108,109		**Notes**	**Share capital**	**Share premium**	**Other reserves[1]**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
	Balance at 1 January 2010		20,000	10,424	6,364	48,470	85,258	1,500	86,758
	Total comprehensive income for the period								
1p106(d)(i)	Profit for the period		–	–	–	15,512	15,512	856	16,368
	Other comprehensive income for the year[2]				641	(407)	234	(40)	194
1p106(a)	**Total comprehensive income for the year**		**–**	**–**	**641**	**15,105**	**15,746**	**816**	**16,562**
	Transactions with owners								
	Value of employee services	19	–	–	–	822	822	–	822
	Tax credit relating to share option scheme	19	–	–	–	20	20	–	20
	Proceeds from shares issued	17	1,000	70	–	–	1,070	–	1,070
1p106(d)(iii)	Dividends to equity holders of the company	35	–	–	–	(15,736)	(15,736)	(550)	16,286)
1p106(d)(iii)	Total contributions by and distributions to owners of the Company		1,000	70	–	14,894	13,824	–550	(14,374)
	Restated balance at 31 December 2010		**21,000**	**10,494**	**7,005**	**48,681**	**87,180**	**1,766**	**88,946**

[1] Individual reserves can be grouped into 'other reserves' in the statement of changes in equity if these are similar in nature and can be regarded as a component of equity.

[2] The single-line presentation for other comprehensive income illustrated above reflects the group's application of the amendment to IAS 1 arising from 'Improvements to IFRSs' issued in 2010.

(All amounts in C thousands unless otherwise stated)

			Attributable to equity holders of the company						
1p108,109		Notes	Share capital	Share premium	Other reserves[1]	Retained earnings	Total	Non-controlling interest	Total equity
	Balance at 1 January 2011		21,000	10,494	7,005	48,681	87,180	1,766	88,946
	Total comprehensive income for the period								
1p106(d)(i)	Profit for the period		–	–	–	30,617	30,617	2,548	33,165
	Other comprehensive income for the year[2]		–	–	2,261	90	2,351	252	2,603
1p106(a)	Total comprehensive income for the year		–	–	2,261	30,707	32,968	2,800	35,768
	Transactions with owners								
	Value of employee services	19	–	–	–	690	690	–	690
	Tax credit relating to share option scheme	19	–	–	–	30	30	–	30
	Proceeds from shares issued	17	750	200	–	–	950	–	950
	Purchase of treasury shares	20	–	–	(2,564)		(2,564)	-	(2,564)
	Issue of ordinary shares related to business combination	17	3,550	6,450	–	–	10,000	–	10,000
	Convertible bond– equity component	20	–	–	5,433	–	5,433	–	5,433
1p106(d)(iii)	Dividends to equity holders of the company	35	–	–	–	(10,102)	(10,102)	(1,920)	(12,022)
1p106(d)(iii)	Total contributions by and distributions to owners of the Company		4,300	6,650	2,869	(9,382)	4,437	(1,920)	2,517
1p106(d)(iii)	Non-controlling interest arising on business combination	39	–	–	–	–	–	4,542	4,542
1p106(d)(iii)	Total transactions with owners of the Company		4,300	6,650	2,869	(9,382)	4,437	2,622	7,059
	Balance at 31 December 2011		**25,300**	**17,144**	**12,135**	**70,006**	**124,585**	**7,188**	**131,773**

The notes to pages 15 to 74 are an integral part of these consolidated financial statements.

If the individual reserves are not shown on the face of the statement of changes in equity, an analysis should be given in the notes.

A statement of changes in equity for the company is required by IAS 1. It has not been included in this set of illustrative financial statements.

2 Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

(Refer to the note 2.1.1 in the main section of this publication.)

8p28 IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to

[1] Individual reserves can be grouped into 'other reserves' in the statement of changes in equity if these are similar in nature and can be regarded as a component of equity.

[2] The single-line presentation for other comprehensive income illustrated above reflects the group's application of the amendment to IAS 1 arising from 'Improvements to IFRSs' issued in 2010.

the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Adoption of IFRS 9 is mandatory from 1 January 2013; earlier adoption is permitted.

8p28, IFRS9p8.2.1, p8.2.3, p8.2.12 The group has adopted IFRS 9 from 1 January 2011, as well as the related consequential amendments to other IFRSs, because this new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions of the standard, comparative figures have not been restated.

IFRS9 p7.2.4 The group's management has assessed the financial assets held by the group at the date of initial application of IFRS 9 (1 January 2011). The main effects resulting from this assessment were:

- Investments in debt securities, and debentures previously classified as available for sale, do not meet the criteria to be classified as at amortised cost in accordance with IFRS 9. They are now therefore classified as financial assets at fair value through profit or loss. As a result, on 1 January 2011 assets with a fair value of C680 at 1 January 2011 were transferred to investments held at fair value through profit or loss; their related fair value gains of C150 were reclassified from the available-for-sale investments reserve to retained earnings. In 2011, fair value gains related to these investments amounting to C15 were recognised in profit or loss, along with the related deferred tax expense of C5.
- Equity investments not held for trading that were previously measured at fair value and classified as available for sale have been designated as at fair value through other comprehensive income. As a result, fair value gains of C1,088 were reclassified from the available-for-sale investments reserve to the investments revaluation reserve at 1 January 2011.
- There was no difference between the previous carrying amount (IAS 39) and the revised carrying amount (IFRS 9) of the financial assets at 1 January 2011 to be recognised in opening retained earnings.

8p28(f) The effect of this change in accounting policy on earnings per share is shown in note 34.

2.9.1 Classification prior to 1 January 2011

(Refer to the note 2.9.1 in the main section of this publication.)

2.9.2 Recognition and measurement prior to 1 January 2011

(Refer to the note 2.9.2 in the main section of this publication.)

2.9.3 Classification from 1 January 2011

IFRS9p4.1.1 As from 1 January 2011, the group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

Debt investments

(a) Financial assets at amortised cost

IFRS9p4.1.2 A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

(b) Financial assets at fair value

IFRS9p4.1.4 If either of the two criteria above are not met, the debt instrument is classified as 'fair value through profit or loss'.

IFRS9p4.1.5 The group has not designated any debt investment as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

IFRS9p5.7.5, p5.7.6 All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the group can make an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

(All amounts in C thousands unless otherwise stated)

2.9.4 Recognition and measurement from 1 January 2011

39p38, IFRS9p3.1.2 Regular purchases and sales of financial assets are recognised on the trade-date–the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

IFRS9p5.1.1, IFRS 9 p5.2.1, 39p48, 48A, AG69-AG82 At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss are expensed in the income statement.

IFRS9p5.7.1 A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented in the income statement within 'other (losses)/gains — net' in the period in which they arise.

IFRS9p5.7.2 A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method (note 2.11).

IFRS9p5.7.5, p5.7.6 The group subsequently measures all equity investments at fair value. Where the group's management has elected to present unrealised and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

IFRS9p4.4.1 The group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

IFRS9p5.2.2, 39p58, 39p59 The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(Refer to the note 2.11(a) in the main section of this publication.)

(b) Assets classified as available for sale (applicable until 31 December 2010)

(Refer to the note 2.11(b) in the main section of this publication.)

Commentary — summary of significant accounting policies

(Refer to the 'Summary of significant accounting policies' commentary box in the main section of this publication.)

IFRS9p4.1.1, p41.2, p4.1.4 IFRS 9 includes a single model that has only two classification categories: amortised cost and fair value. To qualify for amortised cost accounting, the instrument must meet two criteria: (1) the objective of the business model is to hold the financial asset for the collection of the cash flows; and (2) all contractual cash flows represent only principal and interest on that principal. All other instruments are mandatorily measured at fair value. Classification under IFRS 9 is determined at inception based on the two criteria previously described.

IFRS9p5.7.5, B5.7.1 IFRS 9 requires all equity investments to be measured at fair value. However an entity may make an irrevocable election at initial recognition to present all fair value changes for non- trading equity investments in other comprehensive income. There is no subsequent recycling of fair value gains and losses to profit or loss; there is therefore no impairment. The standard also requires recognition of dividends received from these investments in profit or loss.

IFRS9p4.4.1, p5.6.1, p5.6.2, B4.4.1-4.3.3 IFRS 9 prohibits reclassifications between fair value and amortised cost except in rare circumstances when the entity's business model changes. All reclassifications are accounted for prospectively. Any difference between the carrying amount and fair value on a reclassification is recognised in a separate line in profit or loss. To ensure full transparency, the standard requires additional disclosures for any reclassifications.

IFRS9p4.1.5 IFRS 9 continues to allow entities the option to designate assets at fair value through profit or loss at initial recognition where this significantly reduces an accounting mismatch. The designation at fair value through profit or loss is irrevocable.

IFRS9p7.2.11, pB5.4.14-5.4.17 IFRS 9 removes the exemption allowing unquoted equities and derivatives on unquoted equities to be measured at cost. Such investments are required to be measured at fair value through profit or loss. IFRS 9 provides guidance on when cost may be an appropriate estimate of fair value. Any difference between the previous carrying amount in accordance with IAS 39 and fair value (IFRS 9) should be recognised in the opening retained earnings of the reporting period that includes the date of initial application.

IFRS9p7.1.1-7.2.2, p7.2.14 The effective date of IFRS 9 is 1 January 2013; early application is permitted. IFRS 9 should be applied retrospectively. However, if adopted before 1 January 2012, comparative periods do not need to be restated.

IFRS9p7.2.4 At the date of initial application of IFRS 9, an entity should assess whether a financial asset meets the criteria in IFRS 9p4.1.2(a) on the basis of the facts and circumstances that exist at the date of initial application.

IFRS9p7.2.7 An entity may, at the date of initial application of IFRS 9, designate a financial asset at fair value through profit or loss (IFRS9p4.1.5) or an investment in an equity instrument at fair value through other comprehensive income (IFRS9p5.7.5). Such designations are made on the basis of the facts and circumstances that exist at the date of initial application.

IFRS9p7.2.14 If an entity does not restate prior periods because it adopted IFRS 9 before 1 January 2012, it should recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings (or other component of equity, as appropriate) of the reporting period that includes the date of initial application.

IFRS9pB5.7.3 IFRS 9p5.7.5 permits an entity to make an irrevocable election to present in other comprehensive income changes in the fair value of an investment in an equity instrument that is not held for trading. Such an investment is not a monetary item. The gain or loss that is presented in other comprehensive income in accordance with IFRS 9p5.7.5 therefore includes any related foreign exchange component.

3 Financial risk management

3.1 Financial risk factors

(Refer to the note 3.1 in the main section of this publication.)

(a) Market risk

(Refer to the note 3.1(a) in the main section of this publication.)

(ii) Price risk

IFRS7p33(a)(b) The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet at fair value. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The group's investments in equity of other entities that are publicly traded are included in one of the following three equity indexes: DAX equity index, Dow Jones equity index and FTSE 100 UK equity index.

IFRS7p40
IFRS7IG36 The table below summarises the impact of increases/decreases of the FTSE 100 on the group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the group's equity instruments moved according to the historical correlation with the index, as follows:

	Impact on post-tax profit in C		Impact on other components of equity in C	
Index	**2011**	2010	**2011**	2010
DAX	**200**	120	**290**	290
Dow Jones	**150**	120	**200**	70
FTSE 100 UK	**60**	30	**160**	150

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/ decrease as a result of gains/losses on equity securities classified as fair value through other comprehensive income (2011) and available for sale (2010).

(iii) Cash flow and fair value interest rate risk

(Refer to the note 3.1(a)(iii) in the main section of this publication.)

IFRS7p40
IFRS7IG36 At 31 December 2011, if interest rates on Currency-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been C22 (2010: C21) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and C5 lower/higher as a result of a decrease/ increase in the fair value of fixed rate financial assets measured at fair value through profit or loss. Other components of equity in 2010 would have been C3 lower/higher for fixed rate financial assets classified as available for sale. At

31 December 2011, if interest rates on UK pound-denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been C57 (2010: C38) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; and C6 lower/higher mainly as a result of a decrease/ increase in the fair value of fixed rate financial assets classified at fair value through profit or loss. Other components of equity in 2010 would have been C4 lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale.

(Refer to the note 3.1(a)(iii) in the main section of this publication.)

3.3 Fair value estimation

(Refer to the note 3.3 in the main section of this publication.)

IFRS7p27B(a) The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2011. (Refer to the analysis for the comparative year in the main section of this publication.)

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value:				
– Trading derivatives	–	250	111	361
– Trading equity securities	11,820	–	–	11,820
– Investment equity securities	18,735	–	–	18,735
– Debt investments	288	347	–	635
Derivatives used for hedging	–	1,103	–	1,103
Total assets	**30,843**	**1,700**	**111**	**32,654**
Liabilities				
Financial liabilities at fair value through profit or loss:				
– Trading derivatives	–	268	–	268
Derivatives used for hedging	–	327	–	327
Total liabilities	**–**	**595**	**–**	**595**

(Refer to the note 3.3 in the main section of this publication.)

1p125 4.1 Critical accounting estimates and assumptions

(Refer to the note 4.1 in the main section of this publication.)

(c) Fair value of derivatives and other financial instruments

IFRS7p27(a) The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The group has used discounted cash flow analysis for various debt investments that are not traded in active markets.

The carrying amount of such debt investments would be an estimated C12 lower or C15 higher were the discount rate used in the discount cash flow analysis to differ by 10% from management's estimates.

(Refer to the note 4.1(d) onwards in the main section of this publication.)

1p122 4.2 Critical judgements in applying the entity's accounting policies

(Refer to the note 4.2 in the main section of this publication.)

(b) Impairment of available-for-sale equity investments

(Refer to the note 4.2(b) in the main section of this publication.)

7 Other income

		2011	**2010**
	Gain on remeasuring existing interest in ABC group on acquisition (note 39)	850	–
18p35(b)(v)	Dividend income on available-for-sale financial assets	–	883
IFRS7p11A(d)	Dividend income on financial assets at fair value through other comprehensive income	1,100	–
18p35(b)(v)	Dividend income on financial assets at fair value through profit or loss	800	310
	Investment income	2,750	1,193
	Insurance reimbursement	–	66
		2,750	**1,259**

The insurance reimbursement relates to the excess of insurance proceeds over the carrying values of goods damaged.

8 Other (losses)/gains – net

		2011	**2010**
IFRS7p20(a)(i) **IFRS9p5.7.1**	Financial assets held for trading at fair value through profit or loss (note 14):		
	– Fair value losses	(508)	(238)
	– Fair value gains	1,571	–
IFRS7p20(a)(i)	Foreign exchange forward contracts:		
	– Held for trading	86	88
21p52(a)	– Net foreign exchange gains/(losses) (note 33)	(277)	200
IFRS7p24(a)	Ineffectiveness on fair value hedges (note 11)	(1)	(1)
IFRS7p24(b)	Ineffectiveness on cash flow hedges (note 11)	17	14
		888	**63**

11 Finance income and costs

		2011	2010
IFRS7p20(b)	Interest expense:		
	– Bank borrowings	**(5,317)**	(10,646)
	– Dividend on redeemable preference shares (note 22)	**(1,950)**	(1,950)
	– Convertible bond (note 22)	**(3,083)**	–
	– Finance lease liabilities	**(550)**	(648)
37p84(e)	– Provisions: unwinding of discount (note 25)	**(44)**	(37)
21p52(a)	Net foreign exchange gains on financing activities (note 33)	**2,594**	996
	Fair value gains on financial instruments:		
IFRS7p23(d)	– Interest rate swaps: cash flow hedges, transfer from equity	**102**	88
IFRS7p24(a)(i)	– Interest rate swaps: fair value hedges	**16**	31
IFRS7p24(a)(ii)	Fair value adjustment of bank borrowings attributable to interest rate risk	**(16)**	(31)
	Finance costs	**(8,248)**	(12,197)
	Less: amounts capitalised on qualifying assets	**75**	–
	Total finance cost	**(8,173)**	–
	Finance income:		
	– Interest income on short-term bank deposits	**550**	489
IFRS7p20(b)	– Interest income on available-for-sale financial assets	**–**	984
IFRS7p20(b)	– Interest income on loans to related parties (note 40)	**217**	136
	Finance income	**767**	1,609
	Net finance costs	**(7,406)**	(10,588)

(All amounts in C thousands unless otherwise stated)

18a Financial instruments by category

IFRS7p6-8	Financial assets	2011
	Financial assets measured at fair value through profit or loss	
IFRS9p4.1.4, IFRS 7p8(a)	Financial assets held for trading:	
	– Investments in equity instruments held for trading (note 14)	11,820
	– Derivatives used for hedging (note 11)	1,103
	– Derivatives used for trading (note 11)	361
		13,284
	Financial assets at fair value through profit or loss:	
IFRS9p4.1.5, IFRS7p8(a)	– Investments in debt securities (note 14)	635
		635
IFRS9p5.7.5	Financial assets measured at fair value through other comprehensive income:	
	– Investments in equity instruments (note 14)	18,735
		18,735
IFRS9p4.1.2	Financial assets measured at amortised cost:	
	– Trade and other receivables excluding pre-payments (note 12)	20,787
	– Cash and cash equivalents (note 15)	17,928
		38,715
	Total	**71,369**

IFRS7p6-8	Financial assets	2010
	Loans and receivables:	
	– Trade and other receivables excluding pre-payments (note 12)	18,536
	– Cash and cash equivalents (note 15)	34,062
	Assets at fair value through profit and loss:	
	– Derivative financial instruments (note 11)	321
	– Financial assets at fair value through profit or loss (note 14)	7,972
	Derivatives used for hedging (note 11)	875
	Available for sale (note 10)	14,910
	Total	**76,676**

Pre-payments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments (C1,300 and C1,146 as of 2011 and 2010, respectively).

The categories in this disclosure for financial assets are determined by IFRS 9 in 2011 and by IAS 39 in 2010 (note 2.9).There are no changes to the disclosure categories for financial liabilities.

IFRS7p6-8	Financial liabilities	2011	2010
	Liabilities at fair value through the profit and loss:		
	– Derivative financial instruments (note 11)	268	298
	Derivatives used for hedging (note 11)	327	449
	Other financial liabilities at amortised cost:		
	– Borrowings (excluding finance lease liabilities)	117,839	104,006
	– Finance lease liabilities	8,998	10,598
	– Trade and other payables excluding statutory liabilities	15,668	11,518
	Total	**143,100**	**126,869**

Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments.

18b Credit quality of financial assets

(Refer to the note 9b in the main section of this publication.)

		2011	2000
DV	**Investments in debt securities**		
	A (debt securities at fair value through profit or loss)	635	–
	A (debt securities classified as available for sale)	–	264
		635	**264**

(Refer to the note 9b in the main section of this publication.)

18c Classification of financial assets at the date of initial application

IFRS7p44I The classification and measurement category for each class of financial assets at the date of initial application were as follows:

	Measurement category		Carrying amount		
Financial asset	**Original (IAS 39)**	**New (IFRS 9)**	**Original (IAS 39)**	**New (IFRS 9)**	**Diff-erence**
Equity investments (note 10)	Available for sale	Financial assets at fair value through other comprehensive income	18,735	18,735	–
Debentures (note 10)	Available for sale	Financial asset at fair value through profit or loss	210	210	–
Cumulative redeemable preference shares (note 10)	Available for sale	Financial asset at fair value through profit or loss	78	78	–
Debt securities (note 10)	Available for sale	Financial asset at fair value through profit or loss	347	347	–
Interest rate swaps (note 11)	Derivatives used for hedging	Derivatives used for hedging	408	408	–
Forward foreign exchange contracts – cash flow hedges (note 11)	Derivatives used for hedging	Derivatives used for hedging	695	695	–
Forward foreign exchange contracts – trading (note 11)	Financial asset at fair value through profit or loss	Financial asset at fair value through profit or loss	361	361	–
Equity investments – held for trading (note 14)	Financial asset at fair value through profit or loss	Financial asset at fair value through profit or loss	11,820	11,820	–
Trade and other receivables (note 12)	Loans and receivables	Financial assets at amortised cost	18,065	18,065	–
Loans to related parties (note 12)	Loans and receivables	Financial assets at amortised cost	2,722	2,722	–
Cash and cash equivalents (note 15)	Loans and receivables	Financial assets at amortised cost	17,928	17,928	–
Total			**71,369**	**71,369**	**–**

IFRS7p44J Debt securities, debentures and preference shares that are not equity do not meet the criteria to be classified as at amortised cost in accordance with IFRS 9, because the objective of the group's business model is not to hold these debt securities in order to collect their contractual cash flows. Therefore, they were re-classified from available for sale to financial assets at fair value through profit or loss.

IFRS7p11A(b), 39p1 The group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available for sale, because the business model is to hold these equity investments for long-term strategic investment and not for trading.

IFRS7p44I(c) The group did not have any financial assets in the statement of financial position that were previously designated as fair value through profit or loss but are no longer so designated. Neither did it designate any financial asset at fair value through profit or loss on initial application of IFRS 9.

Commentary

IFRS9pB7.2.1 At the date of initial application of IFRS 9, an entity must determine whether the objective of the its business model for managing any of its debt investments meets the condition in IFRS9.4.1.2(a) or if its equity investments are eligible for the election in IFRS9.5.7.5. For that purpose, an entity should determine whether financial assets meet the definition of held for trading based on the facts and circumstances that exist at the date of initial application.

39p1 In accordance with IAS39.1 (IFRS 9 consequential amendment), a financial asset is held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short- term profit-taking; or

(c) it is a derivative.

For the purpose of this illustrative appendix, the equity investments previously classified as available for sale do not meet the definition of financial assets held for trading.

IFRS7p44I IFRS 7 requires an entity, when it first applies IFRS 9, to disclose for each class of financial assets at the date of initial application:

(a) the original measurement category and carrying amount determined in accordance with IAS 39;

(b) the new measurement category and carrying amount determined in accordance with IFRS 9; and

(c) the amount of any financial asset that were previously designated as measured at fair value through profit or loss but are no longer so designated.

IFRS9p7.2.14 The original and new carrying amounts to be included in this disclosure should be at the beginning of the annual reporting period that includes the date of initial application.

IFRS7p44J An entity should disclose qualitative information to enable users to understand the following aspects, when it first applies IFRS 9:

(a) how it applied the classification requirements in IFRS 9 to those financial assets whose classification has changed as a result of applying IFRS 9.

(b) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss.

19 Available-for-sale financial assets and equity investments at fair value through OCI

		2010
	At 1 January	14,096
	Exchange differences	(435)
	Additions	1,126
	Disposals	–
	Net gains/(losses) transfer from equity (note 20)	(152)
1p79(b)	Net gains/(losses) transfer to equity (note 20)	275
	At 31 December	**14,910**
1p66	Less: non-current portion	(14,910)
1p66	**Current portion**	**–**

IFRS7p20(a)(ii) During 2010 the group removed profits of C187 and losses C35 from equity into the income statement. Losses in the amount of C20 were due to impairments.

IFRS7p27(b), 31, 34 Available-for-sale financial assets include the following:

	2010
Listed securities:	
– Equity securities — UK	8,300
– Equity securities — Europe	2,086
– Equity securities — US	4,260
– Debt securities with fixed interest ranging from 6.3% to 6.5% and maturity dates between July 2011 and May 2013	264
Total	**14,910**

IFRS7p34(c) Available-for-sale financial assets are denominated in the following currencies:

	2010
UK pound	8,121
Euros	2,086
US dollar	4,260
Other currencies	443
	14,910

IFRS7p27, 1p79(b) The fair values of unlisted securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities (2010: 5.8%).

IFRS7p36(a) The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities.

IFRS7p36(c) None of these financial assets is either past due or impaired.

	Investments at fair value through OCI	2011
	At 1 January	–
	Balance transferred from AFS	14,910
	Debt securities transferred from AFS to FVTPL	(680)
	Exchange differences	646
	Acquisition of sub (note 39)	473
	Additions	3,967
	Disposals	(1,256)
1p79(b)	Net gains/(losses) transfer to equity (note 20)	675
	At 31 December	**18,735**

23 Financial assets at fair value through profit or loss

IFRS7p8(a), 31, 34(c) *(a) Financial assets held for trading*

	2011	2010
Listed securities – held-for-trading:		
– Equity securities – UK	5,850	3,560
– Equity securities – Europe	4,250	3,540
–Equity securities – US	1,720	872
	11,820	**7,972**

7p15 Financial assets at fair value through profit or loss are presented within ‘operating activities’ as part of changes in working capital in the statement of cash flows (note 36).

Changes in fair values of financial assets at fair value through profit or loss are recorded in ‘other (losses)/gains–net’ in the income statement (note 26).

IFRS7p27 The fair value of all equity securities is based on their current bid prices in an active market.

IFRS7p8(a), 31, 34(c) *(b) Financial assets at fair value through profit or loss*

	2011
Listed securities:	
– Debentures with fixed interest of 6.5% and maturity date of 27 August 2012	210
– Cumulative 9.0% redeemable preference shares	78
Unlisted securities:	
– Debt securities with fixed interest ranging from 6.3% to 6.5% and maturity dates between July 2011 and May 2013	347
	635
Less non-current portion	(635)
Current portion	**–**

IFRS7p27, 1p79(b) The fair values of unlisted securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities (2010: 6%).

IFRS7p36(a) The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities.

IFRS7p11A *(c) Financial assets at fair value through other comprehensive income*

	2011
Listed securities:	
– Equity securities–UK	8,335
– Equity securities–Europe	5,850
– Equity securities–US	4,550
	18,735
Less non-current portion	**(16,785)**
Current portion	**1,950**

IFRS7p11A(b), 39p1 The group has designated the above equity investments at fair value through other comprehensive income, because they are held for long-term investment rather than for trading.

IFRS7p11A(d) Dividends recognised during 2011 related to these equity investments are shown in note 27.

IFRS7p11A(d), p11B During 2011, the group disposed of investments with a cost of C1,256 from investments in equity instruments measured at fair value through other comprehensive income. The investments were sold to maintain the group’s desired balance of investments between different industries. The fair value of these investments at the date of derecognition was C1,386. The cumulative gain on disposal was C130. There were no dividends recognised during the period relating to these derecognised equity investments. As these investments were disposed of prior to the date of application of IFRS 9, they are treated in accordance with IAS 39, and the gain on disposal was transferred to the profit or loss.

Commentary

If the investments disposed of had been accounted for in accordance with IFRS 9, the group would have been required to disclose the amount of any transfer from the investment reserve to any other reserve [IFRS7.11A(e)].

IFRS7p34(c) Financial assets in equity and debt investments measured at fair value are denominated in the following currencies:

	2011
UK pound	13,747
Euros	10,100
US dollars	6,270
Other currencies	1,073
	31,190

28 Retained earnings

1p106(d)	At 1 January 2010	48,470
	Profit for the year	15,512
1p106(d)	Dividends paid relating to 2008	(15,736)
IFRS2p50	Value of employee services	822
16p41	Depreciation transfer on land and buildings net of tax	87
12p68C	Tax credit relating to share option scheme	20
19p93A	Actuarial loss on post employment benefit obligations net of tax	(494)
	At 31 December 2010	**48,681**
IFRS9p7.2.14	Effect of change in accounting policy for classification and measurement of financial assets (note 2.1)	150
	Profit for the year	30,662
1p106(d)	Dividends relating to 2010	(10,102)
IFRS2p50	Value of employee services	690
16p41	Depreciation transfer on land and buildings net of tax	100
12p68C	Tax credit relating to share option scheme	30
19p93A	Actuarial loss on post employment benefit obligations net of tax	–
12p80(d)	Impact of change in Euravian tax rate on deferred tax	(10)
	At 31 December 2011	**70,006**

29 Other reserves

		Convertible bond	Land and buildings revaluation	Hedging reserve	Available-for-sale investments	Investments revaluation reserve	Translation	Treasury shares	Total
	At 1 January 2010	–	1,152	65	1,320	–	3,827	–	6,364
16p39, IFRS7 p20(a)(ii)	Revaluation – gross (notes 6 and 10)	–	1,133	–	275	–	–	–	1,408
	Revaluation transfer – gross				(152)	–		–	(152)
12p61, 81(a)	Revaluation – tax (note)32	–	(374)	–	(61)	–	–		(435)
28p39	Revaluation – associates (note 8)	–	0	–	(14)	–	–		(14)
16p41	Depreciation transfer – gross	–	(130)	–	0	–	–	–	(130)
16p41	Depreciation transfer – tax	–	43	–	0	–	–	–	43
1p96(b)	Cash flow hedges:								
IFRS7p23(c)	– Fair value gains in year	–	–	300	–	–	–	–	300
12p61, 81(a)	– Tax on fair value gains (note 32)	–	–	(101)	–	–	–	–	(101)
IFRS7p23(d)	– Transfers to sales	–	–	(236)	–	–	–	–	(236)
12p61, 81(a)	– Tax on transfers to sales (note 32)	–	–	79	–	–	–	–	79
IFRS7p23(e)	– Transfers to inventory	–	–	(67)	–	–	–	–	(67)
12p61, 81(a)	– Tax on transfers to inventory (note 32)	–	–	22	–	–	–	–	22
39p102(a)	Net investment hedge (note 11)	–	–	–	–	–	40	–	40
1p106(d)	Currency translation differences:								
21p52(b)	– Group	–	(50)	–	–	–	(171)	–	(221)
28p39	– Associates	–	–	–	–	–	105	–	105
	At 31 December 2010	**–**	**1,774**	**62**	**1,368**	**–**	**3,801**	**–**	**7,005**
IFRS9p7.2.14	Effect of change in accounting policy for classification and measurement of financial assets (note 2.1)								
	– Reclassification to retained earnings, items now classified as FVTPL.	–	–	–	(150)	–	–	–	(150)
	– Reclassification to investments revaluation reserve	–	–	–	(1,088)	1,088		–	–
	– Cumulative gain/(loss) on disposal transferred to profit or loss	–	–	–	(130)	–	–	–	(130)
IFRS9 p5.7.1, IFRS7p20 (a)(viii)	Gain/(loss) arising on revaluation of financial assets at fair value through other comprehensive income	–	–	–		675	–	–	675
12p61, 81(a)	Revaluation – tax (note 32)	–	–	–	–	(193)	–	–	(193)
28p39	Revaluation – associates (note 8)	–	–	–	–	(12)	–	–	(12)
16p41	Depreciation transfer – gross	–	(149)	–	–	–	–	–	(149)

(All amounts in C thousands unless otherwise stated)

		Convertible bond	Land and buildings revaluation	Hedging reserve	Available-for-sale investments	Investments revaluation reserve	Translation	Treasury shares	Total
16p41	Depreciation transfer – tax	–	49	–	–	–	–	–	49
1p96(b)	Cash flow hedges:								
IFRS7p23(c)	– Fair value gains in year	–	–	368	–	–	–	–	368
12p61, 81(a)	– Tax on fair value gains (note 32)	–	–	(123)	–	–	–	–	(123)
IFRS7p23(d)	– Transfers sales	–	–	(120)	–	–	–	–	(120)
12p61, 81(a)	– Tax on transfers to sales (note 32)	–	–	40	–	–	–	–	40
IFRS7p23(e)	– Transfers to inventory	–	–	(151)	–	–	–	–	(151)
12p61, 81(a)	– Tax on transfers to inventory (note 32)	–	–	50	–	–	–	–	50
39p102(a)	Net investment hedge (note 11)	–	–	–	–	–	(45)	–	(45)
1p106(d)	Currency translation differences:								
21p52(b)	– Group	–	15	–	–	–	2,051	–	2,066
28p39	– Associates	–	–	–	–	–	(74)	–	(74)
	Convertible bond – equity component (note 22)	7,761	–	–	–	–	–	–	7,761
12p61, 81(a)	Tax on equity component on convertible bond (note 32)	(2,328)	–	–	–	–	–	–	(2,328)
	Purchase of treasury shares	–	-		–	–	–	(2,564)	(2,564)
	At 31 December 2011	**5,433**	**1,689**	**126**	**0**	**1,558**	**5,733**	**(2,564)**	**12,135**

Appendix VI – IFRS 12, 'Disclosure of interests in other entities'

This appendix has two sections illustrating the disclosure requirements of IFRS 12, 'Disclosure of interests in other entities'. IFRS 12 is part of the group of five standards that address the scope of the reporting entity. The rest of the group consists of IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint arrangements', Consequential amendments to IAS 28, 'Investments in associates and joint ventures', and IAS 27, 'Separate financial statements'. The standards are effective for annual periods beginning on or after 1 January 2013. They may be adopted early, although they have not yet been endorsed for application in the EU. If an entity adopts IFRS 12 for annual periods beginning on or before 1 January 2013, the whole group of standards should be adopted at the same time. However, IFRS 12 disclosures can be made without early adoption.

The first section of this appendix presents only the disclosure requirements in IFRS 12 for interests in subsidiaries. The adoption of IFRS 10 in this example has not resulted in any change in the amounts consolidated by IFRS GAAP plc, so the primary financial statements are not replicated in this appendix.

The second section of the appendix presents an illustrative example of the IFRS 12 requirements relating to joint arrangements that are accounted for in accordance with IFRS 11. It illustrates the impact of a change in accounting policy from accounting for investments in jointly controlled entities using the proportional consolidation method in accordance with IAS 31, 'Interests in joint ventures', to accounting for joint ventures using the equity method in accordance with IFRS 11. Not all jointly controlled entities under IAS 31 will be joint ventures under IFRS 11. A simplified version of the financial statements of IFRS GAAP plc has been used in this section to illustrate the change in policy. The disclosures that IFRS 12 requires for associates are similar to those required for joint ventures so have not been replicated.

Disclosure requirements in IFRS 12 for interests in subsidiaries

The main assumptions applied in this illustrative appendix are as follows:

- IFRS GAAP plc decided to early adopt IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint arrangements', IFRS 12, 'Disclosure of interests in other entities', IAS 27, 'Separate financial statements' and IAS 28, 'Investments in associates and joint ventures', (as amended 2011).
- Subsidiaries are not structured entities.

This section of the illustrative appendix focuses on the disclosure requirements under IFRS 12 for interests in subsidiaries.

2 Summary of significant accounting policies

2.1 Basis of preparation

(Refer to the note 2 in the main section of this publication for the current accounting policies.)

2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the group*
The group has early-adopted the following standards, together with the consequential amendments to other IFRSs, for the financial year ended 31 December 2011.

- IFRS 10, 'Consolidated financial statements': IFRS 10 was issued in May 2011 and replaces all the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements', and SIC-12, 'Consolidation – special purpose entities'. Full retrospective application is required in accordance with the transition provisions of the standard, unless impracticable, in which case the group applies it from the earliest practicable date.
- IFRS 12, 'Disclosure of interests in other entities': IFRS 12 was issued in May 2011, and provides disclosure requirements on interests in subsidiaries, associates, joint ventures, and unconsolidated structured entities.
- IAS 27, 'Separate financial statements': IAS 27 was amended in May 2011 following the issuance of IFRS 10. The revised IAS 27 deals only with the accounting for subsidiaries, associates and joint ventures in the separate financial statements of the parent company.

The group has applied the above standards retrospectively. The above standards did not result in significant changes to the group's financial statements.

2.2 Consolidation

(a) Subsidiaries
Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

3 Critical accounting estimates and judgements

3.1 Critical judgements in applying accounting policies

IFRS12p13

(a) Consolidation of entities in which the group holds less than 50%.
The directors of the group made significant judgements that the following subsidiaries are controlled by the group, even though the group holds less than half of the voting rights of these subsidiaries:

- XYZ PLC: The directors consider that the group has de facto control of XYZ Plc even though it has less than 50% of the voting rights. This is because the group is the majority shareholder of XYZ Plc with a 49 % equity interest, while all other shareholders individually own less than 1% of its equity shares. There is no history of other shareholders forming a group to exercise their votes collectively.
- DEF Limited: The group is the majority shareholder, while the remaining shares are held by eight investors who have a holding of between 5-7% each The group has control of DEF Limited, as an agreement that was signed between the shareholders of DEF Limited grants the group the right to appoint, remove and set the remuneration of management responsible for directing the relevant activities. A 67% majority vote is required to change this agreement, which cannot be achieved without the group's consent as the group holds 45% of the voting rights.

4 Interest in subsidiaries

IFRS12p10 (a)

4.1 Information about principal subsidiaries

Set out below are the group's principal subsidiaries at 31 December 2011. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by group. The country of incorporation or registration is also their place of principal place of business.

IFRS12p12(a), (b), (c)

Name of entity	Place of business/ country of incorporation	% of ownership interest held by the group	% of ownership interest held by the NCI	Principal activities
A Limited	UK/Jersey	100	0	Insurance business
B Limited	UK/Jersey	100	0	Insurance business
XYZ PLC	UK	49	51	Building construction, civil and foundation engineering and investment holding
Red Limited	UK	70	30	
DEF Limited	South Africa/Jersey	45	55	

IFRS12 p12 (f)

The total non-controlling interest for the period is C7,888, of which C5,127 is for XYZ Plc and C2,366 is attributed to DEF Limited. The non-controlling interest in respect of Red Limited is not material.

IFRS12 p10(b)(i)

4.2 Significant restrictions

These restrictions can be amended or removed by the shareholders of DEF Limited passing a special resolution.

Cash and short-term deposits of C1,894 are held in African countries (including South Africa) and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

The carrying amount of restricted assets that relate to DEF Ltd included within the consolidated financial statements to which the above restrictions apply is C3,895.

4.3 Summarised financial information on subsidiaries with material non-controlling interests

IFRS12 p12(g), pB10

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the group.

IFRS12p12(e) IFRS12 pB10(a)

Summarised balance sheet

	XYZ PLC		DEF Limited	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Current				
Assets	**13,290**	9,828	**19,935**	14,742
Liabilities	**(3,009)**	(2,457)	**(4,514)**	(3,686)
Total current net assets	**10,281**	**7,371**	**15,421**	**11,056**
Non-current				
Assets	**6,672**	6,357	**10,008**	9,536
Liabilities	**(2,565)**	(1,161)	**(3,848)**	(1,742)
Total non-current net assets	**4,107**	**5,196**	**6,160**	**7,794**
Net assets	**14,388**	**12,567**	**21,581**	**18,850**

Summarised income statement

	XYZ PLC		DEF Limited	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Revenue	**19,602**	17,883	**29,403**	26,825
Profit before income tax	**4,218**	4,407	**6,327**	6,611
Income tax expense/income	**(2,292)**	(3,111)	**(3,438)**	(4,667)
Post-tax profit from continuing operations	**1,926**	1,296	**2,889**	1,944
Post-tax profit from discontinued operations	**–**	–	**23**	19
Other comprehensive income	**369**	330	**554**	495
Total comprehensive income	**2,295**	1,626	**3,443**	2,439
Profit/(loss) allocated to NCI	**982**	661	**1,589**	1,069
Dividends paid to NCI	**130**	89	**150**	130

IFRS 12 pB10b

Summarised cash flows

	XYZ Plc	DEF Ltd
	31 December 2011	31 December 2011
Cash flows from operating activities		
Cash generated from operations	3,845	10,586
Interest paid	(23)	(1,958)
Income tax paid	(84)	(2,842)
Net cash generated from operating activities	**3,738**	**5,786**
Cash flows from investing activities		
Purchase of PPE	–	(475)
Proceeds from disposal of intangible asset	156	250
Purchase of AFS asset	(374)	–
Net cash used in investing activities	(218)	(225)
Cash flows from financing activities		
Debt repayment	–	(873)
Proceeds from borrowings	500	1,000
Net cash used in financing activities	**500**	**127**
Net (decrease)/increase in cash and cash equivalents	**4,020**	**5,688**
Cash, cash equivalents and bank overdrafts at beginning of year	576	**4,576**
Exchange gains/(losses) on cash and cash equivalents	(56)	**38**
Cash and cash equivalents at end of year	**4,540**	**10,302**

IFRS12pB11

The information above is the amount before inter-company eliminations.

(All amounts in C thousands unless otherwise stated)

4.4 Disposal of interest in Red Limited without loss of control

IFRS12p18 On 5 September 2011, the Company disposed of a 10% interest out of the 80% interest held in Red Limited at a consideration of C700. The carrying amount of the non-controlling interests in Red Limited on the date of disposal was C2,000 (representing 20% interest). This resulted in an increase in non-controlling interests of C1,000 and a decrease in equity attributable to owners of the parent of C300. The effect of changes in the ownership interest of Red Limited on the equity attributable to owners of the Company during the year is summarised as follows:

	2011	2010
Carrying amount of group's interest disposed of	(1,000)	–
Consideration received from non-controlling interests	700	–
Loss on disposal recorded within parent's equity	(300)	–

There were no transactions with non-controlling interests in 2010.

4.5 Effects of changes in ownership interests in subsidiaries that do not result in loss of control

(c) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the year ended 31 December 2011

	2011	2010
Changes in equity attributable to shareholders of the Company arising from:		
– Disposal of interests in Red Limited without loss of control		(300)

(All amounts in C thousands unless otherwise stated)

IFRS 12 requirements relating to joint arrangements that are accounted for in accordance with IFRS 11

The main assumptions applied in this section of the illustrative appendix are as follows:

- IFRS GAAP plc decided to early adopt IFRS 10, IFRS 11, IFRS 12 and IAS 27 and IAS 28 (as amended in 2011).
- The group has two joint ventures but no joint operations and no associates.
- Both joint ventures have the same year end as IFRS GAAP Plc. [IFRS 12 p22(b)].
- Neither of the group's investments in the joint ventures are impaired and there are no unrecognised losses in respect of those investments.
- There are no significant restrictions on the joint ventures ability to transfer funds to IFRS GAAP plc.
- There have been no changes to the facts and circumstances during the period that would lead to a change in classification of the joint ventures and no changes to the ownership interests in the periods presented.

(All amounts in C thousands unless otherwise stated)

Consolidated balance sheet

			Group		
			As at 31 December		As at 1 January
		Note	2011	2010 (restated)	2010 (restated)
1p10(a), 113	**Assets**				
1p60, 66	**Non-current assets**				
1p54(a)	Property, plant and equipment	6	**160,341**	105,233	86,738
1p54(c)	Intangible assets	7	**26,272**	20,700	16,937
1p54(e),	Investments accounted for using the equity method	8	**5,276**	3,809	2,932
1p54(o), 56	Deferred income tax assets	23	**3,520**	3,321	2,823
1p54(d), IFRS7p8(d)	Available-for-sale financial assets	10	**17,420**	14,910	12,674
1p54(d), IFRS7p8(a)	Derivative financial instruments	11	**395**	245	208
1p54(h), IFRS7p8(c)	Trade and other receivables	12	**2,322**	1,352	1,149
			215,546	149,570	123,261
1p60, 1p66	**Current assets**				
1p54(g)	Inventories	13	**24,700**	18,182	14,530
1p54(h), IFRS7p8(c)	Trade and other receivables	12	**19,765**	18,330	14,898
1p54(d), IFRS7p8(d)	Available-for-sale financial assets	10	**1,950**	–	–
1p54(d), IFRS7p8(a)	Derivative financial instruments	11	**1,069**	951	808
1p54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss	14	**11,820**	7,972	6,776
1p54(i), IFRS7p8	Cash and cash equivalents (excluding bank overdrafts)	15	**17,928**	34,062	28,761
			77,232	79,497	65,773
IFRS5p38,40	Assets of disposal group classified as held for sale	16	**3,333**	–	–
			80,565	79,497	65,773
	Total assets		**296,111**	229,067	189,034
	Equity and liabilities				
1p54(r)	Equity attributable to equity holders of the company				
1p78(e), 54(r)	Ordinary shares	17	**17,850**	17,850	17,850
1p78(e), 55	Share premium	17	**8,920**	8,920	8,920
1p78(e),54(r)	Other reserves	20	**7,193**	6,407	5,954
1p78(e), 55	Retained earnings	19	**94,713**	51,334	36,623
	Total equity		**128,676**	84,511	69,347
	Liabilities				
1p60,69	**Non-current liabilities**				
1p54(m), IFRS7p8(f)	Borrowings	22	**115,121**	96,346	79,662
1p54(m), IFRS7p8(e)	Derivative financial instruments	11	**135**	129	110
1p54(o), 1p56	Deferred income tax liabilities	23	**12,370**	9,053	7,695
1p554(l), 1p78(d)	Retirement benefit obligations	24	**4,635**	2,233	1,898
1p54(l), 1p78(d)	Provisions for other liabilities and charges	25	**1,320**	274	123
			133,581	108,035	89,488
1p60, 1p69	**Current liabilities**				
1p54(k), IFRS7p8(f)	Trade and other payables	21	**16,670**	12,478	10,419
1p54(n)	Current income tax liabilities		**2,566**	2,771	2,266
1p54(m), IFRS7p8(f)	Borrowings	22	**11,716**	18,258	14,977
1p54(m), IFRS7p8(e)	Derivative financial instruments	11	**460**	618	525
1p54(l)	Provisions for other liabilities and charges	25	**2,222**	2,396	2,012
			33,634	36,521	30,199
IFRS5p38, 1p54(p)	Liabilities of disposal group classified as held-for-sale	16	**220**	–	–
			33,854	36,521	30,199
	Total liabilities		**167,435**	144,556	119,687
	Total equity and liabilities		**296,111**	229,067	189,034

The notes to pages 15 to 74 are an integral part of these consolidated financial statements.

Statement of comprehensive income

		For the period ended 31 December 2011	**For the period ended 31 December 2010 (restated)**
1p82a)	**Revenue**	**184,147**	153,801
	Operating expenses	**(91,541)**	(97,791)
1p82b)	Finance costs	**(6,070)**	(5,072)
1p82c)	Share of profit of investments accounted for using the equity method	**1,467**	877
	Profit before tax	**88,003**	51,815
1p82d), 12p77	Tax expense	**(44,644)**	(37,104)
	Profit for the period from continuing operations	**43,359**	14,711
IFRS5p33a)	Profit on discontinued operations	**20**	–
	Profit for the period	**43,379**	14,711
	Other comprehensive income		
IFRS7 p20a)ii)	Gain on available for sale financial assets	**786**	453
	Total comprehensive income	**44,165**	15,164

Statement of cash flows

		For the period ended 31 December 2011	**For the period ended 31 December 2010 (restated)**
	Cash flows from operating activities	**109,840**	66,789
7p31	Interest paid	**(6,070)**	(5,072)
7p35	Income tax paid	**(41,731)**	(35,739)
	Net cash from operating activities	**62,039**	25,978
7p21, 7p10	Cash flows from investing activities		
7p16a)	Purchase of property, plant and equipment	**(69,390)**	(32,364)
7p16a)	Acquisition of intangible assets	**(9,175)**	(4,778)
7p16c)	Purchase of financial instruments	**(11,841)**	(3500)
		(90,406)	(40,642)
	Cash flows from financing activities:		
7p17c)	– Proceeds from borrowings	**12,233**	19,965
	Net movement in cash flows	**(16,134)**	5,301
	Cash balance at beginning of period	**34,062**	28,761
	Cash balance at end of period	**17,928**	34,062

The notes to pages 15 to 74 are an integral part of these consolidated financial statements.

2 Summary of significant accounting policies

Only the extracts relevant to joint arrangements are given below.

1p119 **Consolidation**

(c) Joint arrangements

31p57 Prior to 1 January 2011, the group's interests in jointly controlled entities were accounted for by proportionate consolidation. The group combined its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognised the portion of gains or losses on the sale of assets by the group to the jointly controlled entities that was attributable to the other investors. The group did not recognise its share of profits or losses from the jointly controlled entity that resulted from the group's purchase of assets from the jointly controlled entity until it re-sold the assets to an independent party. However, a loss on the transaction was recognised immediately if the loss provided evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Changes in accounting policy

8p28(a) The group adopted IFRS 11, 'Joint arrangements', on 1 January 2011. This resulted in the group changing its accounting policy for its interests in joint arrangements. IFRS GAAP plc also adopted IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities', and consequential amendments to IAS 28, 'Investments in associates and joint ventures' and IAS 27, 'Separate financial statements', at the same time.

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. IFRS GAAP plc has assessed the nature of its joint arrangements and determined them to be joint ventures.

Commentary – venture capital organisations and mutual funds

Venture capital organisations or mutual funds, unit trusts and similar entities may also designate investments in joint ventures as at fair value through profit or loss. As IFRS GAAP plc does not meet these criteria, it must use the equity method to account for its joint ventures.

IFRS11pC2 The group has applied the new policy for interests in joint ventures occurring on or after 1 January 2010 in accordance with the transition provisions of IFRS 11. The group recognised its investment in joint ventures at the beginning of the earliest period presented (1 January 2010), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the group. This is the deemed cost of the group's investments in joint ventures for applying equity accounting.

28p10 Under the equity method of accounting, interests in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the post-acquisition of profits or losses and movements in other comprehensive income in the income statement and in other comprehensive income respectively. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

IFRS11pC2-3
28p28 Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group. The change in accounting policy has been applied as from 1 January 2010. There is no impact on the net assets of the periods presented.

The effects of the change in accounting policies on the financial position, comprehensive income and the cash flows of the group at 1 January 2010 and 31 December 2010 are summarised below. The change in accounting policy has had no impact on earnings per share.

8p28(f)

Commentary – extent of disclosures for the change in accounting policy

IAS 8 'Accounting policies, changes in accounting estimates and errors' requires entities to disclose the amount of the adjustment to each financial statement line item due to the change in accounting policy. This information is not required to be presented in a table. IFRS GAAP plc has elected to give the information in this format for illustration, as a change in policy from proportional consolidation could potentially affect most of the line items in the financial statements.

(All amounts in C thousands unless otherwise stated)

Impact of change in accounting policy on statement of financial position

	As at 31 December 2011	Change in accounting policy	As at 31 December 2011 as presented	As at 31 December 2010 (previously stated)	Change in accounting policy	As at 31 December 2010 (restated)	As at 1 January 2010 (previously stated)	Change in accounting policy	As at 1 January 2010 (restated)
8p28 **Assets**									
Non-current assets									
Property, plant and equipment	164,941	(4,600)	**160,341**	109,243	(4,010)	105,233	90,198	(3,460)	86,738
Intangible assets	27,180	(908)	**26,272**	21,583	(883)	20,700	17,595	(858)	16,737
Investments accounted for using the equity method	–	5,276	**5,276**	–	3,809	3,809	–	2,932	2,932
Deferred income tax assets	3,520	–	**3,520**	3,321	–	3,321	2,823	–	2,823
Available-for-sale financial assets	17,420	–	**17,420**	14,910	–	14,910	12,674	–	12,674
Derivative financial instruments	395	–	**395**	245	–	245	208	–	208
Trade and other receivables	2,322		**2,322**	1,352	–	1,352	1,149	–	1,149
	215,778	(232)	**215,546**	152,654	(1,084)	149,570	124,647	(1,386)	123,261
Current assets									
Inventories	26,529	(1,829)	**24,700**	19,452	(1,270)	18,182	15,455	(925)	14,530
Trade and other receivables	21,620	(1,855)	**19,765**	19,448	(1,118)	18,330	15,581	(683)	14,898
Available-for-sale financial assets	1,950	–	**1,950**	–	–	–	–	–	-
Derivative financial instruments	1,069	–	**1,069**	951	–	951	808	–	808
Financial assets at fair value through profit or loss	11,820	–	**11,820**	7,972	–	7,972	6,776	–	6,776
Cash and cash equivalents (excluding bank overdrafts)	18,518	(590)	**17,928**	34,452	(390)	34,062	28,953	(192)	28,761
	81,506	(4,274)	**77,232**	82,275	(2,778)	79,497	67,573	(1,800)	65,773
Assets of disposal group	3,333		**3,333**	–	–	–	–	–	-
	84,839	(4,274)	**80,565**	–	–	–	–	–	-
Total assets	300,617	(4,506)	**296,111**	225,705	(3,862)	229,067	192,220	(3,186)	189,034

(All amounts in C thousands unless otherwise stated)

	As at 31 December 201	**Change in accounting policy**	**As at 31 December 2011 as presented**	**As at 31 December 2010 (previously stated)**	**Change in accounting policy**	**As at 31 December 2010 (restated)**	**As at 1 January 2010 (previously stated)**	**Changes in accounting policy**	**As at 1 January 2010 (restated)**
Equity and liabilities									
Equity attributable to equity holders of the company									
Ordinary shares	17,850	–	**17,850**	17,850	–	17,850	17,850	–	17,850
Share premium	8,920	–	**8,920**	8,920	–	8,920	8,920	–	8,920
Other reserves	7,193	–	**7,193**	6,407	–	6,407	5,954	–	5,954
Retained earnings	94,713	–	**94,713**	51,334	–	51,334	36,623	–	36,623
Total equity	128,676	–	**128,676**	84,511	–	84,511	69,347	–	69,347
Liabilities									
Non-current liabilities									
Borrowings	118,342	(3,221)	**115,121**	99,100	(2,754)	96,346	81,894	(2,232)	79,662
Derivative financial instruments	135	–	**135**	129	–	129	110	–	110
Deferred income tax liabilities	12,370	–	**12,370**	9,053	–	9,053	7,695	–	7,695
Retirement benefit obligations	4,635	–	**4,635**	2,233	–	2,233	1,898	–	1,898
Provisions for other liabilities and charges	1,608	(288)	**1,320**	472	(198)	274	234	(111)	123
	137,090	(3,509)	**133,581**	110,987	(2,952)	108,035	91,831	(2,343)	89,488
Current liabilities									
Trade and other payables	16,991	(321)	**16,670**	12,719	(241)	12,478	10,606	(187)	10,419
Current income tax liabilities	2,665	(99)	**2,566**	2,864	(93)	2,771	2,355	(89)	2,266
Borrowings	12,268	(552)	**11,716**	18,805	(547)	18,258	15,519	(542)	14,977
Derivative financial instruments	460	–	**460**	618		618	525		525
Provisions for other liabilities and charges	2,247	(25)	**2,222**	2,425	(29)	2,396	2,037	(25)	2,012
	34,631	(997)	**33,634**	37,431	(910)	36,521	31,042	(843)	30,199
Liabilities of disposal group	220	–	**220**	–	–	–	–	–	–
	34,851	(997)	**33,854**	–	–	–	–	–	–
Total liabilities	171,941	(4,506)	**167,435**	148,418	(3,862)	144,556	122,873	(3,186)	119,687
Total equity and liabilities	300,617	(4,506)	**296,111**	232,929	(3,862)	229,067	192,220	(3,186)	189,034

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Impact of change in accounting policy on the statement of comprehensive income

		For period ended 31 December 2011	Change in accounting policy	For period ended 31 December 2011 as presented	For period ended 31 December 2010	Change in accounting policy	For period ended 31 December 2010 (Restated)
	Statement of comprehensive income						
8p28	**Revenue**	195,957	(11,810)	**184,147**	165,380	(11,579)	153,801
	Operating expenses	(99,699)	8,158	**(91,541)**	(105,940)	8,149	(97,791)
	Finance costs	(6,847)	777	**(6,070)**	(5,898)	827	(5,072)
	Share of profit of investments accounted for using the equity method	–	1,467	**1,467**	–	877	877
	Profit before tax	89,411	(1,408)	**88,003**	53,542	(1,727)	51,815
	Tax expense	(46,052)	1408	**(44,644)**	(38,830)	1,727	(37,104)
	Profit for the period from continuing operations	43,359	–	**43,359**	14,711	–	14,711
	Profit on discontinued operations	20	–	**20**	–	–	-
	Profit for the period	43,379	–	**43,379**	–	–	-
	Other comprehensive income						
	Gain/loss on available for sale financial assets	786	–	**786**	453	–	453
	Total comprehensive income	44,165	–	**44,165**	15,164	–	15,164

Impact of change in accounting policy on the statement of cash flows

		For period ended 31 December 2011	Change in accounting policy	For period ended 31 December 2011 as presented	For period ended 31 December 2010	Change in accounting policy	For period ended 31 December 2010 Restated
	Statement of cash flows						
8p28	**Cash flows from operating activities**	112,575	(2,735)	**109,840**	69,797	(3,008)	66,789
	Interest paid	(6,848)	778	**(6,070)**	(5,889)	827	(5,072)
	Income tax paid	(43,134)	1,403	**(41,731)**	(37,462)	1723	(35,739)
	Net cash from operating activities	62,593	(554)	**62,039**	26,436	(458)	25,978
	Cash flows from investing activities						
	Purchase of property, plant and equipment	70,180	790	**(69,390)**	33,114	750	(32,364)
	Acquisition of intangible assets	(9,212)	37	**(9,175)**	(4,815)	37	(4,778)
	Purchase of financial instruments	(11,841)	–	**(11,841)**	(3,500)	–	(3,500)
		(91,233)	827	**(90,406)**	(41,429)	787	(40,642)
	Cash flows from financing activities						
	Proceeds from borrowings	12,705	(427)	**12,233**	20,492	527	19,965
	Net movement in cash flows	(15,935)	(199)	**(16,134)**	5,499	(198)	5,301

Note 4.3 – Critical accounting estimates and judgements

IFRS 12p7 **Classification of joint arrangements**

IFRS GAAP plc holds 50% of the voting rights of its joint arrangements. The group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The group's joint arrangements are structured as limited companies and provide the group and the parties to the agreements with rights to the net assets of the limited companies under the arrangements. Therefore, these entities are classified as joint ventures of the group.

Commentary – classification of joint arrangements

IFRS GAAP plc has straightforward joint venture agreements. However, determining the classification of a joint arrangement may require critical accounting judgement.

(All amounts in C thousands unless otherwise stated)

Note 8 – Interest in joint ventures

IFRS 12p21(a) Set out below are the joint ventures of the group as at 31 December 2011, which, in the opinion of the directors, are material to the group. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the group; the country of incorporation or registration is also their principal place of business.

Nature of investment in joint ventures 2011 and 2010

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
JV1	United kingdom	50	Note 1	Equity
JV2	Italy	50	Note 2	Equity

Note 1: JV1 provides products and services to the footware industry in the UK. JV1 is a strategic partnership for the group, providing access to new technology and processes for its footware business.

Note 1: JV2 manufactures parts for the footware industry and distributes its products globally. JV2 is strategic for the group's growth in the European market and provides the group with access to expertise in efficient manufacturing processes for its footware business and access to key fashion trends.

IFRS 12p21 b)iii) JV1 and JV2 are private companies and there is no quoted market price available for their shares.

Commentary – fair value of interest in joint venture

Where there is a quoted market price for an entity's investment in a joint venture, the fair value of that interest should be disclosed.

Commitments and contingent liabilities in respect of joint ventures

IFRS12p23(a) The group has the following commitments relating to its joint ventures.

	2011	2010
Commitment to provide funding if called.	100	100

IFRS12p23(b) There are no contingent liabilities relating to the group's interest in the joint ventures. JV 1 has a contingent liability relating to an unresolved legal case relating to a contract dispute with a customer. As the case is at an early stage in proceedings it is not possible to determine the likelihood or amount of any settlement should JV1 not be successful.

Summarised financial information for joint ventures

Set out below are the summarised financial information for JV1 and HV2 which are accounted for using the equity method.

IFRS12 p21(b)(ii) **Summarised balance sheet**

		JV1		JV2		Total	
		As at 31 December		As at 31 December		As at 31 December	
		2011	2010	2011	2010	2011	2010
	Current						
IFRS12pB 13(a)	Cash and cash equivalents	531	312	649	468	1,180	780
IFRS12pB 12(b)(i)	Other current assets (excluding cash)	3,315	1,911	4,051	2,865	7,368	4,776
IFRS 12 pB12b)i)	Total current assets	3,846	2,223	4,700	3,333	8,548	5,556
IFRS12pB 13(b)	Financial liabilities (excluding trade payables)	(497)	(438)	607	656	1,104	1,094
IFRS12pB 12(b)(iii)	Other current liabilities (including trade payables)	(401)	(290)	489	436	890	726
IFRS 12 pB12b)iii)	Total current liabilities	(898)	(728)	(1,096)	(1,092	(1,994)	(1,820)
	Non-current						
IFRS12pB 12(b)(ii)	Assets	5,957	3,914	6,059	5,871	11,016	9,786
IFRS12 pB 13(c)	Financial liabilities	(2,899)	(2,203)	(3,543)	(3,304)	(6,442)	(5,508)
IFRS12pB 12(b)(iv)	Other liabilities	(259)	(158)	(317)	(238)	(576)	(396)
	Total non-current liabilities	(3,158)	(2,361)	(3,860)	(3,542)	(7,018)	(5,904)
DV	**Net assets**	**4,748**	**3,047**	**5,804**	**4,571**	**10,552**	**7,618**

Summarised statement of comprehensive income

		JV1		JV2		Total	
		2011	2010	2011	2010	2011	2010
IFRS12pB 12(b)(v)	Revenue	10,629	9,263	12,991	13,895	23,620	23,158
IFRS12 pB13(d)	Depreciation and amortisation	(191)	(170)	(233)	(254)	(424)	(424)
IFRS 12pB13e)	Interest income	–	–	–	–	–	-
IFRS12pB 12(b)(vi)	**Profit or loss from continuing operations**	**3,668**	**2,745**	**3,627**	**4,166**	**7,304**	**6,861**
IFRS12pB 13(e)(f)	Interest expense	(700)	(662)	(855)	(992)	(1,555)	(1,654)
IFRS12 pB13(g)	Income tax expense	(1,267)	(1,381)	(1,548)	(2,072)	(2,815)	(3,453)
IFRS 12 pB12b)vi)	**Post-tax profit from continuing operations**	**1,701**	**702**	**1,223**	**1,052**	**2,934**	**1,754**
IFRS12pB 12(b)(vii)	**Post-tax profit from discontinued operations**	–	–	–	–	–	–
IFRS12pB 12(b)(viii)	**Other comprehensive income**	**–**	**–**	**–**	**–**	**–**	**–**
IFRS12pB 12(b)(ix)	**Total comprehensive income**	**1,701**	**702**	**1,233**	**1,052**	**2,934**	**1,754**
IFRS12 pB12(a)	**Dividends received from joint venture or associate**	–	–	–	–	–	–

IFRS12pB14 The information above reflects the amounts presented in the financial statements of the joint ventures (and not IFRS GAAP plc's share of those amounts) adjusted for differences in accounting policies between the group and the joint ventures

Commentary – summarised financial information

Summarised financial information is required for the group's interest in material joint ventures; however, IFRS GAAP plc has provided the total amounts voluntarily.

(All amounts in C thousands unless otherwise stated)

Investment in joint ventures

	JV1		JV2		Total	
Investment in joint ventures	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
At 1 January	1,524	1,173	2,285	1,759	3,809	2,932
Share of profit	850	351	617	526	1,467	877
OCI	–	–	–	–	–	–
At 31 December	**2,374**	**1,524**	**2,902**	**2,285**	**5,276**	**3,809**

Reconciliation of summarised financial information

IFRS12 pB14(b)

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint ventures.

	JV1		JV2		Total	
Summarised financial information	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Opening net assets 1 January	**3,047**	**2,345**	**4,751**	**3,519**	**7,618**	**5,864**
Profit/(loss) for the period	1,701	702	1,223	1,052	2,934	1,754
OCI	–	–	–	–	–	–
Closing net assets	**4,748**	**3,047**	**5,804**	**4,571**	**10,522**	**7,618**
Interest in JV @ 50%	2,374	1,524	2,902	2,285	5,276	3,809
Goodwill	–	–	–	–	–	–
Carrying value	**2,374**	**1,524**	**2,902**	**2,285**	**5,276**	**3,809**

Appendix VII – IFRS 13, Fair value measurement

This appendix illustrates disclosures that will be required under IFRS 13, 'Fair value measurement', assuming the group held investment properties and biological assets that were measured at fair value at 31 December 2011.

Fair value hierarchy

IFRS13p93a, b

	Fair value measurements at 31 December 2011 using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring fair value measurements			
Investment properties:			
– Office buildings – UK	–	25,012	–
– Shopping malls – UK	–	57,112	–
– Shopping malls – US	–	41,598	–
– Shopping malls – Asia Pacific	–	35,730	10,520
Biological assets:			
– Poultry for egg production	–	1,154	–
– Palm oil plantation	–	–	6,815

IFRS13p93c There were no transfers between Levels 1 and 2 during the year.

IFRS13p93d

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of office buildings and shopping malls have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

Poultry values have been derived from market prices for chickens of a similar breed and age.

IFRS13p93e

Fair value measurements using significant unobservable inputs (Level 3)

		Shopping malls – Asia Pacific	**Palm oil plantation**
	Opening balance	–	4,312
	Transfers to/(from) Level 3[1]	9,302	–
	Additions	989	1,003
	Gains and losses recognised in profit and loss	229	1,500
	Gains and losses recognised in other comprehensive income	–	–
IFRS13p93e(i)	Closing balance	10,520	5,715
IFRS13p93(f)	Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under 'Other gains'	229	1,500
	Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**103**	**653**

The revised valuation technique uses the sales comparison approach to derive the fair value of the completed property. The following were then deducted from the fair value of the completed property:

- estimated construction and other costs to completion that would be incurred by a market participant; and
- estimated profit margin that a market participant would require to hold and develop the property to completion, based on the state of the property as at 31 December 2011.

IFRS13p93d Other than as described above, there were no other changes in valuation techniques during the year.

IFRS13p93c, e(iv) The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

[1] The group began redevelopment of a shopping mall in China during the year. The redevelopment will greatly expand the rental area of the property, and is expected to be completed in 2012. Before redevelopment, this property was valued using the sales comparison approach, which resulted in a Level 2 fair value. Upon redevelopment, the group had to revise its valuation technique for the property under construction. The revised valuation technique uses significant unobservable inputs. The fair value measurement was therefore reclassified to Level 3.

(All amounts in C thousands unless otherwise stated)

IFRS13p93d, h(i)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 Dec 2011 (C in thousands)	Valuation technique(s)	Unobservable inputs[1]	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Shopping malls – Asia Pacific	10,520	Adjusted sales comparison approach[2]	Estimated costs to completion	C2,780,000 – C3,220,000 (C3,000,000)	The higher the estimated costs, the lower the fair value.
			Estimated profit margin required to hold and develop property to completion	10%-15% (12.5%) of property value	The higher the profit margin required, the lower the fair value.
Palm oil plantation	6,815	Discounted cash flow	Palm oil yield – fresh fruit bunches per hectare	15-20 (18) per year	The higher the palm oil yield, the higher the fair value.
			Market price of palm oil	US$780-820 (800) per tonne	The higher the market price, the higher the fair value.
			Discount rate	9%-11% (10%)	The higher the discount rate, the lower the fair value.

IFRS13p93g

Valuation processes of the group

IFRS13.IE 5

The finance department of the group includes a team that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every quarter, in line with the group's quarterly reporting dates.

The group engages external, independent and qualified valuers to determine the fair value of the group's properties at the end of every financial year. As at 31 December 2011, the fair values of the properties have been determined by ABC Property Surveyors Limited.

The main Level 3 inputs used by the group are derived and evaluated as follows:

- *Shopping mall – estimated costs to completion and profit margin required*
  These are estimated by ABC Property Surveyors Limited based on market conditions as at 31 December 2011. The estimates are largely consistent with the budgets developed internally by the group based on management's experience and knowledge of market conditions.
- *Biological assets – reproduction and death rates of poultry and palm oil yield*
  These have been estimated by management based on management's experience and historical data and are in line with internal budgets used within the group.
- *Discount rates*
  These are estimated based on the weighted average cost of capital of public companies that are, in the opinion of the group, comparable with the businesses being valued. The group has subscriptions to information brokers that allow the group to gather such information.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, AC and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

[1] There were no significant inter-relationships between unobservable inputs.

[2] This pertains to the redeveloped shopping mall in China. See previous section for an explanation of the valuation technique.

Appendix VIII – First-time adoption of IFRS

A number of implementation choices exist under IFRS 1, 'First-time adoption of IFRS',. Only one possible combination is illustrated here. The appendix does not repeat all of the requirements of IFRS 1 and should be read in conjunction with the standard and related implementation guidance.

Transition to IFRS

These are the Group's first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2011, the comparative information presented in these financial statements for the year ended 31 December 2010 and in the preparation of an opening IFRS balance sheet at 1 January 2010 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted the amounts reported previously in financial statements prepared with [country] GAAP. An explanation of how the transition from [country] GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes.

1 Initial elections upon adoption

Set out below are the applicable IFRS 1 exemptions and exceptions applied in the conversion from [country] GAAP to IFRS.

1.1 IFRS exemption options

1.1.1. Exemption for business combinations

IFRS 1 provides the option to apply IFRS 3, 'Business combinations', prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The group elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

1.1.2. Exemption for fair value as deemed cost

The group elected to measure certain items of property, plant and equipment at fair value as at 1 January 2010.

1.1.3. Exemption for cumulative translation differences

IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with IAS 21, 'The effects of changes in foreign exchange rates', from the date a subsidiary or equity method investee was formed or acquired. The group elected to reset all cumulative translation gains and losses to zero in opening retained earnings at its transition date.

1.1.4. Exemption for employee benefits

IFRS 1 provides retrospective relief from applying IAS 19, 'Employee benefits', for the recognition of actuarial gains and losses. In line with the exemption, the group elected to recongise all cumulative actuarial gains and losses that existed at its transition date in opening retained earnings for all its employee benefit plans.

The remaining voluntary exemptions do not apply to the group:

- Share-based payment (IFRS 2) and leases (IAS 17), as [country] accounting and the IFRSs were already aligned as regards these transactions;
- Insurance contracts (IFRS 4), as this is not relevant ot the company's operations.
- Assets and liabilities of subsidiaries, associates and joint ventures, as only the group's consolidated financial statements have been prepared in accordance with IFRSs;
- Compound financial instruments, because the group does not have these types of financial instrument as at the date of transition to IFRS;
- Decomwmissioning liabilities included in the cost of land, buildings and equipment, as the group does not have liabilities of this type; and
- Financial assets or intangible assets accounted for under IFRIC 12, as the group has not entered into agreements within the scope of IFRIC 12.

1.2 IFRS mandatory exceptions

Set out below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from [country] GAAP to IFRS.

1.2.1 Hedge accounting exception

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39, 'Financial instruments: Recognition and measurement', at that date. Hedging relationships cannot be designated retrospectively, and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of 1 January 2010 are reflected as hedges in the group's results under IFRS.

1.2.2 Exception for estimates

IFRS estimates as at 1 January 2010 are consistent with the estimates as at the same date made in conformity with [country] GAAP.

The other compulsory exceptions of IFRS 1 have not been applied as these are not relevant to the group:

- Derecognition of financial assets and financial liabilities; and
- Non-controlling interests.

2 Reconciliations of [country] GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The group's first-time adoption did not have an impact on the total operating, investing or financing cash flows. The following tables represent the reconciliations from [country] GAAP to IFRS for the respective periods noted for equity, earnings and comprehensive income.

Reconciliation of shareholders' equity as at 1 January 2010

		(a)	(b)	(c)	(d)	(e)
	Under previous [Country GAAP]	**Conso-lidation**	**Property, plant and equipment**	**Impairment of PP&E**	**Goodwill and negative goodwill**	**Pre-operating expenses**
Assets						
Non-current assets						
Property, plant and equipment	82,214	–	75,000	(50,000)	–	–
Intangible assets	19,637	–	–	–	2,950	(1,125)
Investments in associates	13,208	(200)	–	–	–	–
Deferred income tax assets	3,567	–	–	–	–	–
Available-for-sale financial assets	14,096	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Trade and other receivables	–	–	–	–	–	–
	132,722	**(200)**	**75,000**	**(50,000)**	**2,950**	**(1,125)**
Current assets						
Inventories	16,754	500	–	–	–	–
Trade and other receivables	17,007	2,000	–	–	–	–
Available-for-sale financial assets	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Financial assets at fair value through profit or loss	5,432	–	–	–	–	–
Cash and cash equivalents (excluding bank overdrafts)	17,587	–	–	–	–	–
	56,780	**2,500**	**–**	**–**	**–**	**–**
Assets of disposal group classified as held for sale	–	–	–	–	–	–
	56,780	**2,500**	–	–	–	–
Total assets	**189,502**	**2,300**	**75,000**	**(50,000)**	**2,950**	**(1,125)**

		(a)	(b)	(c)	(d)	(e)
	Under previous [Country GAAP]	**Conso-lidation**	**Property, plant and equipment**	**Impairment of PP&E**	**Goodwill and negative goodwill**	**Pre-operating expenses**
Equity and liabilities						
Equity attributable to equity holders of the company						
Ordinary shares	20,000	–	–	–	–	–
Share premium	10,424	–	–	–	–	–
Other reserves	(69,463)	–	75,000	–	–	–
Retained earnings	87,040	(200)	–	(50,000)	2,950	(1,125)
	48,001	(200)	75,000	(50,000)	2,950	(1,125)
Non-controlling interests	(1,000)	2,500	–	–	–	–
Total equity	**47,001**	2,300	75,000	(50,000)	2,950	(1,125)
Liabilities						
Non-current liabilities						
Borrowings	93,478	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Deferred income tax liabilities	2,110	–	–	–	–	–
Retirement benefit obligations	537	–	–	–	–	–
Provisions for other liabilities and charges	–	–	–	–	–	–
	96,125	**–**	**–**	**–**	**–**	**–**
Current liabilities						
Trade and other payables	25,422	–	–	–	–	–
Current income tax liabilities	2,019	–	–	–	–	–
Borrowings	17,012	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Provisions for other liabilities and charges	1,923	–	–	–	–	–
	46,376	–	–	–	–	–
Liabilities of disposal group classified as held for sale	**–**	–	–	–	–	–
	46,376	**–**	**–**	**–**	**–**	**–**
Total liabilities	**142,501**	**–**	**–**	**–**	**–**	**–**
Total equity and liabilities	**189,502**	2,300	75,000	(50,000)	2,950	(1,125)

(All amounts in C thousands unless otherwise stated)

(f)	(g)	(h)	(i)	(j)	(k)		
Tax and social contribution	**Cumulative translation adjustment**	**Adjustment to pension obligations**	**Hedge accounting exception**	**Inventory valuation method**	**Interest on capital and dividends**	**Total impact of change to IFRS**	**Under IFRS**
–	–	–	–	–	–	25,000	107,214
–	–	–	–	–	–	1,825	21,462
–	–	–	–	–	–	(200)	13,008
–	–	–	–	–	–	–	3,567
–	–	–	–	–	–	–	14,096
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**26,625**	**159,347**
–	–	–	–	400	–	900	17,654
–	–	–	–	–	–	2,000	19,007
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	5,432
–	–	–	–	–	–	–	17,587
–	**–**	**–**	**–**	**400**	**–**	**2,900**	**59,680**
–	–	–	–	–	–	–	–
–	–	–	–	**400**	–	**2,900**	**59,680**
–	–	–	–	**400**	–	**29,525**	**219,027**

(f)	(g)	(h)	(i)	(j)	(k)		
Tax and social contribution	**Cumulative translation adjustment**	**Adjustment to pension obligations**	**Hedge accounting exception**	**Inventory valuation method**	**Interest on capital and dividends**	**Total impact of change to IFRS**	**Under IFRS**
–	–	–	–	–	–	–	20,000
–	–	–	–	–	–	–	10,424
–	(3,000)	–	–	–	–	72,000	2,537
(4,504)	3,000	(1,000)	–	400	15,736	(34,743)	52,297
(4,504)	0	(1,000)	–	400	15,736	37,257	–
–	–	–	–	–	–	–	**85,258**
–	–	–	–	–	–	2,500	1,500
(4,504)	–	(1,000)	–	400	15,736	**39,757**	**86,758**
–	–	–	–	–	–	–	93,478
–	–	–	–	–	–	–	–
4,504	–	–	–	–	–	4,504	6,614
–	–	1,000	–	–	–	1,000	1,537
–	–	–	–	–	–	–	–
4,504	**–**	**1,000**	**–**	**–**	**–**	**5,504**	**101,629**
–	–	–	–	–	(15,736)	(15,736)	9,686
–	–	–	–	–	–	–	2,019
–	–	–	–	–	–	–	17,012
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	1,923
–	–	–	–	–	**(15,736)**	**(15,736)**	**30,640**
–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**30,640**
4,504	**–**	**1,000**	**–**	**–**	**(15,736)**	**(10,232)**	**132,269**
–	–	–	–	400	–	29,525	**219,027**

Reconciliation of shareholders' equity as at 31 December 2010

		(a)	(b)	(c)	(d)	(e)
	Under previous [Country GAAP]	Conso-lidation	Property, plant and equipment	Impair-ment of PP&E	Goodwill and negative goodwill	Pre-operating expenses
Assets						
Non-current assets						
Property, plant and equipment	75,433	–	73,800	(49,000)	–	–
Intangible assets	18,350	–	–	–	3,100	(750)
Investments in associates	13,444	(200)	–	–	–	–
Deferred income tax assets	3,321	–	–	–	–	–
Available-for-sale financial assets	14,910	–	–	–	–	–
Derivative financial instruments	245	–	–	–	–	–
Trade and other receivables	1,352	–	–	–	–	–
	127,055	**(200)**	**73,800**	**(49,000)**	**3,100**	**(750)**
Current assets						
Inventories	17,312	500	–	–	–	–
Trade and other receivables	16,330	2,000	–	–	–	–
Available-for-sale financial assets	–	–	–	–	–	–
Derivative financial instruments	951	–	–	–	–	–
Financial assets at fair value through profit or loss	7,972	–	–	–	–	–
Cash and cash equivalents (excluding bank overdrafts)	34,062	–	–	–	–	–
	76,627	**2,500**	**–**	**–**	**–**	**–**
Assets of disposal group classified as held for sale	–	–	–	–	–	–
	76,627	–	–	–	–	–
Total assets	**203,682**	–	–	–	–	–

		(a)	(b)	(c)	(d)	(e)
	Under previous [Country GAAP]	Conso-lidation	Property, plant and equipment	Impair-ment of PP&E	Goodwill and negative goodwill	Pre-operating expenses
Equity and liabilities						
Equity attributable to equity holders of the company						
Ordinary shares	21,000	–	–	–	–	–
Share premium	10,494	–	–	–	–	–
Other reserves	(63,795)	–	73,800	–	–	–
Retained earnings	91,945	(200)	–	(49,000)	3,100	(750)
	59,644	(200)	73,800	(49,000)	3,100	(750)
Non-controlling interests	(734)	2,500	–	–	–	–
Total equity	**58,910**	2,300	73,800	(49,000)	3,100	(750)
Liabilities						
Non-current liabilities						
Borrowings	96,171	–	–	–	–	–
Derivative financial instruments	129	–	–	–	–	–
Deferred income tax liabilities	342	–	–	–	–	–
Retirement benefit obligations	1,233	–	–	–	–	–
Provisions for other liabilities and charges	274	–	–	–	–	–
	98,149	**–**	**–**	**–**	**–**	**–**
Current liabilities						
Trade and other payables	22,580	–	–	–	–	–
Current income tax liabilities	2,771	–	–	–	–	–
Borrowings	18,258	–	–	–	–	–
Derivative financial instruments	618	–	–	–	–	–
Provisions for other liabilities and charges	2,396	–	–	–	–	–
	46,623	–	–	–	–	–
Liabilities of disposal group classified as held for sale	–	–	–	–	–	–
	46,623	**–**	**–**	**–**	**–**	**–**
Total liabilities	**144,772**	**–**	**–**	**–**	**–**	**–**
Total equity and liabilities	**203,682**	2,300	73,800	(49,000)	3,100	(750)

(All amounts in C thousands unless otherwise stated)

(f) Tax and social contribution	(g) Cumulative translation adjustment	(h) Adjustment to pension obligations	(i) Hedge accounting exception	(j) Inventory valuation method	(k) Interest on capital and dividends	Total impact of change to IFRS	Under IFRS
–	–	–	–	–	–	24,800	100,233
–	–	–	–	–	–	2,350	20,700
–	–	–	–	–	–	(200)	13,244
–	–	–	–	–	–	–	3,321
–	–	–	–	–	–	–	14,910
–	–	–	–	–	–	–	245
–	–	–	–	–	–	–	1,352
–	**–**	**–**	**–**	**–**	**–**	**26,950**	**154,005**
–	–	–	–	370	–	870	18,182
–	–	–	–	–	–	2,000	18,330
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	951
–	–	–	–	–	–	–	7,972
–	–	–	–	–	–	–	34,062
–	**–**	**–**	**–**	**370**	**–**	**2,870**	**79,497**
–	–	–	–	–	–	–	
–	–	–	–	–	–	–	**79,497**
–	–	–	–	–	–	–	**233,502**

(f) Tax and social contribution	(g) Cumulative translation adjustment	(h) Adjustment to pension obligations	(i) Hedge accounting exception	(j) Inventory valuation method	(k) Interest on capital and dividends	Total impact of change to IFRS	Under IFRS
–	–	–	–	–	–	–	21,000
–	–	–	–	–	–	–	10,494
–	(3,000)	–	–	–	–	70,800	7,005
(8,711)	3,000	(1,000)	(175)	370	10,102	(43,264)	48,681
(8,711)	0	(1,000)	(175)	370	10,102	27,536	**87,180**
–	–	–	–	–	–	2,500	1,766
(8,711)	0	(1,000)	(175)	370	10,102	**30,036**	**88,946**
–	–	–	175	–	–	175	96,346
–	–	–	–	–	–	–	129
8,711	–	–	–	–	–	8,711	9,053
–	–	1,000	–	–	–	1,000	2,233
–	–	–	–	–	–	–	274
8,711	**–**	**1,000**	**175**	**–**	**–**	**9,886**	**108,035**
–	–	–	–	–	(10,102)	(10,102)	12,478
–	–	–	–	–	–	–	2,771
–	–	–	–	–	–	–	18,258
–	–	–	–	–	–	–	618
–	–	–	–	–	–	–	2,396
–	–	–	–	–	–	–	**36,521**
–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**(10,102)**	**36,521**
8,711	**–**	**1,000**	**175**	**–**	**(10,102)**	**(216)**	**144,556**
–	–	0	–	370	–	29,820	233,502

Reconciliation of comprehensive income for the year ended 31 December 2010

	Under previous [Country GAAP]	(a) Consolidation	(b) Property, plant and equipment	(c) Impairment of PP&E	(d) Goodwill and negative goodwill
Continuing operations					
Revenue	112,360	–	–	–	–
Operating costs	(79,644)		(1,200)	1,000	2,500
Income from operations	32,716	–	(1,200)	1,000	2,500
Financial income	1,609	–	–	–	–
Financial expenses	(12,022)	–	–	–	–
Financial expenses, net	(10,413)	–	–	–	–
Equity in earnings (losses) of associates	145	–	–	–	–
Pre-tax profit	22,448	–	(1,200)	1,000	2,500
Income tax	(8,380)	–	408	(340)	–
Profit for the year from continuing operations	14,068	–	(792)	660	2,500
Discontinued operations					
Profit for the year from discontinued operations	120	–	–	–	–
Profit for the year	14,188	–	(792)	660	2,500
Profit attributable to:					
Owners of the company	–	–	(792)	660	2,500
Non-controlling interests	–	–	–	–	–

Reconciliation of comprehensive income as at 31 December 2010

	Note	Under previous [Country GAAP]	Total impact of change to IFRS	**Under IFRS**
Profit for the year				16,368
Other comprehensive income (net of tax):				
Gains on revaluation of land and buildings		759	–	759
Available-for-sale financial assets		62	–	62
Share of other comprehensive income (loss) of associates		91	–	91
Actuarial loss on post employment benefit obligations	(h)	–	(494)	(494)
Cash flow hedges		(3)	–	(3)
Net investment hedge		40	–	40
Currency translation differences		(261)	–	(261)
Other comprehensive income for the year		**688**	**(494)**	**194**
Total comprehensive income for the year				16,562
Attributable to:				
Owners of the company				15,746
Non–controlling interests				816
				16,562

(e)	(f)	(i)	(j)		
Preoperating expenses	Tax	Hedge accounting exception	Inventory valuation method	Total impact of change to IFRS	**Under IFRS**
–	–	–	–	–	112,360
375			(30)	2,645	(76,999)
375	–	–	(30)	2,645	35,361
–	–	–	–	–	1,609
–	–	(175)	–	(175)	(12,197)
–	–	(175)	–	(175)	(10,588)
–	–	–	–	–	145
375	–	(175)	(30)	2,470	24,918
(128)	(300)	60	10	(290)	(8,670)
247	(300)	(115)	(20)	2,180	16,248
–	–	–	–	–	120
247	(300)	(115)	(20)	2,180	16,368
247	(300)	(115)	(20)	2,180	15,512
–	–	–	–	–	856

Reconciliation of cash flow statement

The transition from [country] GAAP to IFRS has had no effect on the reported cash flows generated by the group. The reconciling items between the [country] GAAP presentation and the IFRS presentation have no net impact on the cash flows generated.

3 Notes to the reconciliation of [country] GAAP and IFRS

(a) Consolidation

Under [country] GAAP, a subsidiary was excluded from consolidation and included in the financial statements under the equity method. This entity was consolidated for IFRS purposes.

A special purpose entity (SPE) that was not previously consolidated under [country] GAAP is being consolidated to meet the requirement of IFRS. Trade accounts receivable related to this entity total C2,000 as at 1 January 2010 and 31 December 2010.

(b) Property, plant and equipment

Management applied the fair value as deemed cost exemption to certain machinery, buildings and land of its subsidiary [name]. The appraisal report of the property, prepared as at 1 January 2010 determined its fair value as C175,000, a C75,000 increase as compared to its carrying amount of C100,000 under [country] GAAP. The increase as at 31 December 2010 was C73,800.

(c) Impairment of property, plant and equipment

The impairment charge of C50,000 as at 1 January 2010 arose in the manufacturing unit '[Factory A]', which is the company's manufacturing plant in 'A' Land, following a decision to reduce the manufacturing output allocated to the operation. Factory A is a cash generating unit (CGU) under IAS 36.

The impact on comprehensive income for the year ended 31 December 2010 was C1,000 due to the recognition of lower depreciation in the year.

The recoverable amount of this CGU was estimated based on value-in-use calculation as this was determined to be higher than fair value less costs to sell. These calculations use cash flow projections based on financial budgets approved by management for a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the manufacturing business in which the CGU operates. The following are key assumptions used in the value-in-use calculation:

- Gross margin[1] 30.0%
- Growth rate[2] 1.8%
- Discount rate[3] 10.5%

[1] Budgeted gross margin.
[2] Weighted average growth rate used to extrapolate cash flows after the budget period.
[3] Pre-tax discount rate applied to cash flow projections.

Management determined the budgeted gross margin based on past performance and their expectations for market development. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks in relation to the relevant CGU.

A change in management's gross margin estimate by 10% increase the impairment by C500. If management reduces the growth rate by 10% , impairment would increase by *C*30. An increase in the discount rate by 10% would increase impairment by C50.

(d) Goodwill and negative goodwill

Under [country] GAAP, goodwill was being amortised over a period corresponding to its estimated economic life. In accordance with IFRS, goodwill is not amortised; it is, instead, tested for impairment annually. The amortisation for the year ended 31 December 2010 was C2,500.

Under [country] GAAP, when the amount paid in an acquisition is lower than the carrying amount of the acquired net assets and liabilities, an entity is required to recognise such amount as negative goodwill in the balance sheet (in liabilities) and amortise it over the period considered to justify negative goodwill. In accordance with IFRS, the difference between the amount paid and the fair value of the acquired net assets and liabilities is recognised in profit or loss immediately. Negative goodwill was C2,950 as at 1 January 2010 and C600 as at 31 December 2010.

(e) Pre-operating expenses

Under [country] GAAP, up to 31 December 2010 it was the group's accounting practice to capitalise pre-operating expenses in 'Deferred charges'. IFRS prescribes that pre-operating expenses cannot be attributed to the cost of property, plant and equipment or the formation of intangible assets and are immediately recognised as expenses. Accordingly, the balances of C1,125 and C750, as at 1 January and 31 December 2010, respectively, and the C375 amortisation recognised in 2010 were adjusted against retained earnings.

(f) Tax

Changes in deferred tax represent the impact of deferred taxes on the adjustments necessary for the transition to IFRS and total C4,504 as at 1 January 2010 and C8,711 as at 31 December 2010, and C300 in the 2010 income statement.

(g) Cumulative translation adjustment

The group has elected to reset the cumulative translation adjustment account to zero as at 1 January 2010. Under [country] GAAP, as at this date there was a translation reserve of C3,000 eliminates against retained earnings. Total equity was not changed as a result of this reclassification.

(h) Adjustment to pension obligations

The group elected to apply the IFRS 1 employee benefits exemption. Accordingly, cumulative net actuarial losses totaling C1,000 were recognised in retained earnings as at 1 January 2010.

Under IFRSs the group accounting policy is to recognise all actuarial gains and losses in other comprehensive income. Under [country] GAAP the company recognised gains and losses in the profit or loss over the employees' remaining service period.

(i) Hedge accounting exception

The group held interest rate swaps at the transition date as hedges of cash flow risk related to the company's variable rate debt instruments. Under [country] GAAP, the swaps were accounted for as hedges. Changes in their fair value were initially recognised in other comprehensive income and transferred to the statement of income as the variable interest expense was recongised on the debt instrument. The method of assessing hedge effectiveness used under [country] GAAP did not qualify these instruments for hedge accounting under IFRS and the group has discontinued hedge accounting on transition to IFRS. As a result, changes in the fair value of the swap occurring after 1 January 2010 under IFRS are recognised directly in profit or loss. An additional amount of C175 corresponding to unrealised losses, was recorded in the IFRS financial statements for the year ended 31 December 2010.

(j) Inventory valuation method

Under [country] GAAP, the group applied the average cost method to measure inventories. Under IFRS, the group restated its opening balance sheet by retrospectively applying the first in, first out (FIFO) method. The impact of this change on inventory valuation was a C400 increase as at 1 January 2010 and C370 as at 31 December 2010.

(All amounts in C thousands unless otherwise stated)

(k) Interest on capital and dividends

Under [country] GAAP, interest on capital and dividends are recognised at year-end, even if dividends have not been officially declared. Under IFRS, a liability for dividends is recognised when they are declared. The amount of C15,736 refers to dividends that were declared after 1 January 2010. The amount of C10,102 as at 31 December 2010 was adjusted for recognition in the following year.

(l) Retained earnings

Except for the reclassification items, all the adjustments above were recognised against opening retained earnings and other reserves as at 1 January 2010.

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for 2011 year ends

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