IFRS illustrative consolidated financial statements

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Introduction

These illustrative financial statements present the consolidated financial statements of Exemplum Reporting PLC, an imaginary group with publicly traded equity shares, applying International Financial Reporting Standards ("IFRS") for the year ended 31 December 20XX.

Not all countries' legislative and regulatory frameworks require the presentation of separate financial statements for a group's parent company, or do not require such financial statements to be prepared in accordance with IFRS. For these reasons the illustrative financial statements for Exemplum Reporting PLC only set out the group consolidated financial statements.

They are prepared on the assumption that the group is not a first time adopter. Therefore, the specific disclosure requirements set out in IFRS 1 are not included.

The disclosures illustrated are compliant with International Financial Reporting Standards and Interpretations effective for years commencing on or after 1 January 2017 and illustrate the different presentation alternatives of statements and note disclosures which are permitted by IFRS, and which are being commonly used in practice. However other presentations and disclosures may also be suitable provided that these fulfil the requirements of IFRS. Presentation illustrating a restatement arising from a change in accounting policy or error has not been shown in the main illustration but examples are shown in Appendix 2. Where an accounting standard allows a choice between different measurement models, the financial statements illustrate and apply a single measurement model in accordance with the applicable standard. No audit report has been included as this will vary between entities based on the circumstances and local legislative requirements. Furthermore, individual jurisdictions may impose additional restrictions or requirements which have not been reflected.

Commentary notes have been provided in some cases to further explain the illustrated disclosures and to set out additional disclosure requirements not specifically illustrated in the financial statements.

Source references for the illustrative disclosures have also been included in the right hand margin of the financial statements and commentary notes. Examples of source references used are:

IAS1 p86 = Paragraph 86 of International Accounting Standard 1.

IFRS5 p33 = Paragraph 33 of International Financial Reporting Standard 5.

IFRS10 B86 = Appendix B – Application guidance paragraph 86 of International Financial Reporting Standard 10.

The disclosures required by the following standards have not been included in the illustrative financial statements:

- IFRS 4 Insurance contracts;
- IFRS 6 Exploration for and evaluation of mineral resources;
- IFRS 14 Regulatory deferral accounts;
- IAS 11 Construction contracts;
- IAS 20 Accounting for government grants and disclosure of government assistance;
- IAS 26 Accounting and reporting by retirement benefit plans;
- IAS 29 Financial reporting in hyperinflationary economies;
- IAS 34 Interim financial reporting;
- IAS 41 Agriculture.

While every care has been taken in its preparation, these illustrative financial statements only provide a general guide and are not a substitute for professional advice.

Exemplum Reporting PLC
Financial statements
For the year ended
31 December 20XX

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 20XX

ILLUSTRATING THE PRESENTATION IN ONE STATEMENT BY FUNCTION

	Notes	**20XX**	20XX-1	
Continuing operations				
Revenue	5	**X**	X	IAS1 p82, p103
Cost of sales		**X**	X	IAS1 p103
Gross profit		**X**	X	IAS1 p85, p103
Other income		**X**	X	IAS1 p103
Distribution costs		**X**	X	IAS1 p103
Administrative expenses		**X**	X	IAS1 p103
Other expenses		**X**	X	IAS1 p85
Operating profit	6	**X**	X	
Investment income	9	**X**	X	IAS1 p85
Finance costs	10	**X**	X	IAS1 p82
Share of profit of associates and joint ventures	20	**X**	X	IAS1 p82
Gain recognised on disposal of interest in former associate		**X**	X	IAS1 p85
Profit before tax		**X**	X	
Income tax expense	11	**X**	X	IAS1 p82, IAS12 p77
Profit for the period from continuing operations		**X**	X	IAS1 p82
Profit for the year from discontinued operations	12	**X**	X	IFRS5 p33
PROFIT FOR THE YEAR		**X**	X	
Other comprehensive income:				IAS1 p82
Items that will not be reclassified subsequently to profit or loss				IAS1 p82A(a)
Re-measurement of defined benefit pension plans		**X**	X	IAS19 p93B
Gain on revaluation of property (if revaluation model is used)				IAS16 p39
Income tax relating to non-recyclable components of other comprehensive income*		**X**	X	IAS1 p91
Items that may be reclassified subsequently to profit or loss				IAS1 p82A(b)
Exchange differences on translating foreign operations		**X**	X	IAS21 p52(b)
Net fair value gain on available for sale financial assets		**X**	X	IFRS7 p20
Share of other comprehensive income of associates		**X**	X	IAS1 p82
Income tax relating to recyclable components of other comprehensive income*		**X**	X	IAS1 p91
Other comprehensive income for the year, net of tax		**X**	X	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**X**	X	IAS1 p82
*Alternatively, components of other comprehensive income could be presented net of tax.				IAS1 p91

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 20XX continued

ILLUSTRATING THE PRESENTATION IN ONE STATEMENT BY FUNCTION CONTINUED

	Notes	**20XX**	20XX-1	
Profit attributable to:				IAS1 p81
Equity holders of the parent		**X**	X	
Non-controlling interest		**X**	X	
Total comprehensive income attributable to:				IAS1 p81
Equity holders of the parent		**X**	X	
Non-controlling interest		**X**	X	
Earnings per share				
From continuing operations				IAS33 p66
Basic (cents per share)	13	**X**	X	
Diluted (cents per share)	13	**X**	X	
From continuing and discontinued operations				IAS33 p68
Basic (cents per share)	13	**X**	X	
Diluted (cents per share)	13	**X**	X	

Commentary on the statement of comprehensive income

Earnings per share

The Group should present, on the face of the statement of comprehensive income, basic and diluted earnings per share for profit or loss from continuing operations and for total profit or loss, attributable to the ordinary equity holders of the parent entity for each class of ordinary shares that has a different right to share in profit for the period. The Group should present basic and diluted earnings per share with equal prominence for all periods presented. The Group should disclose the basic and diluted amounts per share for the discontinued operations either on the face of the statement of comprehensive income or in the notes.

IAS33 p66, p68

If, in addition to the required measures of basic and diluted earnings per share, an entity discloses other amounts per share, these should be disclosed (on both basic and diluted bases) in the notes to the financial statements, and not on the face of the statement of comprehensive income. Such measures should be calculated using the same number of shares as used in the calculation of basic and diluted earnings per share. If a component of the statement of comprehensive income is used that is not reported as a line item in the statement of comprehensive income, a reconciliation shall be provided between the component used and a line item that is reported in the statement of comprehensive income.

IAS33 p73

Components of other comprehensive income

These are items that are not included in profit or loss, but shown separately as other comprehensive income as required by the relevant standards. Some of these items may be reclassified to profit or loss whilst other may not. These items include:

IAS1 p7 & IAS1 p95

- Reclassified to profit or loss:
  - Gains or losses arising from translating foreign operations;
  - Gains or losses on remeasuring the fair value of available for sale assets;
  - The effective portion of gains or losses on hedging instruments in a cash flow hedge; and
  - The investor's share of the other comprehensive income of equity-accounted investments;
- Not reclassified to profit or Loss:
  - Revaluation gains or losses relating to property, plant and equipment or intangible assets; and
  - Remeasurements of defined benefit obligations;

These items can be shown net of the tax effect, in which case a note must be presented disclosing the gross amounts with the related tax effect.

Consolidated statement of profit or loss for the year ended 31 December 20XX

ILLUSTRATING THE PRESENTATION IN TWO STATEMENTS BY FUNCTION

	Notes	**20XX**	20XX-1
Continuing operations			
Revenue	5	**X**	X
Cost of sales		**X**	X
Gross profit		**X**	X
Other income		**X**	X
Distribution costs		**X**	X
Administrative expenses		**X**	X
Other expenses		**X**	X
Operating profit	6	**X**	X
Investment income	9	**X**	X
Finance costs	10	**X**	X
Share of profit of associates and joint ventures	20	**X**	X
Gain recognised on disposal of interest in former associate		**X**	X
Profit before tax		**X**	X
Income tax expense	11	**X**	X
Profit for the year from continuing operations		**X**	X
Profit for the year from discontinued operations	12	**X**	X
PROFIT FOR THE YEAR		**X**	X
Attributable to:			
Equity holders of the parent		**X**	X
Non-controlling interest		**X**	X
		X	X
Earnings per share			
From continuing operations			
Basic (cents per share)	13	**X**	X
Diluted (cents per share)	13	**X**	X
From continuing and discontinued operations			
Basic (cents per share)	13	**X**	X
Diluted (cents per share)	13	**X**	X

Consolidated statement of other comprehensive income for the year ended 31 December 20XX continued

ILLUSTRATING THE PRESENTATION IN TWO STATEMENTS BY FUNCTION CONTINUED

PROFIT FOR THE YEAR	**X**	X
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Re-measurement of defined benefit pension plans	**X**	X
Gain on revaluation of property (if revaluation model is used)	**X**	X
Income tax relating to non-recyclable components of other comprehensive income*	**X**	X
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	**X**	X
Net fair value gain on available for sale financial assets	**X**	X
Share of comprehensive income of associates	**X**	X
Income tax relating to recyclable components of other comprehensive income*	**X**	X
Other comprehensive income for the year, net of tax	**X**	X
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**X**	X
Total comprehensive attributable to:		
Equity holders of the parent	**X**	X
Non-controlling interest	**X**	X
	X	X

* Alternatively, components of other comprehensive income could be presented net of tax.

Consolidated statement of financial position at 31 December 20XX

NET ASSET PRESENTATION

	Notes	**20XX**	20XX-1	
Assets				
Non-current assets				IAS1 p60
Property, plant and equipment	15	**X**	X	IAS1 p54
Investment property	16	**X**	X	IAS1 p54
Goodwill	17	**X**	X	
Other intangible assets	18	**X**	X	IAS1 p54
Investments accounted for using the equity method	20	**X**	X	IAS1 p54
Deferred tax	21	**X**	X	IAS1 p54, p56
Available-for-sale investments		**X**	X	IAS1 p54, IFRS7, p8
Other financial assets		**X**	X	IAS1 p54, IFRS7 p8
		X	X	
Current assets				IAS1 p60
Inventories	22	**X**	X	IAS1 p54
Trade receivables	23	**X**	X	IAS1 p54
Other current assets		**X**	X	IAS1 p54
Other financial assets		**X**	X	IAS1 p54, IFRS7 p8
Cash and cash equivalents	24	**X**	X	IAS1 p54, IFRS7 p8
		X	X	
Non-current assets held for sale		**X**	X	IFRS5 p38
		X	X	
Liabilities				
Current liabilities				IAS1 p60, p69
Trade and other payables	31	**X**	X	IAS1 p54
Current borrowings	29	**X**	X	IAS1 p54, IFRS7 p8
Current portion of long-term borrowings	29	**X**	X	IAS1 p54, IFRS7 p8
Current tax payable		**X**	X	IAS1 p54
Finance lease liabilities	27	**X**	X	
Current provisions	28	**X**	X	IAS1 p54
		X	X	
Liabilities of a disposal group classified as held for sale	12	**X**	X	IFRS5 p38
		X	X	
Net current assets		**X**	X	

Consolidated statement of financial position at 31 December 20XX continued

NET ASSET PRESENTATION CONTINUED

	Notes	20XX	20XX-1	
Non-current liabilities				IAS1 p60
Non-current borrowings	29	**X**	X	IAS1 p54, IFRS7 p8
Deferred tax	21	**X**	X	IAS1 p54, p56
Finance lease liabilities	27	**X**	X	
Non-current provisions	28	**X**	X	IAS1 p54, p78
Retirement benefit obligations	30	**X**	X	IAS1 p54, p78
		X	X	
Net assets		**X**	X	
Ordinary shares	26	**X**	X	IAS1 p78
Share premium	26	**X**	X	IAS1 p78
Translation reserve		**X**	X	IAS1 p78
Fair value reserve		**X**	X	
Retained earnings		**X**	X	IAS1 p78
Equity attributable to equity holders of the parent		**X**	X	
Non-controlling interest		**X**	X	IAS1 p54
Total equity		**X**	X	

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on [date]: IAS10 p17

Director Signature

Director Name

Consolidated statement of financial position at 31 December 20XX

ALTERNATIVE PRESENTATION

	Notes	**20XX**	20XX-1
Assets			
Non-current assets			
Property, plant and equipment	15	**X**	X
Investment property	16	**X**	X
Goodwill	17	**X**	X
Other intangible assets	18	**X**	X
Investments accounted for using the equity method	20	**X**	X
Deferred tax	21	**X**	X
Available-for-sale investments		**X**	X
Other financial assets		**X**	X
		X	X
Current assets			
Inventories	22	**X**	X
Trade receivables	23	**X**	X
Other current assets		**X**	X
Other financial assets at fair value through profit and loss		**X**	X
Cash and cash equivalents	24	**X**	X
		X	X
Non-current assets held for sale		**X**	X
		X	X
Total assets		**X**	X
Equity and liabilities			
Ordinary shares	26	**X**	X
Share premium	26	**X**	X
Translation reserve		**X**	X
Fair value reserve		**X**	X
Retained earnings		**X**	X
Equity attributable to equity holders of the parent		**X**	X
Non-controlling interest		**X**	X
Total Equity		**X**	X

Consolidate statement of financial position at 31 December 20XX continued

ALTERNATIVE PRESENTATION CONTINUED

	Notes	**20XX**	20XX-1
Non-current liabilities			
Non-current borrowings	29	**X**	X
Deferred tax	21	**X**	X
Non-current provisions	28	**X**	X
Retirement benefit obligations	30	**X**	X
		X	X
Current liabilities			
Trade and other payables	31	**X**	X
Current borrowings	29	**X**	X
Current portion non-current borrowings	29	**X**	X
Current tax payable		**X**	X
Current provisions	28	**X**	X
		X	X
Liabilities of a disposal group classified as held for sale	12	**X**	X
		X	X
Total liabilities		**X**	X
Total equity and liabilities		**X**	X

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on (date): IAS10 p17

Director Signature

Director Name

Consolidated statement of financial position at 31 December 20XX continued

ALTERNATIVE PRESENTATION CONTINUED

Commentary on the statement of financial position

Alternative presentations IAS1 p57

One common method of presenting the statement of financial position is to present assets less liabilities, showing net current assets and total net assets. An alternative is to present total assets and total equity and liabilities. Both of these methods have been illustrated.

Current and non-current classifications IAS1 p60

The Group should present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity.

Revaluation IAS1 p59

If the Group had elected to revalue a class of assets, then the class of assets that is revalued should be disclosed on a separate line on the face of the statement of financial position.

Goodwill IAS1 p54

Goodwill may be presented separately on the face of the statement of financial position or presented as part of intangible assets with separate disclosure in the notes. IAS38 p118

Assets held for sale and liabilities of a disposal group IFRS5 p38

Total assets classified as held for sale and assets included in disposal groups classified as held for sale should be presented as a separate line item on the face of the statement of financial position. Liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position.

An entity shall only reclassify (1) non-current assets or (2) assets and liabilities of disposal groups in the current period statement of financial position for those (1) non-current assets or (2) assets and liabilities that are classified as held for sale as at the reporting date. An entity shall not reclassify or re-present amounts presented for (1) non-current assets or (2) for the assets and liabilities of disposal groups classified as held for sale in the statement of financial position for prior periods to reflect the classification in the statement of financial position for the latest position. Similarly prior period line items in the statement of financial position for (1) non-current assets held for sale or (2) assets and liabilities of disposal groups classified as held for sale, should not be reclassified if the asset or discontinued operation ceases to be classified as discontinued in the current year. The current year line items will however be restated for the change in classification. IFRS5 p40

Non-controlling interest IFRS10 p22

Non-controlling interest should be presented in the consolidated statement of financial position within equity, but separately from the equity of the equity holders of the parent.

Net retirement benefit obligation/asset

The net retirement benefit obligation/asset need not be disclosed as a separate line item on the face of the statement of financial position. However if the balance is considered to be material and by separately disclosing the liability/asset it will improve the users' understanding of the financial statements, then it should be separately disclosed on the face of the statement of financial position. IAS1 p55

Change in accounting policy IAS1 p10(f)

A statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Sign off IAS10 p17

The date the financial statements are authorised for issue and who gave that authorisation shall be disclosed. This need not be on the face of the statement of financial position but must appear in the annual financial statements. If owners (or others) are able to amend the financial statements after issue this fact must be disclosed.

Consolidated statement of changes in equity for the year ended 31 December 20XX

	Attributable to equity holders of the parent								
	Ordinary Shares	Share Premium	Translation reserve	Fair value reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 20XX-1	X	X	X	X	-	X	X	X	X
Changes in equity for 20XX-1									
Profit for the year	-	-	-	-	-	X	X	X	X
Exchange differences on translating foreign operations	-	-	X	-	-	-	X	X	X
Gain on revaluation of property (if revaluation model is used)	-	-	X	-	-	-	X	X	X
Available for sale financial assets	-	-	-	X	-	-	X	X	X
Actuarial gains/loss on defined benefit plans	-	-	-	-	-	X	X	-	X
Share of comprehensive income of associates	-	-	-	X	-	-	X	-	X
Total comprehensive income for the year	-	-	X	X	-	X	X	X	X
Dividends	-	-	-	-	-	X	X	X	X
Issue of share capital	X	X	-	-	-	-	X	-	X
Balance as at 31 December 20XX-1	X	X	X	X	-	X	X	X	X

Consolidated statement of changes in equity for the year ended 31 December 20XX continued

	Attributable to equity holders of the parent								
	Ordinary Shares	Share Premium	Translation reserve	Fair value reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 20XX	X	X	X	X	-	X	X	X	X
Changes in equity for 20XX									
Profit for the year	-	-	-	-	-	X	X	X	X
Exchange differences on translating foreign operations	-	-	X	-	-	-	X	X	X
Gain on revaluation of property (if revaluation model is used)	-	-	-	-	-	-	-	-	-
Available for sale financial assets	-	-	-	X	-	-	X	X	X
Actuarial gains/loss on defined benefit plans	-	-	-	-	-	X	X	-	X
Share of comprehensive income of associates	-	-	-	X	-	-	X	-	X
Total comprehensive income for the year	-	-	X	X	-	X	X	X	X
Dividends	-	-	-	-	-	X	X	X	X
Issue of share capital	X	X	-	-	-	-	X	-	X
Balance as at 31 December 20XX	X	X	X	X	-	X	X	X	X

Consolidated statement of changes in equity for the year ended 31 December 20XX continued

Commentary on the statement of changes in equity

Statement of changes in equity

A statement of changes in equity must be presented as a primary financial statement. IAS1 p106

Reserves

A description of the set nature and purpose of each reserve within equity should be disclosed. IAS1 p29

Different classes of reserves should be disclosed separately, if the balance of each reserve is considered material. IAS1 p79

The analysis of individual items of other comprehensive income can be presented either within the statement of changes in equity or in the notes. IAS1 p106A

Consolidated statement of cash flows for the year ended 31 December 20XX

DIRECT METHOD

	Notes	20XX	20XX-1	
Cash flows from operating activities				IAS7 p10, p21
Cash receipts from customers		**X**	X	
Cash paid to suppliers and employees		**X**	X	
Cash generated from operations		**X**	X	
Interest paid		**X**	X	IAS7 p31
Income taxes paid		**X**	X	IAS7 p35
Net cash from / (used in) operating activities	24.3	**X**	X	
Cash flows from investing activities				IAS7 p10, p21
Acquisition of subsidiaries, net of cash acquired	25.1	**X**	X	IAS7 p39
Purchase of property, plant and equipment		**X**	X	IAS7 p16
Proceeds from the sale of property, plant and equipment		**X**	X	IAS7 p16
Interest received		**X**	X	IAS7 p31
Dividends received		**X**	X	IAS7 p31
Net cash from / (used in) investing activities		**X**	X	
Cash flows from financing activities				IAS7 p10, p21
Proceeds from the issue of share capital		**X**	X	IAS7 p17
Proceeds from long-term borrowings		**X**	X	IAS7 p17
Dividends paid		**X**	X	IAS7 p31
Net cash from / (used in) financing activities		**X**	X	
Net increase in cash and cash equivalents		**X**	X	
Cash and cash equivalents at beginning of period		**X**	X	
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies		**X**	X	IAS7 p28
Cash and cash equivalents at end of period	24.2	**X**	X	

Consolidated statement of cash flows for the year ended 31 December 20XX continued

INDIRECT METHOD

	Notes	**20XX**	20XX-1
Cash flows from operating activities			
Profit before taxation		**X**	X
Adjustments for:			
• Depreciation and amortisation		**X**	X
• Investment income		**X**	X
• Interest expense		**X**	X
• Foreign exchange loss		**X**	X
• Impairment loss		**X**	X
• Fair value gain on investment property		**X**	X
• Share based payments		**X**	X
Increase in trade and other receivables		**X**	X
Decrease in inventories		**X**	X
Decrease in trade payables		**X**	X
Cash generated from operations		**X**	X
Interest paid		**X**	X
Income taxes paid		**X**	X
Net cash from / (used in) operating activities	24.3	**X**	X
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	25.1	**X**	X
Purchase of property, plant and equipment		**X**	X
Proceeds from the sale of equipment		**X**	X
Interest received		**X**	X
Dividends received		**X**	X
Net cash from / (used in) investing activities		**X**	X
Cash flows from financing activities			
Proceeds from the issue of share capital		**X**	X
Proceeds from long-term borrowings		**X**	X
Dividends paid		**X**	X
Net cash from / (used in) financing activities		**X**	X
Net increase in cash and cash equivalents		**X**	X
Cash and cash equivalents at beginning of period		**X**	X
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies		**X**	X
Cash and cash equivalents at end of period	24.2	**X**	X

Consolidated statement of cash flows for the year ended 31 December 20XX continued

Commentary on statement of cash flows

Reporting formats — IAS7 p18

There are two available reporting formats for the statement of cash flows: the direct method, requiring the disclosure of major classes of gross cash receipts and gross cash payments; and the indirect method, whereby the profit or loss is adjusted for the effects of non-cash transactions, working capital changes, and items of income and expense associated with investing or financing cash flows.

Cash and cash equivalents — IAS7 p6

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Categories of cash flows — IAS7 p10

Cash flow movements for the year shall be analysed into three categories, namely operating, investing, and financing. IAS 7 is not prescriptive as to where items of cash flows are classified but does require consistent application from year to year.

Interest and dividends — IAS7 p31

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

Taxes on income — IAS 7 p35

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

Other disclosures — IAS7 p48, p49

Disclosure is now required to enable users to understand the changes in the value of the entities liabilities as a result of financing activities. Entities are required to disclose both cash and non-cash changes. The standard suggests that one way to fulfil this disclosure requirement is to produce a reconciliation between the opening and closing balances of the respective liabilities. The following changes arising from financing activities must be disclosed:

- those from financing cash flows,
- those arising from the gaining or loss of control of a subsidiary or other business
- those resulting from foreign exchange rate fluctuations
- any other changes

The Group should disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the Group that are not available for use by the Group. There are various circumstances in which cash and cash equivalent balances held by the Group are not available for use by the Group. An example is cash and cash equivalent balances held by a subsidiary that operates in a country where exchange controls or other legal restrictions apply and the balances are not available for general use by the parent or other subsidiaries.

Additional information may be relevant to users in understanding the financial position and liquidity of the Group. Disclosure of this information, together with a commentary by management, is encouraged and may include: — IAS7 p50

- 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;
- the aggregate amounts of the cash flows from each of operating, investing and financing activities related to interests in joint ventures reported using proportionate consolidation;
- the aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity; and
- the amount of the cash flows arising from the operating, investing and financing activities of each reportable segment

The separate disclosure of cash flows that represent increases in operating capacity and cash flows that are required to maintain operating capacity is useful in enabling the user to determine whether the Group is investing adequately in the maintenance of its operating capacity. — IAS7 p51

Notes to the financial statements

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently for all the years presented, unless otherwise stated. IAS1 p112 p117

1. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). IAS1 p16 p112, p117

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed in note 3. IAS1 p122, p125

The consolidated financial statements are presented in Pound Sterling, which is the group's functional and presentation currency. IAS21 p9, IAS21 p17 & 18, IAS1 p51(d)

1.1 Standards issued and applied for the first time in 20XX

IAS8 p28

The following new and revised Standards and Interpretations have been adopted in the current year. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements. Amendments to:

- IAS 7 in respect of the disclosure initiative regarding changes in liabilities arising from cash flows. The additional disclosure will help investors to evaluate changes in liabilities arising from financing activities, including changes in cash flows and non-cash changes, such as foreign exchange gains or losses.
- IAS 12 with regards to the recognition of a deferred tax asset relating to the unrealised losses. The amendment is a narrow-scope amendment and provides clarity as to when a deferred tax asset may be recognised for unrealised losses on debt instruments measured at fair value.

Notes to the financial statements

Commentary on notes to the financial statements

Alternative note

Summary of Standards and Interpretations effective for the first time December 20XX IAS8 p28

When initial application of a Standard or an Interpretation, including those adopted early, has an effect on the current period or any prior period, or would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, the Group should disclose:

- the title of the Standard or Interpretation;
- when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
- the nature of the change in accounting policy;
- when applicable, a description of the transitional provisions;
- when applicable, the transitional provisions that might have an effect on future periods;
- 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 Earnings per Share applies to the Group, for basic and diluted earnings per share;
- the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- 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.

Should no standards have been adopted the disclosure below would be appropriate:

No new and revised Standards and Interpretations have been adopted in the current year.

1.2 Standards and interpretations issued and not yet effective

IAS8 p30

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2018. IFRS 15 replaces IAS 18 and IAS 11 (and the related interpretations) and introduces the principal that revenue is recognised when control of a good or service transfers to a customer.
- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019. IFRS 16 will result in almost all leases being recognised in the statement of financial position, as the distinction between finance and operating leases is removed. Under this standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and low value leases.
- IFRS 2 in respect of Share-based Payment Transactions will be effective for accounting periods beginning on or after 1 January 2018. The amendments provide additional guidance with respect to the classification and measurement requirements of cash-settled share-based payment transactions as well as transactions where the entity has to withhold amounts due to local tax requirements.

The group is still in the process of evaluating the impact of the above standards on the financial statements.

Notes to the financial statements

Standards as per time of authoring	
Summary of Standards and Interpretations issued but not yet effective	IAS8 p30
When the group has not applied a new Standard or Interpretation that has been issued but is not yet effective, the group should disclose: • this fact; and • known or reasonably estimable information relevant to assessing the possible impact that application of the new Standard or Interpretation will have on the group's financial statements in the period of initial application.	
If none of the new Standards or Interpretations are expected to have a material impact the following example wording may be appropriate:	
The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that the adoption of any other standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.	
Additional information	IAS1 p138
The following information is required if not disclosed elsewhere in the financial statements: • The legal form of the parent company • The country of incorporation • The address of its registered office and, if different, its principal place of business • A description of the nature of the Group operations and its principal activities • The name of the parent and ultimate parent of the Group.	
Basis of preparation and accounting policies	IAS1 p112
The notes to the financial statements are required to present information about the basis of preparation of the financial statements and the specific accounting policies used.	
Accounting policies	IAS1 p117
The Group should disclose in the summary of significant accounting policies the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.	
Statement of compliance and fair presentation	IAS1 p16
The financial statements are required to make an explicit and unreserved statement that the financial statements comply with IFRS. The financial statements should not be described as complying with IFRS unless they comply with all of the requirements of each applicable standard and each applicable interpretation of IFRIC.	
IAS 1 states that financial statements should be fairly presented. By applying IFRS it is presumed that the financial statements will be fairly presented.	IAS1 p15
Changes in accounting policies	IAS8 p14
Accounting policy changes can only be effected if the change is required by another standard or an interpretation, or results in reliable and more relevant information being provided.	

Notes to the financial statements

2. Accounting policies

2.1 Consolidation and investments in associates and joint arrangements

Basis of consolidation

These financial statements are the consolidated financial statements of Exemplum PLC and entities controlled by it and its subsidiaries ("the Group").

Control is achieved when the investor — IFRS10 p7

- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

If facts and circumstances indicate that there are changes to one or more of the three elements of control listed above, the investor shall reassess whether it controls the investee. — IFRS10 p8

An investor can have power over an investee even if it holds less than a majority of the voting rights of an investee. All facts and circumstances are considered in assessing whether or not voting rights in an investee are sufficient to give it power, for example, through:

- contractual arrangements with other vote holders;
- rights from other contractual arrangements that indicate that the company has the current ability to direct the relevant activities of the investee;
- the size of the company's holding of voting rights relative to the size and dispersion of holdings of other vote holders; or
- potential voting rights held by the company that are substantive.

Investment in subsidiaries — IFRS10 p20

Consolidation of a subsidiary begins from the date the investor gains control of an investee and ceases when the investor loses control of an investee.

The purchase, or acquisition, method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of the acquisition is measured as the fair value of assets transferred, equity instruments issued and liabilities incurred at the date of exchange. — IFRS3 p4, p37

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. — IFRS10 B86 p20

Notes to the financial statements

Non-controlling interests in subsidiaries are presented in the consolidated statement of financial position separately from the equity attributable to equity owners of the parent company. Non-controlling shareholders' interest may initially be measured either at fair value or at the non-controlling shareholders' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on each acquisition individually. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. IFRS3 p19 IFRS10 B94

Acquisitions or disposals of non-controlling interests which do not affect the parent company's control of the subsidiary are accounted for as transactions with equity holders. Any difference between the fair value of the amount paid or received and the change in non-controlling interests is recognised directly in equity. IFRS10 B96

When the Group ceases to have control of a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost with the adjustment being recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (this may mean that these amounts are reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRS).

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investment in an associate is initially recognised at cost and adjusted for the Group's share of in the net assets of the investee after the date of acquisition, and for any impairment in value (equity method), except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses. IAS28 p3, p10, p15, p38

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The investment in a joint venture is initially recognised at cost and adjusted for the Group's share of in the net assets of the investee after the date of acquisition, and for any impairment in value (equity method), except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. If the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses. IAS28 p3, p10, p15, p38

When the Group loses joint control, it proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. If an investment remains, it is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

Notes to the financial statements

Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises the following in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

IFRS 11 – Acquisition of interest in a joint operation

IFRS 11 p21A, B33A-D

IFRS 11 has been amended with the effect that when an entity acquires an interest in a joint operation the activities of which constitute a business as defined in IFRS 3 Business Combinations, then the provisions of that standard will apply to the acquisition to the extent of the joint operators' share in the joint operation. The provisions of IFRS 3 will also apply to the formation of a joint operation if, and only if, an existing business (as defined) is contributed to the joint operation. This applies only to new acquisitions and previous acquisitions are not adjusted.

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The executive committee of the group has been identified as the chief operating decision makers and are responsible for assessing the financial performance and position of the group, and make strategic decisions.

2.3 Goodwill

IFRS3 p32

Goodwill on acquisitions comprises the excess of the aggregate of the fair value of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.4 Business combinations

IFRS3 p4, p34, p32, p45

IAS38 p118

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured at the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in order to obtain control of the acquiree (at the date of exchange). Costs incurred in connection with the acquisition are recognised in profit or loss as incurred. Where a business combination is achieved in stages, previously held interests in the acquiree are re-measured to fair value at the acquisition date (date the Group obtains control) and the resulting gain or loss, is recognised in profit or loss. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition profit or loss.

If the initial accounting is incomplete at the reporting date, provisional amounts are recorded. These amounts are subsequently adjusted during the measurement period, or additional assets or liabilities are recognised when new information about its existence is obtained during this period.

Non-measurement period adjustments to contingent consideration(s) classified as equity are not remeasured. Non-measurement period adjustments to other contingent considerations are remeasured at fair value with changes in fair value recognised in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

2.5 Intangible assets

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. These charges are included in other expenses in profit or loss. Intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortised from the date they are available for use. The useful lives are as follows:

- Patents and trademarks - 20 years
- Software development costs - 3 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

2.5.1 Intangible assets acquired separately

Intangible assets acquired separately are shown at historical cost less accumulated amortisation and impairment losses. IAS38 p74, p97

2.5.2 Intangible assets generated internally

Expenditures on research or on the research phase of an internal project are recognised as an expense when incurred. The intangible assets arising from the development phase of an internal project are recognised if, and only if, the following conditions apply:

- it is technically feasible to complete the asset for use by the Group
- the Group has the intention of completing the asset for either use or resale
- the Group has the ability to either use or sell the asset
- it is possible to estimate how the asset will generate income
- the Group has adequate financial, technical and other resources to develop and use the asset; and
- the expenditure incurred to develop the asset is measurable.

If no intangible asset can be recognised based on the above, then development costs are recognised in profit and loss in the period in which they are incurred.

Notes to the financial statements

2.5.3 Intangible assets recognised in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

2.6 Property, plant and equipment

All property, plant and equipment assets are stated at cost less accumulated depreciation. IAS16 p30

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a straight line basis over the estimated useful lives as follows: IAS16 p73

- Buildings - 50 years
- Computer equipment - 3 years
- Motor vehicles - 5 years

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate. IAS16 p51

Gains or losses on disposal are included in profit or loss. IAS16 p68

2.7 Investment properties

Investment property comprises non-owner occupied buildings held to earn rentals and for capital appreciation. IAS40 p75

Investment properties are initially recognised at cost, inclusive of transaction costs. Subsequently, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are recognised in profit or loss in the period in which they arise.

Investment property is derecognised when disposed of, or when no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is recognised in profit or loss in the period in which the property is derecognised.

2.8 Impairment of non-financial assets

The Group assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash generating unit to which the asset is allocated. IAS36 p9 IAS36 p60

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised as revaluation decrease. IAS36 p10

For goodwill, intangible assets that have an indefinite life, and intangible assets not yet available for use, the recoverable amount is estimated annually and at the end of each reporting period if there is an indication of impairment. IAS36 p60

Notes to the financial statements

Impairment

IAS36 p110, p117

The Group should also assess annually whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and compared to it carrying value. A reversal of an impairment loss is recognised for the amount by which the asset's recoverable amount exceeds its carrying value, limited to what the carrying value would have been had no impairment previously been recognised.

2.9 Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. IFRS7 p21

The Group classifies its financial assets and liabilities in the following categories:

- *Financial assets at fair value through profit or loss;*
- *Loans and receivables;*
- *Held-to-maturity investments;*
- *Available-for-sale financial assets;*
- *Financial liabilities at fair value through profit or loss; and*
- *Financial liabilities at amortised cost.*

Financial instruments are recognised initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs (which is recognised in profit or loss). IAS39 p14, p43

Equity instruments for which fair value is not determinable, are measured at cost and are classified as available-for-sale financial assets.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.9.1 Available-for-sale financial assets

Available-for-sale financial assets comprise equity investments. Subsequent to initial recognition, available-for-sale financial assets are stated at fair value. Movements in fair values are taken directly to equity, with the exception of impairment losses and foreign exchange gains or losses which are recognised in profit or loss. Fair values are based on prices quoted in an active market if such a market is available. If an active market is not available, the Group establishes the fair value of financial instruments by using a valuation technique, usually discounted cash flow analysis. When an investment is disposed of, any cumulative gains and losses previously recognised in equity are recognised in profit or loss. Dividends are recognised in profit or loss when the right to receive payments is established. IAS39 p9, p55

Notes to the financial statements

2.9.2 Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Financial assets at fair value through profit and loss comprise derivative financial instruments, namely interest rate swaps and forward exchange contracts. Subsequent to initial recognition, financial assets at fair value through profit and loss are stated at fair value. Movements in fair values are recognised in profit or loss, unless they relate to derivatives designated and effective as hedging instruments, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The Group designates certain derivatives as hedging instruments in fair value hedges of recognised assets and liabilities and firm commitments, and in cash flow hedges of highly probable forecast transactions and foreign currency risks relating to firm commitments. IAS39 p9 IFRS7 p21, p22

The effective portion of fluctuations in the fair value of interest rate swaps used to hedge interest rate risk and that qualify as fair value hedges are recognised together with finance costs. The ineffective portion of the gain or loss is recognised in other expenses or other income. IAS39 p89 IFRS7 p22

Fluctuations in the fair value of forward exchange contracts used to hedge currency risk of future cash flows, and the fair value of foreign currency monetary items on the statement of financial position, are recognised directly in other expenses or other income. This policy has been adopted as the relationship between the forward exchange contracts and the item being hedged does not meet certain conditions in order to qualify as a hedging relationship. IAS39 p88 IFRS7 p22

2.9.3 Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. IAS39 p43, p46, p59 IFRS7 B5(d)

Trade receivables that are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables appropriate allowances for estimated irrecoverable amounts is recognised. The group considers that there is evidence of impairment if any of the following indicators are present: IFRS7 p21

- Significant financial difficulties of the debtor
- Probability that the debtor will enter bankruptcy or financial reorganisation
- Default or delinquency in payments

Interest on overdue trade receivables is recognised as it accrues.

2.9.4 Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term. Bank overdrafts are shown within borrowing in current liabilities. IAS7 p21, p46

2.9.5 Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. IAS39 p43, p47 IFRS7 p21

Notes to the financial statements

2.9.6 Bank overdrafts and interest-bearing borrowings

Bank overdrafts and interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

IAS39 p47

IFRS7 p21

2.9.7 Equity instruments

Equity instruments issued by the Group are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments.

2.9.8 Compound instruments

At the issue date, the fair value of the liability component of a compound instrument is estimated using the market interest rate for a similar non-convertible instrument. This amount is recorded as a liability at amortised cost using the effective interest method until extinguished upon conversion or at the instrument's redemption date. The equity component is determined as the difference of the amount of the liability component from the fair value of the instrument. This is recognised in equity, net of income tax effects, and is not subsequently re-measured.

IAS32 AG31, p36

2.9.9 Net investment in foreign operation

The effective portion of fluctuations in the fair value of the hedging instrument used to hedge currency risk of net investments in foreign companies is recognised directly in equity. The ineffective portion of the gain or loss is recognised in profit or loss. The gain or loss deferred in equity, or part thereof, for hedges of net investments in foreign companies is recycled through profit or loss when the interest in, or part of the interest in, the foreign company is disposed of.

IAS39 p102

2.9.10 Impairment of financial assets

All financial assets measured at amortised cost are assessed for indicators of impairment at each reporting date. These impairment losses are recognised in profit or loss, unless the financial asset is measured at fair value and the fair value adjustments are recognised in other comprehensive income, in which case the impairment is recognised in other comprehensive income to the extent that fair value adjustments exist. Any excess is recognised in profit or loss.

2.9.11 Offsetting financial instruments

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

IAS32 p42

2.10 Share based payments

Employee share options are measured at fair value at grant date using the Black-Scholes model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

IFRS2 p10

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

IFRS2 p30

Cash settled share based payment transactions to settle obligations arising from transactions with suppliers results in the recognition of a liability at its current fair value. The fair value of the liability is measured by reference to the fair value of the goods or services received, and re-measured at each reporting date, with any movements recognised in profit and loss for the period.

IFRS2 p30

Notes to the financial statements

2.11 Retirement benefits

The Group operates both defined contribution plans and defined benefit plans. IAS19 p27

A defined contribution plan is one where the Group pays fixed contributions into a separate entity. These contributions are expensed in the period in which the employees rendered the services entitling them to the benefits. IAS19 p28

The terms of the defined benefit pension plan define the amount that employees will receive on retirement. These amounts are dependent on factors such as age, years of service and compensation, and are determined independently of the contributions payable or the investments of the scheme. The defined benefit liability recognised on the statement of financial position is the difference between the present value of the defined benefit obligations and the fair value of plan assets. IAS19 p30, p57

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. Actuarial gains and losses are recognised in full in the year in which they occur in other comprehensive income. IAS19 p57(d)

2.12 Equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. IAS32 p18(a)

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. IAS32 p35 & IAS32 p37

Where any group company purchases the company's equity instruments, for example as a result of share buy-back, the consideration paid, including any directly incremental costs (net of taxes) is deducted from equity attributable to the owners of the Group as treasury shares until such time that the shares are cancelled or reissued. IAS32 p33

2.13 Revenue

Revenue comprises sales and services to external customers (excluding VAT and other sales taxes). Consideration received from customers is only recorded as revenue to the extent that the Group has performed its contractual obligations in respect of that consideration. IAS18 p35

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. IAS17 p50

Interest revenue is recognised in the period in which interest is earned. The amount of revenue is measured using the effective interest rate method.

2.14 Inventories

Inventories are valued at the lower of cost and net realisable value on a weighted average basis. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels. IAS2 p36

2.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. IAS17 p33

Notes to the financial statements

2.15.1 As Lessor

Operating leases

IAS17 p50

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Any balloon payments and rent free periods are taken into account when determining the straight-line charge.

2.15.2 As Lessee

Finance leases

IAS17 p27

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expenses and capital redemption of the liability. Interest is recognised immediately in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets. The assets are depreciated over the shorter of the lease term and its useful lives.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except if another systematic basis is more representative of the time pattern in which economic benefits will flow to the Group.

Contingent rentals arising under operating leases are recognised in the period in which they are incurred.

Lease incentives and similar arrangements of incentives are taken into account when calculating the straight-line expense.

2.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. IAS23 p8

Other borrowing costs are expensed in the period in which they are incurred.

2.17 Taxation

Income tax for the period is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods. Income tax for the period is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Current and deferred tax is recognised in profit or loss, 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.

IAS12 p12, IAS12 p46

IAS12 p61A

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date. IAS12 p15, p24, p47

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent company is able to control of the timing of the reversal of the temporary differences and it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the Group's policy to reinvest undistributed profits arising in group companies. IAS12 p39, p44

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. IAS12 p24, p34

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and liabilities are offset where the entity has a legal enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. IAS12 p71, IAS12 p74

2.18 Discontinued operations and non-current assets held for sale

The results of discontinued operations are presented separately in the statement of comprehensive income. IFRS5 p1

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. IFRS5 p15

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. IFRS5 p6

This is the case when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and the sale is considered to be highly probable. IFRS5 p7

A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan has been initiated. Further, the asset (or disposal group) has been actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one-year from the date that it is classified as held for sale. IFRS5 p8

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of the disposal group continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

Notes to the financial statements

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. IAS37 p14

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

2.20 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entities within the Group. Monetary items denominated in foreign currencies are retranslated at the exchange rates applying at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs, where those interest costs qualify for capitalisation to assets under construction;
- exchange differences on transactions entered into to hedge foreign currency risks (assuming all hedge accounting tests are met); and
- exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Foreign operations

The assets and liabilities of the Group's foreign operations are translated to Pounds Sterling using exchange rates at period end. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rate on transaction date is used. Goodwill acquired in business combinations of foreign operations are treated as assets and liabilities of that operation and translated at the closing rate.

Exchange differences are recognised in other comprehensive income and accumulated in a separate category of equity.

On the disposal of a foreign operation, the accumulated exchange differences of that operation, which is attributable to the Group are recognised in profit or loss.

3. Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows: IAS1 p122, p125

Notes to the financial statements

3.1 Key sources of estimation uncertainty

Inventory provisions

The inventory provision is based on average loss rates of inventory in recent months. The provision makes use of inventory counts performed which is considered to be representative of all inventory items held.

Retirement benefit obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using various assumptions that may differ from actual developments in future. The assumptions used include the discount rate, future salary increases, mortality rates and future pension increases. Changes in these assumptions will impact the carrying amount of the pension obligation.

The Group determines the appropriate discount rate at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the expected term of the related pension obligation.

Refer to note 30 for further disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation.

Discount Rate

IAS19 p38

The accounting policy states that the discount rate is determined by "considering the interest rates on corporate bonds denominated in the currency in which the benefits will be paid". The standard provides an alternative to corporate bond rates in instances where there is no deep market for high quality corporate bonds. Where no deep market exists for high quality corporate bonds an entity can use the interest rate on Government bonds denominated in the currency in which the benefits will be paid.

Goodwill IAS1 p129

Goodwill is tested for impairment at each statement of financial position date. The recoverable amounts of cash generating units have been estimated based on value in use calculations. Value in use calculations have been based on a subjective pre-tax discount rate of X%. Had the discount rate used been 1% greater or lower than estimated, then the impairment loss would have been increased by £ X or decreased by £ X respectively.

Financial instruments

Valuation methods, usually discounted cash flow analysis, are used to determine the fair value of financial instruments that are not traded in an active market. Calculations have been based on a subjective pre-tax discount rate of X%. Had the discount rate used been 1% greater or lower than estimated, then the change in fair value would have been decreased by £ x, or increased by £ X respectively. The total amount of the change in fair value estimated using discounted cash flow analysis, recognised in the profit for the period was £ X (20XX-1: £ X). IFRS13 p91

Useful lives of items of property, plant and equipment IAS1 p129

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

Notes to the financial statements

The financial effect of this reassessment is to increase the consolidated depreciation expense in the current year and for the next 3 years, by the following amounts:

20XX £ X

20XX+1 £ X

20XX+2 £ X

20XX+3 £ X

Fair value measurement and valuation processes IFRS13 p9

The Group measures some of its assets and liabilities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either: IFRS13 p16

IFRS13 p22

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of a non-financial asset at fair value takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. IFRS13 p27

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. IFRS13 p61

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: IFRS13 p72

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities IFRS13
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable Appendix A
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable IFRS13 p95

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The board of directors of the Group have set up a valuation committee that determines the appropriate valuation techniques and inputs for fair value measurements. This committee works closely with qualified external valuers who assist in establishing the appropriate techniques and inputs.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in notes 16 and 38.

Notes to the financial statements

Key sources of estimation uncertainty

The Group should disclose in the notes information about the key assumptions concerning the future, and other major sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of: IAS1 p125

- their nature; and
- their carrying amount as at the statement of financial position date.

Examples of estimation uncertainty include determining the: fair values of property, plant and equipment, if carried on the statement of financial position at a revalued book value; obsolescence provision on inventories; provisions subject to the future outcome of litigation in progress; and the long-term employee benefit liabilities. These estimates involve the use of assumptions such as: discount rates; risk adjustment to cash flows; and salary and wage increases. IAS1 p126

The disclosures are presented in a manner that helps users of financial statements to understand the judgements management makes about the future and about other key sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures made are: IAS1 p129

- the nature of the assumption or other estimation uncertainty;
- the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;
- the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and
- an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.

Disclosure of valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in their relevant notes. An alternative is to disclose a separate fair value note which details all the fair value assets and liabilities. IFRS13

The key assumptions and other key sources of estimation uncertainty disclosed should relate to the estimates that require management's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly. IAS1 p127

Notes to the financial statements

3.2 Critical judgements in applying the Group's accounting policies

Retail stores refurbishment IAS1 p122

The Group has recognised a provision for store refurbishment in the statement of financial position as at 31 December 20XX. As management were considered to be fully committed to the expenditure and the Group has obligations in terms of its lease agreements to effect the refurbishments, they believe that the appropriate accounting treatment is to make a provision in the statement of financial position as at 31 December 20XX.

Operating lease commitments IAS1 p122

The Group has entered into property leases over a number of retail stores. As management have determined that the Group has not obtained substantially all the risks and rewards of ownership of these properties, the leases have been classified as operating leases and accounted for accordingly.

Control over Subsidiary A IFRS12 p7(a), p9(b)

It was concluded that Subsidiary A is a subsidiary of the Group even though the Group only has 48% voting rights and ownership interests in Subsidiary A. The remaining 52% is widely held by thousands of unrelated shareholders.

An assessment of control was performed based on whether the Group has the practical ability to direct the relevant activities unilaterally. In making this judgement, the relative size and dispersion of other vote holders, potential voting rights held by them or others, and rights from other contractual arrangements were considered. After the assessment, the Group concluded that it had a dominant voting interest to direct the relevant activities of Subsidiary A and it would take a number of vote holders to outvote the Group, therefore the Group has control over Subsidiary A.

Classification of Joint Venture C as a joint venture IFRS12 p7(b), (c)

Joint Venture C is a limited liability company. Its legal form suggests separation between itself and the parties to the joint arrangement as well as between the parties to the joint arrangement. There is no contractual arrangement or facts and circumstances that specifies that the parties to the joint arrangement have rights to the net assets of the joint arrangement. Therefore, Joint Venture C is a joint venture of the Group.

Significant influence over Associate A IFRS12 p7(b), p9

Associate A is an associate of the Group as described in note 20 even though the Group only owns 16% interest in Associate A. Significant influence arises by virtue of the Groups' contractual right to appoint three out of the seven members of the board of directors of Associate A.

Operating segments

The segments disclosed in note 4 have been determined by distinguishing the business activities from which the Group earns revenues and incurs expenses. The economic characteristics of the operating segments have been reviewed and operating segments have been grouped based on the assessment made by the chief operating decision maker.

Notes to the financial statements

4. Segmental reporting

[The Group should disclose the factors used to identify its reportable segments. This should include the basis of organisation, for example by difference in products or services, geographical areas, regulatory environments or a combination of factors.] IFRS8 p22(a)

[The Group should disclose the judgements made by management in applying the aggregation criteria when aggregating operating segments into a single operating segment. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.] IFRS8 p22(aa)

[The Group should disclose the types of products and services from which each reportable segment derives its revenues.] IFRS8 p22(b)

[Information about other business activities and operating segments that are not reportable shall be combined and disclosed in an 'all other segments' category separately from other reconciling items in the reconciliations required by IFRS 8 p28. The sources of the revenue included in the 'all other segments' category shall be described.] IFRS8 p16

[The Group should provide an explanation of the measurements of segment profit or loss, segment assets and segment liabilities for each reportable segment.] IFRS8 p27

[Adjusted EBITDA has been used in the illustrative financial statements as the measure of profit or loss that is regularly reviewed by the chief operating decision maker ('CODM'). As IFRS 8 requires the figure representing profit or loss to be the one "regularly provided to the CODM", this figure should be determined on an entity by entity basis.]

Notes to the financial statements

	Manufacture		Retail		Distribution		All other segments		Total		
	20XX	20XX-1	**20XX**	20XX-1	**20XX**	20XX-1	**20XX**	20XX-1	**20XX**	20XX-1	
Revenue	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	
External revenue	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p23(a)
Inter-segment revenue	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p23(b)
Total segment revenue	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	
Adjusted EBIDTA	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p23
Depreciation and amortisation	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p23(e)
Goodwill impairment	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p23(i)
Interest expense	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p23(d)
Interest income	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p23(c)
Share of profit from associates and joint ventures	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p23(g)
Income tax expense	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p23(h)
Investments accounted for using the equity method	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p24(a)
Additions to non-current assets (other than financial instruments and deferred tax assets)	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p24(b)
Total assets	**X**	X	**X**	X	**X**	X	**X**	X	**X**	X	IFRS8 p23
Total liabilities	**X**	X	X	X	X	X	X	X	X	X	IFRS8 p24

Revenue from major products and services

Analysis of revenue by product or service line — IFRS8 p32

	20XX	20XX-1
Widget sales	X	X
Support	X	X
Transport services	X	X
	X	X

Geographical information — IFRS8 p33

Revenue by geographical area:

	20XX	20XX-1
United Kingdom	X	X
France	X	X
Italy	X	X
USA	X	X
	X	X

Non-current assets by geographical area:

	20XX	20XX-1
United Kingdom	X	X
France	X	X
Italy	X	X
USA	X	X
	X	X

Major customers

Revenues arising from sale of widgets of X million (20XX-1: Y million) include revenues of approximately Z million (20XX-1: R million) from sales to the largest customer of the Group. Sales to no other customers individually contributed 10% or more to the Group's revenue for both 20XX and 20XX-1. — IFRS8 p34

Notes to the financial statements

Reconciliations

A reconciliation of the adjusted EBITDA to the profit before tax and discontinued operations is as follows: IFRS8 p28(b)

	20XX	20XX-1
Adjusted EBITDA for reportable and other segments	**X**	X
Depreciation	**X**	X
Amortisation	**X**	X
Restructuring costs	**X**	X
Share options granted to directors and employees	**X**	X
Legal expenses	**X**	X
Profit before tax and discontinued operations	**X**	X

A reconciliation of the reportable segments' assets to the Group's total assets is as follows: IFRS8 p28(c)

	20XX	20XX-1
Segment assets for reportable segments	**X**	X
Unallocated:		
Deferred tax	**X**	X
Available-for-sale financial assets	**X**	X
Financial assets at fair value through profit and loss	**X**	X
Assets of a disposal group classified as held for sale	**X**	X
Total assets per the Statement of financial position	**X**	X

A reconciliation of the reportable segments' liabilities to the Group's total liabilities is as follows IFRS8 p28(d)

	20XX	20XX-1
Segment liabilities for reportable segments	**X**	X
Unallocated:		
Deferred tax	**X**	X
Current tax	**X**	X
Current and non-current borrowings	**X**	X
Liabilities of a disposal group classified as held for sale	**X**	X
Total liabilities per the Statement of financial position	**X**	X

Notes to the financial statements

Segment information

An operating segment is a component of an entity: IFRS8 p5

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker ('CODM') to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

The term CODM identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the operating segments of an entity. Often the CODM of an entity is its chief executive officer or chief operating officer but, for example, it may be a group of executive directors or others. IFRS8 p7

Quantitative thresholds have been set for determining operating segments for which separate information should be disclosed. Separate information should be disclosed for any operating segment: IFRS8 p13

- with revenue (including both external sales and intersegment transfers) that is 10% or more of the total revenue of all the operating segments;
- with assets that are 10% or more of the combined assets of all the operating segments; or
- where its profit or loss which, in absolute terms, is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all profit making operating segments and (ii) the combined reported loss of all loss-making operating segments.

Adjusted EBITDA has been used as the measure of profit or loss that is regularly reviewed by the CODM. As IFRS 8 requires the figure representing profit/loss to be the one "regularly provided to the CODM", this figure should be determined on an entity by entity basis.

An entity may combine information about operating segments that do not meet the quantitative thresholds with information about other operating segments that do not meet the quantitative thresholds to produce a reportable segment only if the operating segments have similar economic characteristics and share a majority of the aggregation criteria. IFRS8 p14

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments shall be identified as reportable segments until at least 75% of the entity's revenue is included in reportable segments. IFRS8 p15

If an operating segment is identified as a reportable segment in the current period in accordance with the quantitative thresholds, segment data for a prior period presented for comparative purposes shall be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the criteria for reportability in the prior period, unless the information is not available and the cost to develop it is excessive. IFRS8 p18

The disclosure of segmental cash flows enables users to obtain a better understanding of the relationship between the cash flows of the business as a whole and those of its component parts and the availability and variability of segmental cash flows. IAS7 p52

Notes to the financial statements

Segment information (continued)

Certain entity wide disclosures are also required for all entities, including those entities that have a single reporting segment, including information about: products and services; geographical areas; and major customers. IFRS8 p31-34

An entity shall report the revenues from external customers for each product and service, or each group of similar products and services, unless the necessary information is not available and the cost to develop it would be excessive, in which case that fact shall be disclosed. The amounts of revenues reported shall be based on the financial information used to produce the entity's financial statements. IFRS8 p32

An entity shall report geographical information for revenues from external customers IFRS8 p33(a)

- attributed to the entity's country of domicile and
- attributed to all foreign countries in total from which the entity derives revenues.

If revenues from external customers attributed to an individual foreign country are material, those revenues shall be disclosed separately. An entity shall disclose the basis for attributing revenues from external customers to individual countries.

An entity shall report geographical information for non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) IFRS8 p33(b)

- located in the entity's country of domicile and
- located in all foreign countries in total in which the entity holds assets.

If assets in an individual foreign country are material, those assets shall be disclosed separately.

An entity shall provide information about the extent of its reliance on its major customers. If revenues from transactions with a single external customer amount to 10 per cent or more of an entity's revenues, the entity shall disclose that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenues. The entity need not disclose the identity of a major customer or the amount of revenues that each segment reports from that customer. For the purposes of this IFRS, a group of entities known to a reporting entity to be under common control shall be considered a single customer, and a government (national, state, provincial, territorial, local or foreign) and entities known to the reporting entity to be under the control of that government shall be considered a single customer. IFRS8 p34

5. Revenue

	20XX	20XX-1	
The Group's revenue comprises:			IAS18 p35
Sale of goods	**X**	X	
Property rental income	**X**	X	
Services rendered	**X**	X	
	X	X	

Revenue IAS18 p35

The Group should disclose the amount of revenue arising from exchanges of goods or services included in each significant category of revenue.

The share of the profit or loss of associates or joint ventures accounted for using the equity method may not be included in revenue, but should be shown as a separate line item. When the group has an investment in a joint operation, the amount of revenue attributable to the group must be included in the above amount to extent that the group is entitled to that revenue. IAS18p2(c), IAS18 p7

Notes to the financial statements

6. Disclosure of expenses

	20XX	20XX-1	
The following amounts were expensed or credited during the year:			
Exchange gains or losses	X	X	IAS21 p52
Staff costs	X	X	IAS1 p104
Depreciation	X	X	IAS1 p104
Amortisation of other intangible assets	X	X	IAS38 p118
Impairment losses on property, plant and equipment	X	X	IAS36 p126
Impairment losses on goodwill	X	X	IAS36 p126
Impairment losses on other intangible assets	X	X	IAS36 p126
Change in fair value of investment property	X	X	IAS40 p76
Research and development	X	X	IAS38 p126
Operating lease expense	X	X	IAS17 p35(c)
Cost of inventories recognised as an expense	X	X	IAS2 p36(d)

Material profit or loss items

When items of income or expense are material, their nature and amount must be disclosed separately either in the statement of comprehensive income or in the notes. Circumstances that could give rise to the separate disclosure include: IAS1 p97 - 98

- restructuring of the activities of an entity and reversals of any provisions for the costs of restructuring
- disposals of items property, plant and equipment
- disposals of investments
- discontinued operations
- litigation settlements
- other reversals of provisions
- gains or losses recognised in relation to a business combination

Impairment losses

Where material impairment losses were incurred, additional disclosure is required including : IAS36 p130

- the events and circumstances that lead to the impairment loss
- the amount of impairment loss/reversal
- for an individual asset
  - the nature of the asset and
  - which segment the asset belongs to
- for a cash generating unit ('CGU')
  - description of the CGU, and
  - the segment to which it belongs
- whether the recoverable amount is value in use or net realisable value estimates and assumptions used in determining the recoverable amount.

Notes to the financial statements

7. Gains and losses in respect of financial instruments

	20XX	20XX-1	
Net gains on other financial assets at fair value through profit and loss	**X**	X	IFRS7 p20
Gain/(loss) on disposal of available-for-sale investments transferred from equity	**X**	X	IFRS7 p20
Impairment of trade receivables	**X**	X	IFRS7 p20
Impairment of available-for-sale investments	**X**	X	IFRS7 p20
Ineffectiveness arising from cash flow hedges	**X**	X	IFRS7 p24
Ineffectiveness arising from hedges of net investments	**X**	X	IFRS7 p24

8. Staff costs

	20XX	20XX-1	
Wages and salaries	**X**	X	IAS19 p171
Social security costs	**X**	X	IAS19 p142
Other post-employment benefits	**X**	X	IAS19 p141
Pension costs			
- Defined contribution plan	**X**	X	IAS19 p53
- Defined benefit plan	**X**	X	IAS19 p141
Share based payments	**X**	X	IFRS2 p51
	X	X	

9. Investment income

	20XX	20XX-1	
Interest on short-term deposits	**X**	X	IAS18 p35
Interest on impaired financial assets	**X**	X	IFRS7 p20
Dividends received	**X**	X	IAS18 p35
	X	X	

10. Finance costs

	20XX	20XX-1	
Interest on bank overdraft	**X**	X	
Interest on borrowings - using effective interest rate method	**X**	X	IFRS7 p20
Fair value (gains)/losses on interest rate swaps	**X**	X	IFRS7 p23
	X	X	

Borrowing costs capitalised to qualifying assets amounted to £ X (20XX-1: £ X). A general borrowing rate of X % was used to capitalise interest expenditure on these assets. IAS23 p26

Borrowing costs

Entities are required to capitalise all borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset. IAS23

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowings during the period less any investment income on the temporary reinvestment of those borrowings. IAS23 p12

Notes to the financial statements

11. Income tax expense

	20XX	20XX-1	
			IAS12 p79
UK corporation tax	**X**	X	
Utilisation of assessed losses not previously recognised	**X**	X	
Foreign tax	**X**	X	
	X	X	
Deferred tax	**X**	X	IAS12 p79
Current year	**X**	X	
Change in tax rate	**X**	X	
Total tax expense	**X**	X	

Corporation tax is calculated at X% (20XX-1: X%) of the estimated assessable profit for the year. IAS12 p81

The tax expense for the year can be reconciled to the profit for the year as follows: IAS12 p81

	20XX	20XX-1
Profit before tax	**X**	X
Tax thereon at X%(20XX-1:X%)	**X**	X
Share of profit from associates and joint ventures	**X**	X
Non-deductible expenses	**X**	X
Utilisation of assessed loss not previously recognised	**X**	X
Change in tax rate	**X**	X
Foreign tax expensed at lower rates than (country of domicile) standard rate	**X**	X
Total tax expense	**X**	X

Taxation

IAS 12 requires disclosure reconciling the total tax expense to the accounting profit. IAS12 provides two options for presenting the reconciliation, either on a numerical basis or a percentage basis. IAS12 p81

(Alternative disclosure)

Notes to the financial statements

The tax rate can be reconciled to the effective tax rate as follows: IAS12 p81

	20XX	20XX-1
	%	%
Tax rate	X	X
Share of profit from associates and joint ventures	X	X
Non-deductible expenses	X	X
Utilisation of assessed loss not previously recognised	X	X
Change in tax rate	X	X
Foreign tax expensed at lower rates than (country of domicile) standard rate	X	X
Total effective tax rate	X	X

Deferred tax relating to the revaluation of available-for-sale financial assets of £ X (20XX-1: £ X) has been recognised directly in equity. IAS12 p81

12. Discontinued operations

12.1 Analysis of the statement of comprehensive income result

In May 20XX the management committed to dispose of the packaging division. The sale is expected to be concluded in February 20XX+1, and no further loss is expected on the disposal of the assets involved. The packaging division fell within the distribution reporting segment.

IFRS5 p33(c)

	20XX	20XX-1
Analysis of cash flow movements		
Operating cash flows	X	X
Investing cash flows	X	X
Financing cash flows	X	X
Total cash flows	X	X

IFRS5 p33(c)

	20XX	20XX-1
Analysis of statement of comprehensive income result		
Revenue	X	X
Expenses	X	X
Loss before tax of discontinued operations	X	X
Income tax expense	X	X
Loss after tax of discontinued operations	X	X
Pre-tax loss recognised on the measurement to fair value	X	X
Income tax expenses	X	X
After-tax loss recognised on the measurement to fair value	X	X

Notes to the financial statements

Loss for the year from discontinued operations	**X**	X

12.2 Analysis of assets and liabilities

Cumulative income or expense recognised directly in other comprehensive income	**20XX**	20XX-1	IFRS5 p38
Foreign exchange translation adjustments	**X**	X	
	X	X	

Analysis of assets and liabilities	**20XX**	20XX-1	IFRS5 p38
Property, plant and equipment	**X**	X	
Goodwill	**X**	X	
Inventory	**X**	X	
Other current assets	**X**	X	
	X	X	
Other current liabilities	**X**	X	
Current provisions	**X**	X	
	X	X	

Non-current assets or disposal groups held for sale IFRS5 p41

The Group should make the following additional note disclosures in the year that a non-current asset or disposal group is classified as held for sale or sold:

- a description of the asset or disposal group;
- a description of the facts and circumstances of the sale or expected sale, and the expected timing and manner of the disposal;
- the gain or loss recognised and if not separately shown in the statement of comprehensive income then the line item on the statement of comprehensive income that includes the gain or loss; and
- the reportable segment in which the non-current asset or disposal group is presented.

If the Group should decide to change the plan to sell the non-current asset (or disposal group) then the Group should disclose a description of the facts and circumstances leading to that decision and the effect of the decision on the results for the current and prior period. IFRS5 p42

Notes to the financial statements

If adjustments are made to amounts previously disclosed in discontinued operations then the nature and amount of such adjustments should be separately disclosed in discontinued operations in the current year. Examples of such adjustments that may arise include: purchase price adjustments by the buyer or the seller; product warranty obligations retained by the seller; and settlement of employee benefit obligations by the seller.	IFRS5 p35

13. Earnings per share

	20XX	20XX-1	
Reconciliation of net profit to basic earnings			
Net profit attributable to equity holders of the parent	**X**	X	IAS33
Basic earnings	**X**	X	
Loss for the period on discontinued operations	**X**	X	
Basic earnings from continued operations	**X**	X	
Reconciliation of basic earnings to diluted earnings			IAS33 p70
Basic earnings	**X**	X	
Interest on convertible debentures	**X**	X	
Diluted earnings	**X**	X	
Loss for the period on discontinued operations	**X**	X	
Diluted earnings from continued operations	**X**	X	
Reconciliation of basic weighted average number of ordinary shares to diluted weighted average number of ordinary shares	**Number**	Number	IAS33 p70
Basic weighted average number of ordinary shares	**X**	X	
Dilutive effect of convertible debentures	**X**	X	
Diluted weighted average number of ordinary shares	**X**	X	

Share options granted to employees could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the period presented.
The weighted number of shares used in the calculation of basic and diluted earnings per share is the same for continuing and total earnings per share calculations.

Notes to the financial statements

Earnings per share

Where there has been any transaction in ordinary or potential ordinary shares after the statement of financial position date that has significantly changed the number of ordinary or potential ordinary shares in issue, a description of such transactions shall be given. IAS33 p70(d)

Capitalisation, bonus or share split issues are required to be adjusted retrospectively and therefore the descriptive disclosure mentioned above would not apply to these types of issues. The fact that the per share calculations have been adjusted should be disclosed. IAS33 p64

14. Dividends

	20XX	20XX-1	
Dividends paid during the year	**X**	X	IAS1 p107
Dividends per share	**X**	X	
Final dividend declared after year end	**X**	X	IAS1 p137
Final dividend per share	**X**	X	

The final dividend has not been included as a liability in these financial statements. It was declared after year end but before the financial statements were authorised for issue.

Dividends IAS1 p107

The Group should disclose, either on the face of the statement of comprehensive income or the statement of changes in equity, or in the notes, the amount of dividends recognised as distributions to equity holders during the period, and the related amount per share.

The Group should also disclose the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period, and the related amount per share. IAS1 p137

Notes to the financial statements

15. Property, plant and equipment

IAS16 p73

Group	Land and buildings	Plant and machinery	Furniture and fittings	Total
Cost				
Opening cost at 1 January 20XX-1	X	X	X	X
Additions	X	X	X	X
Exchange differences	X	X	X	X
Classified as held for sale	X	X	X	X
Disposals	X	X	X	X
Acquired through business combination	X	X	X	X
Opening cost at 1 January 20XX	X	X	X	X
Additions	X	X	X	X
Exchange differences	X	X	X	X
Classified as held for sale	X	X	X	X
Disposals	X	X	X	X
Acquired through business combination	X	X	X	X
Closing cost at 31 December 20XX	**X**	**X**	**X**	**X**
Accumulated depreciation/impairment				
Opening balance at 1 January 20XX-1	X	X	X	X
Depreciation	X	X	X	X
Disposals	X	X	X	X
Exchange differences	X	X	X	X
Impairment loss	X	X	X	X
Opening balance at 1 January 20XX	X	X	X	X
Depreciation	X	X	X	X
Disposals	X	X	X	X
Exchange differences	X	X	X	X
Impairment loss	X	X	X	X
Impairment reversal	X	X	X	X
Closing balance at 31 December 20XX	**X**	**X**	**X**	**X**
Opening carrying value at 1 January 20XX-1	X	X	X	X
Opening carrying value at 1 January 20XX	X	X	X	X
Closing carrying value at 31 December 20XX	**X**	**X**	**X**	**X**

Plant and machinery includes the following amounts where the Group is a lessee under a finance lease: IAS 17 p31(a)

	20XX	20XX-1
Cost - capitalised finance leases	**X**	X
Accumulated depreciation	**X**	X
Net book value	**X**	X

Notes to the financial statements

Property, plant and equipment

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. IAS16 p6

The following additional narrative disclosure is required for property, plant and equipment: IAS16 p74

- The existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;
- The amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction.
- The amount of contractual commitments for the acquisition of property, plant and equipment; and
- If it is not disclosed separately on the face of the statement of comprehensive income, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.

Had any categories of property, plant and equipment been revalued the following additional disclosure is also required: IAS16 p77

- The effective date of the revaluation;
- Whether an independent valuer was involved;
- The methods and significant assumptions applied in estimating the items' fair values;
- The extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;
- For each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and
- The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

An example of the fair value disclosures required would be as follows:

> *In determining the valuations for land and buildings, the valuer refers to current market conditions including recent sales transactions of similar properties - assuming the highest and best use of the properties.*
>
> *For plant and machinery, current replacement cost adjusted for the depreciation factor of the existing assets is used. There has been no change in the valuation technique used during the year compared to prior periods.*
>
> *The fair valuation of property, plant and equipment is considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets and replacement costs for plant and machinery.*
>
> *Management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.*
>
> *There were no transfers between level 1, 2 or 3 fair values during the year.*
>
> *The table above presents the changes in the carrying value of the property, plant and equipment arising from these fair valuation assessments.*

The net carrying amount for each class of asset at statement of financial position date held under finance lease arrangements should also be disclosed. IAS17 p31(a)

IAS 36 requires that the financial statements disclose the amount of impairment losses for each category of assets and in which line item the losses are included. IAS36 p126(a)

Notes to the financial statements

16. Investment property

Fair value model

The fair value of the Group's investment properties are determined annually at the reporting date by an independent professionally qualified valuer. In determining the valuations, the valuator refers to current market conditions and recent sales transactions of similar properties. In estimating the fair value of the properties, the highest and best use of the property is their current use. There has been no change in the valuation technique used during the year. IAS40 p75 IFRS13 p91, p93

Amounts recognised in profit or loss	**20XX**	20XX-1	IAS40 p75
Rental income	**X**	X	
Direct operating expenses			
On property that generated rental income	**X**	X	
On property that did not generate rental income	**X**	X	

Investment properties with a carrying amount of £ X (20XX-1: £ X) have been pledged as security for liabilities. The holder of the security does not have the right to sell or re-pledge the investment properties in the absence of default. IFRS7 p14

	20XX	20XX-1	IAS40 p76
Carrying value at the beginning of the year	**X**	X	
Fair value changes	**X**	X	
Exchange differences	**X**	X	
Additions	**X**	X	
Carrying value at the end of the year	**X**	X	

Investment property

Investment property can also be carried at cost in terms of the cost model alternative available in IAS 40. However, if the Group elects the fair value model or the cost model, then the chosen model must be applied to all investment properties. IAS40 p30

If the cost model is chosen, IAS 40 still requires disclosure of the fair value of the investment properties held. IAS40 p79

Fair value hierarchy

	Level 1	**Level 2**	**Level 3**	**Fair value**	IFRS13 p93
Rental property units located in X area	-	-	X	X	IFRS13 p93(c)

The fair valuation of investment property is considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the property, consistent with prior periods.

Management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.

There were no transfers between level 1, 2 or 3 fair values during the year.

The table above presents the changes in the carrying value of the investment property arising from these fair valuation assessments.

Fair value hierarchy per IFRS 13 is always based on the inputs to the valuation and is independent of who performed the valuation.

Notes to the financial statements

17. Goodwill

IFRS3 B67

Cost	
Opening cost at 1 January 20XX-1	X
Recognised on acquisition of a subsidiary	X
Derecognised on disposal of a subsidiary	X
Opening cost at 1 January 20XX	X
Recognised on acquisition of a subsidiary	X
Derecognised on disposal of a subsidiary	X
Closing cost at 31 December 20XX	**X**
Accumulated impairment	
Opening balance at 1 January 20XX-1	-
Impairment loss	X
Opening balance at 1 January 20XX	X
Impairment loss	X
Closing balance at 31 December 20XX	X
Opening carrying value at 1 January 20XX-1	X
Opening carrying value at 1 January 20XX	X
Closing carrying value at 31 December 20XX	**X**

The events and circumstances that led to the recognition of the impairment loss was the disposal of a chain of retail stores in the United Kingdom. No other class of assets was impaired other than goodwill. IAS36 p130 (a),(d)

[Describe the cash generating units/individual intangible assets of the Group and which operating segment they belong to (if any), and whether any impairment losses were recognised or reversed during the period.] IAS36 p130 (a),(d)

The aggregation of assets for identifying the cash generating unit has not changed since the prior year. IAS36 p130(d)

The recoverable amount of a cash generating unit is its value in use. In calculating the value in use of the impaired reportable segment the Group used a discount rate of X% (20XX-1: X%). IAS36 p130 (e),(g)

The carrying amount of goodwill allocated to each reportable segment is as follows: IAS36 p134(a)

Notes to the financial statements

	Manufacture	20XX Retail	Distribution	Total
Home country	**X**	**X**	**X**	**X**
Other countries	**X**	**X**	**X**	**X**

	Manufacture	20XX-1 Retail	Distribution	Total
Home country	X	X	X	X
Other countries	X	X	X	X

Management has based its cash flow projections on cash flow forecasts covering a 5 year period. Cash flows after the 5 year period have been extrapolated based on the estimated growth rates disclosed below. These growth rates do not exceed the long-term average growth rate for the industry or market in which the Group operates. Other key assumptions used in the cash flow projections are as follows: IAS36 p134(d)

	Manufacture	Retail	Distribution
Growth rates	X	X	X
Discount rates	X	X	X
Gross profit margins	X	X	X

Management has based their assumptions on past experience and external sources of information, such as industry sector reports and market expectations. IAS36 p134(d)

Notes to the financial statements

Goodwill

The Group should disclose information about the recoverable amount and impairment of goodwill. IFRS B67

If any portion of goodwill acquired in a business combination during the period has not been allocated to a cash generating unit ('CGU'), disclose the following:

- the amount of unallocated goodwill,
- the reason why that amount could not be allocated to a CGU.

If CGUs are measured at their value in use,

- disclose key assumptions and why they may differ from past experience or external information sources;
- when value is determined with cash flow projections exceeding 5 years, disclose the justification of that longer period;
- disclose the justification for any growth rate higher than the growth rate for relevant markets.

Impairment

The Group should disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a CGU: IAS36 p130

- the events and circumstances that led to the recognition or reversal of the impairment loss.
- the amount of the impairment loss recognised or reversed.
- for an individual asset:
  - the nature of the asset; and
  - the reportable segment to which the asset belongs.
- for a CGU:
  - a description of the CGU;
  - the amount of the impairment loss recognised or reversed by class of assets and by reportable segment; and
  - if the aggregation of assets for identifying the CGU has changed since the previous estimate of the CGU's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the CGU is identified.
- the recoverable amount and whether the recoverable amount of the asset (CGU) is its fair value less costs to sell or its value in use.
  - If the recoverable amount is fair value less costs to sell, the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference to an active market).
  - If the recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.

Notes to the financial statements

Impairment (continued)

IAS36 p134

The Group should disclose the following information for each cash generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the Group's total carrying amount of goodwill or intangible assets with indefinite useful lives:

- the carrying amount of goodwill allocated to the unit (group of units).
- the carrying amount of intangible assets with indefinite useful lives allocated to the unit (group of units).
- the basis on which the unit's (group of units') recoverable amount has been determined (i.e. value in use or fair value less costs to sell).
- if the unit's (group of units') recoverable amount is based on value in use:
    - a description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive;
    - a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;
    - the period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash generating unit (group of units), an explanation of why that longer period is justified;
    - the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the Group operates, or for the market to which the unit (group of units) is dedicated; and
    - the discount rate(s) applied to the cash flow projections.
- if the unit's (group of units') recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed:
    - a description of each key assumption on which management has based its determination of fair value less costs to sell. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive; and
    - a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.
    - the level within the fair value hierarchy (IFRS13) which the fair value measurement is categorised in.
    - if there has been a change in the valuation technique used by the entity and the reasons for the change.
- if a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount:
    - the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount;
    - the value assigned to the key assumption;
    - the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.

Notes to the financial statements

18. Other intangible assets

	Development costs	Patents and Trademarks	Total	
Group				IAS38 p118
Cost				
Opening cost at 1 January 20XX-1	X	X	X	
Additions	X	X	X	
Exchange differences	X	X	X	
Disposals	X	X	X	
Acquired through business combination	X	X	X	
Opening cost at 1 January 20XX	X	X	X	
Additions	X	X	X	
Exchange differences	X	X	X	
Disposals	X	X	X	
Acquired through business combination	X	X	X	
Closing cost at 31 December 20XX	**X**	**X**	**X**	
Accumulated amortisation/impairment				
Opening balance at 1 January 20XX-1				
Amortisation	X	X	X	
Disposals	X	X	X	
Exchange differences	X	X	X	
Impairment loss	X	X	X	
Opening balance at 1 January 20XX	X	X	X	
Amortisation	X	X	X	
Disposals	X	X	X	
Exchange differences	X	X	X	
Impairment loss	X	X	X	
Impairment reversal	X	X	X	
Closing balance at 31 December 20XX	**X**	**X**	**X**	
Opening carrying value at 1 January 20XX-1	X	X	X	
Opening carrying value at 1 January 20XX	X	X	X	
Closing carrying value at 31 December 20XX	**X**	**X**	**X**	

The Group has a material patent with a carrying amount of £X and a remaining amortisation period of X years. IAS38 p122(b)

	20XX	20XX-1	
Intangible assets pledged as security for liabilities (as disclosed in note X)	**X**	X	IAS38 p122(d)

Notes to the financial statements

Intangible assets

The following additional narrative disclosure is required for intangible assets: IAS38 p122

- For an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the Group shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life;
- A description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the Group's financial statements;
- The existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities; and
- The amount of contractual commitments for the acquisition of intangible assets.

19. Investment in subsidiaries

Composition of the Group

IFRS12 p10 p4, B4, B5, B6

Name	Country of incorporation	Proportion of ownership interest		Proportion owned by subsidiary companies		Principal activities	Wholly or non-wholly owned subsidiary
		20XX	20XX-1	**20XX**	20XX-1		
Subsidiary A	UK	**48%**	48%	**-**	-	Distribution of widgets	Non-wholly
Subsidiary B	UK	**90%**	100%			Manufacturing of widgets	Non-wholly
Subsidiary C	France	**-**	-	**90%**	90%	Retail of widgets	Non-wholly
Company A	UK	**100%**	100%	**-**	-	Manufacturing of widgets	Wholly
Company B	France	**100%**	100%	**-**	-	Distribution of widgets	Wholly

Details of non-wholly owned subsidiaries that have material non-controlling interests

IFRS12 p10 p12, B11

Name of subsidiary	Proportion of ownership interest held by non-controlling interest		Profit or loss allocated to non-controlling interest		Accumulated non-controlling interests	
	20XX	20XX-1	**20XX**	20XX-1	**20XX**	20XX-1
Subsidiary A (a)	**52%**	52%	**X**	X	**X**	X
Subsidiary B	**10%**	0%	**X**	-	**X**	-
Subsidiary C	**10%**	10%	**X**	X	**X**	X
Total			**X**	X	**X**	X

Notes to the financial statements

a. The Group owns 48% equity shares of Subsidiary A. The remaining 52% is widely held by thousands of unrelated shareholders. An assessment of control was performed by the Group based on whether the Group has the practical ability to direct the relevant activities unilaterally and it was concluded that the Group had a dominant voting interest to direct the relevant activities of Subsidiary A and it would take a number of vote holders to outvote the Group, therefore the Group has control over Subsidiary A and Subsidiary A is consolidated in these financial statements.

IFRS 12 p9

Summarised financial information

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

IFRS12 p12 B10, B11

	Subsidiary A		Subsidiary B		Subsidiary C	
	20XX	20XX-1	**20XX**	20XX-1	**20XX**	20XX-1
Current assets	**X**	X	**X**	-	**X**	X
Non-current assets	**X**	X	**X**	-	**X**	X
Current liabilities	**(X)**	(X)	**(X)**	-	**(X)**	(X)
Non-current liabilities	**(X)**	(X)	**(X)**	-	**(X)**	(X)
Equity attributable to owners of the company	**X**	X	**X**	-	**X**	X
Non-controlling interests	**X**	X	**X**	-	**X**	X
Revenue	**X**	X	**X**	-	**X**	X
Expenses	**(X)**	(X)	**(X)**	-	**(X)**	(X)
Profit or loss for the year	**X**	X	**X**	-	**X**	X
Profit or loss attributable to owners of the company	**X**	X	**X**	-	**X**	X
Profit or loss attributable to the non-controlling interests	**X**	X	**X**	-	**X**	X
Profit or loss for the year	**X**	X	**X**	-	**X**	X
Other comprehensive income attributable to owners of the company	**X**	X	**X**	-	**X**	X
Other comprehensive income to the non-controlling interests	**X**	X	**X**	-	**X**	X
Other comprehensive income for the year	**X**	X	**X**	-	**X**	X
Total comprehensive income attributable to owners of the company	**X**	X	**X**	-	**X**	X
Total comprehensive income to the non-controlling interests	**X**	X	**X**	-	**X**	X
Total comprehensive income for the year	**X**	X	**X**	-	**X**	X

Dividends paid to non-controlling interests	**-**	-	**-**	-	**-**	-
Net cash in/(out) flow from operating activities	**X**	X	**X**	-	**X**	X
Net cash in/(out) flow from investing activities	**(X)**	X	**X**	-	**(X)**	X
Net cash in/(out) flow from financing activities	**(X)**	X	**(X)**	-	**(X)**	(X)
Net cash in/(out) flow	**X**	X	**X**	-	**X**	X

Change in the Group's ownership interest in a subsidiary IFRS12 p18

10% of the Group's interest in Subsidiary B was disposed of during the year, reducing its continuing interest to 90%. The difference between the consideration received of £X and the increase in the non-controlling interest of £X has been credited to retained earnings.

Significant restrictions IFRS12 p13

There are no significant restrictions on the company's or subsidiary's ability to access or use the assets and settle the liabilities of the Group.

Financial support IFRS12 p14

The Group has not given any financial support to a consolidated structured entity. p15, p16, p17

20. Investments accounted for using the equity method

IFRS12 p20, p21

Name	Country of incorpora-tion	Proportion of ownership interest		Proportion owned by associates and joint venture		Principal Activities
		20XX	20XX-1	**20XX**	20XX-1	
Associate A (a)	UK	**16%**	16%	**-**	-	Marketing of widgets
Associate B (b)	UK	**-**	-	**32%**	32%	Property holding
Joint Venture C	UK	**33.3%**	33.3%	**-**	-	Distribution

a. Associate A is an associate of the Group even though the Group only owns 16% interest in Associate A. Significant influence arises by virtue of the Groups' contractual right to appoint three out of the seven members of the board of directors of Associate A. IFRS12 p9

b. Associate B has a year end of 30 November. This reporting date was established when the company was incorporated. The reporting date cannot change as it is not permitted by the government in the UK. IFRS12 p21, p22

Associate B's financial statements for the year ended 30 November 20XX have been used and appropriate adjustments have been made for the effects of any significant transactions that occurred between Associate B's year end the Group's year end. This was necessary so as to apply the equity method of accounting.

Based on the quoted market price available on the UK stock exchange as at 31 December 20XX, the fair value of the Group's interest in Associate B was £X. IFRS13 p97

Summarised financial information of associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements.

IFRS12 p21 B12, B14

	Associate A		Associate B	
	20XX	20XX-1	**20XX**	20XX-1
Current assets	**X**	X	**X**	X
Non-current assets	**X**	X	**X**	X
Current liabilities	**(X)**	(X)	**(X)**	(X)
Non-current liabilities	**(X)**	(X)	**(X)**	(X)
Revenue	**X**	X	**X**	X
Profit or loss net of tax from continuing operations	**X**	X	**X**	X
Profit or loss net of tax from discontinued operations	**-**	-	**-**	-
Profit or loss for the year	**X**	X	**X**	X
Other comprehensive income for the year	**-**	-	**-**	-
Total comprehensive income for the year	**X**	X	**X**	X
Dividends received from associates during the year	**X**	X	**X**	X

Reconciliation of the summarised financial information to the carrying amount of the interest in associates recognised in the Group's financial statements.

IFRS12 B14

	Associate A		Associate B	
	20XX	20XX-1	**20XX**	20XX-1
Net assets of the associate	**X**	X	**X**	X
Proportion of the Group's ownership interest in the Associate	**%**	%	**%**	%
Carrying amount of the Group's interest in the Associate	**X**	X	**X**	X

Notes to the financial statements

Summarised financial information of joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements. IFRS12 p21 B12, B13, B14

	Joint Venture C	
	20XX	20XX-1
Current assets	**X**	X
Non-current assets	**X**	X
Current liabilities	**(X)**	(X)
Non-current liabilities	**(X)**	(X)
The following amounts have been included in the amounts above		
Cash and cash equivalents	**X**	X
Current financial liabilities	**(X)**	(X)
Non-current financial liabilities	**(X)**	(X)
Revenue	**X**	X
Profit or loss from continuing operations	**X**	X
Profit or loss net of tax from discontinued operations	**-**	-
Profit or loss for the year	**X**	X
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**X**	X
The following amounts have been included in the amounts above		
Depreciation and amortisation	**(X)**	(X)
Interest income	**X**	X
Interest expense	**(X)**	(X)
Income tax expense	**(X)**	(X)
Dividends received from the joint venture during the year	**X**	X

Reconciliation of the summarised financial information to the carrying amount of the interest in the joint venture recognised in the Group's financial statements. IFRS12 B14

	Joint Venture C	
	20XX	20XX-1
Net assets of the joint venture	**X**	X
Proportion of the Group's ownership interest in the joint venture	**%**	%
Carrying amount of the Group's interest in the joint venture	**X**	X

There are no contingent liabilities or capital commitments related to the Group's investment in associates or the joint venture. IFRS12 p23

Equity accounting for investment entities

The general principal is that when equity accounting for an investment in an associate or joint venture, if the associate or joint venture has accounting policies which differ from the investor in the associate or joint venture, adjustments will need to be made to ensure the associate's or joint venture's accounting policies conform to those of the investor. IAS 28 p36A

There is now an exemption to this general principal when the associate or joint venture are investment entities which apply fair value measurement to their subsidiaries. The entity holding the investment in these investment entity associates or joint ventures may retain the fair value measurement.

Investment entities and IFRS 12 Disclosure of Interest in Other Entities

If an investment entity prepares financial statements in which, in terms of IFRS 10 p31, all of its subsidiaries are measured at fair value through profit and loss, it previously would not have had to present the disclosures required by IFRS 12 (these have been set out in notes 19 and 20 above as they relate to Exemplum Reporting PLC). This is no longer the case and investment entities will now need to present the disclosure required by IFRS 12. IFRS 12 p6 (b) (ii)

IAS27 Separate Financial Statements - Equity Method

It must be noted that the equity method is now included as an acceptable method to account for subsidiaries, associates and joint ventures in the separate financial statements of an entity. IAS 28 p4

21. Deferred tax

	20XX	20XX-1	
Deferred tax assets	**X**	X	IAS12 p81
Deferred tax liabilities	**X**	X	
Net deferred tax liability	**X**	X	
Deferred tax assets comprise:			IAS12 p81
Unused tax losses	**X**	X	
Retirement benefit obligations	**X**	X	
	X	X	
Deferred tax liabilities comprise:			IAS12 p81
Accelerated capital allowances	**X**	X	
Fair value gains	**X**	X	
	X	X	

At the statement of financial position date the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised was £ X (20XX-1: £ X). Deferred tax has not been raised in the statement of financial position as the Group is not in a position to control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the foreseeable future. IAS12 p81

Notes to the financial statements

Deferred tax assets	Unused tax losses	Retirement benefit obligations	Total
Balance at 1 January 20XX-1	X	X	X
Recognised in the statement of comprehensive income	X	X	X
Recognised directly in equity	X	X	X
Balance at 1 January 20XX	X	X	X
Recognised in the statement of comprehensive income	X	X	X
Recognised directly in equity	X	X	X
Balance at 31 December 20XX	**X**	**X**	**X**

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets of £X (20XX-1: £X) have not been recognised in respect of losses amounting to £X (20XX-1: £X) that can be carried forward against future taxable income. The unrecognised tax credits amounting to £X (20XX-1: £X) will expire in 20XX+2 and 20XX+1 respectively. No restrictions affect the sources of taxable profits against which the unused tax losses can be set off against.

IAS12 p81(e)

IAS12 p27A

Deferred tax liabilities:	Capital allowances	Fair value gains	Total
Balance at 1 January 20XX-1	X	X	X
Recognised in the statement of comprehensive income	X	-	X
Recognised directly in equity		X	
Balance at 1 January 20XX	X	X	X
Recognised in the statement of comprehensive income	X	-	X
Recognised directly in equity	-	X	X
Balance at 31 December 20XX	**X**	**X**	**X**

Deferred tax

IAS12 p5, p15

A deferred tax liability shall be recognised for all taxable temporary differences, provided certain exceptions do not apply. Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

IAS12 p20

The difference between the carrying amount of a revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or asset. This is true even if the Group does not intend to dispose of the asset.

IAS12 p74

The Group shall offset deferred tax assets and deferred tax liabilities if, and only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either
  - the same taxable entity; or
  - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

IAS12 p82

The Group should disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the Group has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Notes to the financial statements

When the Group assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers whether tax laws restrict the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. If the tax laws impose no such restrictions, an entity assesses the deductible temporary difference in combination with all of its other deductible temporary differences. If the tax laws restrict the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. IAS12 p27A

In evaluating whether the Group has sufficient taxable future profits the Group must compare the deductible temporary differences with the future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison will show the extent to which the future taxable profits are sufficient for the Group to deduct the amounts resulting from the reversal of those deductible temporary differences. IAS12 p29 (a)(i)

22. Inventories

IAS2 p36, p37

	20XX	20XX-1
Raw materials	**X**	X
Work in progress	**X**	X
Finished goods	**X**	X
	X	X

Inventories to the value of £ X are carried at net realisable value. Inventory written-down during the year amounted to £ X (20XX-1: £ X).

Inventory with a carrying amount of £ X (20X-1X: £ X) has been pledged as security for liabilities. The holder of the security does not have the right to sell or re-pledge the inventory in the absence of default. IFRS7 p14

A prior year write down of inventories, amounting to £X was reversed in the year under review. This was as a result of a change in market conditions which resulted in an increased demand for the product. IAS2 p36(g)

23. Trade receivables

IAS1 p75

	20XX	20XX-1
Trade receivables	**X**	X
Provision for doubtful debts	**X**	X
	X	X
Analysed as follows:		
Prepayments	**X**	X
Related party receivables	**X**	X
Trade debtors	**X**	X
	X	X

IFRS7 p16A

	20XX	20XX-1
Provision for doubtful debts		
Opening balance	**X**	X
Reversal and reduction doubtful debts previously provided for	**X**	X
Bad debts previously provided for now written off	**X**	X
New and increased doubtful debts provided for	**X**	X
Closing balance	**X**	X

Notes to the financial statements

24. Notes to the statement of cash flows

24.1 Significant non-cash transactions

During the period the Group acquired property, plant and equipment with a total cost of £ X of which £ Y was acquired by means of finance leases. IAS7 p43

As disclosed in note 25.21, part of the purchase price for the acquisition of Subsidiary B Ltd comprised shares. The fair value of shares issued was £ X. IAS7 p43

24.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts. IAS7 p45

	20XX	20XX-1
Cash on hand and balances with banks	**X**	X
Short-term investments	**X**	X
Cash and cash equivalents	**X**	X

24.3 Cash from operations (only if statement of cash flows prepared on direct method)

	20XX	20XX-1
Net profit	**X**	X
Depreciation and amortisation	**X**	X
Investment income	**X**	X
Interest expense	**X**	X
Share based payment expense	**X**	X
Foreign exchange loss	**X**	X
Movement in working capital:	**X**	X
Increase/decrease in trade receivables	**X**	X
Increase/decrease in trade and other payables	**X**	X
Increase/decrease in inventories	**X**	X
Cash from operating activities	**X**	X

24.4 Reconciliation of liabilities arising from financing activities

	20XX-1		Non-cash changes			20XX
		Cash flows	Acquisitions	Foreign exchange movement	Fair value changes	
Long term borrowings	**X**	**X**	**X**	X	X	X
Loan held to settle loan to acquire subsidiaries	**X**	**X**	**X**	X	X	X
Total liabilities from financing activities	**X**	**X**	**X**	X	X	X

IAS7 p44B

IAS7 p44A

Notes to the financial statements

Reconciliation of liabilities arising from financing activities

The amendments to IAS 7 aims to enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. IAS7 p44A

As a minimum, an entity shall disclose the following changes in liabilities arising from financing activities:

- changes from financing cash flows; IAS7 p44B (a)
- changes arising from obtaining or losing control of subsidiaries or other businesses; IAS7 p44B (b)
- the effect of changes in foreign exchange rates; IAS7 p44B (c)
- changes in fair value; and IAS7 p44B (d)
- other changes. IAS7 p44B (e)

The reconciliation could also include changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. IAS7 p44C

The reconciliation should provide a reconciliation between the opening balances and closing balances of liabilities affecting the cash flows from financing activities, providing detail as to the actual cash flows disclosed in the statement of cash flows and any other non-cash flow items.

25. Business combinations

25.1 Subsidiaries acquired

IFRS3 B64,(a) to (d)

20XX	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
Company A	Manufacturing	01 February 20XX	100%	X
Company B (France)	Distribution	01 April 20XX	100%	X
				X

Company A was acquired to expand the production capabilities of the Group to enable it to supply to rapidly expanding markets.

Goodwill represents the value of the synergies arising from the economies of scale achievable in the enlarged Group. These synergistic benefits were the primary reason for entering into the business combination. The total amount of goodwill that is expected to be deductible for tax purposes is £X. The amount of the new subsidiary's profits or losses since the acquisition elate included in the Group profit or loss for the period is £X.

25.2 Consideration transferred

	Company A	Company B
	£	£
Cash	X	X
Deferred consideration (payable in cash)	X	X
Contingent consideration arrangement (a)	X	X
Equity issued	X	X
	X	X

IAS7 p40

a. The agreement requires the Group to pay the vendors an additional amount of £X, if the profit of Company A exceeds £X in the year following acquisition. The average profit for the last three years amounted to £X. The directors are of the opinion that the profit will exceed the target set.

Other costs relating to the acquisition of the subsidiaries have not been included in the consideration and have been recognised as an expense. This expense is included in administration expenses.

25.3 Assets acquired and liabilities assumed at the date of acquisition

IFRS3 B64(i)
IAS7 p40(d)

	Company A	Company B
	£	£
Current assets	X	X
Cash and cash equivalents	X	X
Trade and other receivables	X	X
Inventories	X	X
Plant and equipment	X	X
Trade and other payables	X	X
Contingent liabilities	X	X
	X	X

The initial accounting for the acquisition of Company B has only been provisionally determined at the end of the reporting period. At the date of finalisation of these financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimates. IFRS3 B67(a)

25.4 Non-controlling interest

The non-controlling interests of Company A and Company B at the date of acquisition were measured at the fair value of these interests. This fair value was estimated by applying a discounted income approach, and amounted to £X. Key assumptions made and inputs used were: IFRS3 B64(o)

- discount rate 14%;
- sustainable growth rates 4%

25.5 Impact of acquisitions on the results of the Group

The contribution to net profit of the Group was £X by Company A, and £X by Company B respectively. IFRS3 B64

Group revenue includes £X from the operations of Company A and £X from company B.

If these businesses were acquired at the beginning of the reporting period Group revenue would have been £X, and profit for the year from continuing operations would have been £X. IFRS3 p61

The directors of the Group consider these results to be representative of the performance of the combined Group, annualised, and provide a reference point for comparison against periods in the future.

The above mentioned 'annualised' contributions were calculated from actual results of the companies and adjusted for the following:

- depreciation of plant and equipment acquired based on the fair values determined rather than the carrying amounts recognised in the pre-acquisition financial statements;
- borrowing costs were adjusted to align with Group credit ratings and debt/equity position of the Group after the business combination.

IFRS 3 (revised) - Business combinations

The Group should disclose the following information for each business combination that was effected during the period, or after year end before the financial statements are authorised for issue: IFRS3 B64-67

- the name and description of the acquiree;
- the acquisition date;
- the percentage of voting equity interests acquired;
- the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree;
- a qualitative description of the factors that make up goodwill recognised, for example synergies or intangible assets not separately recognised;
- the acquisition date fair value of the total consideration transferred and of each major class of consideration (e.g. cash, assets, equity, etc.);
- for contingent consideration arrangements and indemnification assets - the amount recognised at acquisition date, a description of the arrangement and an estimate of the range of outcomes (undiscounted);
- for acquired receivables - their fair value, the gross contractual amounts receivable and the best estimate at the acquisition date of the contractual cash flows not expected to be collected;
- the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed;
- for each contingent liability - the information required in para. 84 and 85 of IAS 37, but if a contingent liability is not recognised because its fair value cannot be measured reliably. the information required in para. 87 of IAS 37 and the reasons why the liability could not be reliably measured;
- the total amount of goodwill that is expected to be deductible for tax purposes;
- any transaction resulting in assets acquired or liabilities assumed from pre-existing relationships or arrangements, with a description of how the acquirer accounted for each transaction and the method used to determine the settlement amount;
- costs associated with any pre-existing transactions;
- the amount of any gain recognised in a bargain purchase and a description of the reasons why the transaction resulted in a gain;
- the amount of non-controlling interest in the acquiree recognised at the acquisition date, the measurement basis for that amount and for each non- controlling interest measured at fair value, the valuation techniques and key model inputs used for determining that value;
- in a business combination achieved in stages, the acquisition date fair value of the equity interest held by the acquirer immediately before the acquisition date and the gain or loss recognised as a result of re-measuring to fair value the equity interest held then;
- the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period. If such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case;
- if the initial accounting is incomplete and thus provisional year end figures have been used, the reasons for this, the provisional items and the nature and amount of any measurement period adjustments in that period;
- in each reporting period after the acquisition until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until a contingent liability is settled, an entity should disclose any changes to the amount recognised with reasons, the range of outcomes and the valuation technique used and key model inputs to measure contingent consideration;
- a reconciliation of the carrying amount of goodwill showing separately:
  - the gross amount and accumulated impairment losses at the beginning of the reporting period;
  - additional goodwill recognised during the reporting period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale;
  - adjustments resulting from the subsequent recognition of deferred tax assets during the reporting period in accordance with paragraph 67;
  - goodwill included in a disposal group classified as held for sale in accordance with IFRS 5 and goodwill derecognised during the reporting period without having previously been included in a disposal group classified as held for sale;
  - impairment losses recognised during the reporting period;
  - net exchange rate differences arising during the reporting period;
  - any other changes in the carrying amount during the reporting period;
  - the gross amount and accumulated impairment losses at the end of the reporting period;
- the amount and an explanation of any gain or loss recognised in the period

Non-controlling interest in business combinations

For each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at the fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. IFRS3 p19

Notes to the financial statements

26. Share capital and reserves

26.1 Ordinary shares

	20XX	20XX-1
Authorised	**X**	X
X million ordinary shares of £ X each	**X**	X
Issued and fully paid for	**X**	X
X million ordinary shares of £ X each	**X**	X
Reconciliation of the number of shares outstanding		
Opening balance	**X**	X
Shares issued	**X**	X
Shares repurchased	**X**	X
Closing balance	**X**	X

All fully paid up shares have a par value of £X and entitle the holder to one vote and equal rights to dividends declared.

26.2 Disclosure of components of other comprehensive income

The available for sale movement in other comprehensive income comprises arising gains recognised during the year of £X (20XX-1: £X) less amounts recycled through profit or loss of £X (20XX-1: £X). IAS1 p97

26.3 Disclosure of tax effects relating to each component of other comprehensive income

IAS1 p90

	20XX			20XX-1		
	Before tax amount	**Tax (expense) / benefit**	**Net-of-tax amount**	Before tax amount	Tax (expense) / benefit	Net-of- tax amount
Exchange differences in translating foreign operations	**X**	**X**	**X**	X	X	X
Available-for-sale financial assets	**X**	**X**	**X**	X	X	X
Actuarial gains or losses on defined benefit pension plan	**X**	**X**	**X**	X	X	X
Share of other comprehensive income of associates	**X**	**X**	**X**	X	X	X
Other comprehensive income	**X**	**X**	**X**	X	X	X

Notes to the financial statements

27. Finance lease liabilities

	20XX	20XX-1	
Gross finance lease liabilities - minimum lease payments:			IAS17 p31(b)
Within 1 year	**X**	X	
Later than 1 year and no later than 5 years	**X**	X	
Later than 5 years	**X**	X	
	X	X	
Future finance charges on finance leases	**X**	X	
Present value of finance lease liabilities	**X**	X	
The present value of finance lease liabilities is analysed as follows:			IAS17 p31(b)
Within 1 year	**X**	X	
Later than 1 year and no later than 5 years	**X**	X	
Later than 5 years	**X**	X	
	X	X	

Lease liabilities are secured over property, plant and equipment as disclosed in note 15. These assets will revert back to the lessor in the event of a default. IAS17 p31(e)

The company leases certain items of property, plant and equipment under lease agreements with a 5 year term. These bear interest at between 2% and 4,5% and are repayable in equal monthly instalments.

28. Provisions

	Refurbishment	Legal claims	Warranty	Total	IAS37 p84
Balance at 1 January 20XX	X	X	X	X	
Additional provision	X	X	X	X	
Amounts used	X	X	X	X	
Unused amounts reversed	X	X	X	X	
Unwinding of the discount	X	X	X	X	
Balance at 31 December 20XX	**X**	**X**	**X**	**X**	
Non-current provisions	X	X	X	X	IAS1 p60
Current provisions	X	X	X	X	

The Group would need to disclose in respect of each provision:

- a brief description of nature and expected timing of outflows
- the uncertainties related to the amount/timing and major assumptions made and
- the amount of any expected reimbursement.

Notes to the financial statements

Provisions

Comparative information on provisions is not required. IAS37 p84

The Group should disclose the following for each class of provision: IAS37 p85

- a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits;
- an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, the Group should disclose the major assumptions made concerning future events; and
- the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

29. Borrowings

IFRS7 p31

	20XX	20XX-1	
Bonjour Bank Ltd			IAS1 p60
Non-current borrowings - Bonjour Bank Ltd	**X**	X	

The loan is secured by a first mortgage over the land and buildings of the Group. IAS16 p74

The loan is repayable in full on the 31 December 20XX+4. There have been no defaults or breaches of interest payment terms during the current or prior period. IFRS7 p31, p18

The loan bears interest at X% p.a. (20XX-1: X% p.a.). This is a floating interest rate loan and therefore exposes the Group to cash flow risk. The loan is also denominated in Euros and is used as a hedge of the net investment in Subsidiary C (note 19). IFRS7 p31

First Bank Ltd			IAS1 p60
Non-current borrowings - First Bank Ltd	**X**	X	
Current portion of non-current borrowings - First Bank Ltd	**X**	X	

The loan is secured by a first mortgage over the land and buildings of the Group. IAS16 p74

The loan is repayable in equal annual instalments of £ X (20XX-1: £ X) until completion of the loan repayments at 31 December 20XX. There have been no defaults or breaches of interest payment terms during the current or prior period. IFRS7 p31, p18

The loan bears interest at X% p.a. (20XX-1: X% p.a.). This is a floating interest rate loan and therefore exposes the Group to cash flow risk (note 38). IFRS7 p31

Second Bank Ltd			IAS1 p60
Non-current borrowings - Second Bank Ltd	**-**	X	
Current portion of non-current borrowings - Second Bank Ltd	**X**	-	

The loan is secured by a pledge over inventories. IAS2 p36

The loan is repayable in full on the 30 August 20XX. There have been no defaults or breaches of interest payment terms during the current or prior period. IFRS7 p31, p18

The loan bears interest at X% p.a. (20XX-1: X% p.a.). This is a floating interest rate loan and therefore exposes the Group to cash flow risk (note 38). IFRS7 p31

Notes to the financial statements

Retirement benefit obligations: Recognition of actuarial gains and losses	
The standard contains a number of disclosure requirements as well as some overriding disclosure objectives and considerations that provide a framework to identify the extent of disclosures that should be included in the financial statement notes.	IAS19 p135, p136
An entity need not present comparative information for the disclosures required by IAS19 p145 about the sensitivity of the defined obligations in financial statement for periods beginning before 1 January 2014.	IAS19 p173
The revised standard requires disclosures of: • Sensitivity analyses showing how the defined benefit obligation would be affected by reasonably possible changes in actuarial assumptions. • Methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods. • Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes.	IAS19 p145
Multi-employer plans	
Refer to IAS19 paragraph 148 for disclosure requirements for multi-employer plans.	

30. Retirement benefit obligations

The Group's pension arrangements are operated through a defined contribution scheme and a group defined benefit scheme.

Defined contribution schemes

	20XX	20XX-1	
Amount recognised as an expense	**X**	X	IAS19 p53

Defined benefit schemes

The Exemplum Reporting Pension is a final salary pension plan operating for qualifying employees of the Group. The plan is governed by the employment laws of (Country). The level of benefits provided depends on members' length of service and salary at retirement age. The fund is governed by a Board of Trustees which compromise of an equal number of employee and employer representatives. The Board is responsible for the investment strategy with regard to the assets of the fund. The pension plan is exposed to (X Country's) inflation, interest rate risk, investment risk, salary risk and changes in the life expectancy for pensioners. IAS19 p138. p139

The amounts recognised in the statement of financial position are as follows: IAS19 p10

	Defined benefit pension plans	
	20XX	20XX-1
Present value of funded obligations	**X**	X
Fair value of plan assets	**X**	X
Funded status	**X**	X
Present value of unfunded obligations	**X**	X
Impact of minimum funding requirement or asset ceiling	**X**	X
Liability arising from defined benefit obligation	**X**	X
Amounts in the statement of financial position	**X**	X
Liabilities	**X**	X
Assets	**X**	X
Net liability	**X**	X

Notes to the financial statements

The amounts recognised in profit or loss are as follows: IAS19 p120, p135

	Defined benefit pension plans	
	20XX	20XX-1
Current service cost	**X**	X
Past service cost	**X**	X
Net interest expense	**X**	X
Subtotal included in profit or loss	**X**	X
Re-measurement gains or losses		
Return on plan assets (excluding amounts included in net interest expense)	**X**	X
Actuarial changes arising from:		
Changes in demographic assumptions	**X**	X
Changes in financial assumptions	**X**	X
Experience adjustments	**X**	X
Adjustments for restrictions of the defined benefit asset	**X**	X
Subtotal included in other comprehensive income	**X**	X
Total	**X**	**X**

Of the expense for the year, £ X (20XX-1: £ X) has been included is cost of sales and administrative expense. The re-measurement of the net defined benefit liability is included in other comprehensive income.

Changes in the present value of the defined benefit obligation are as follows: IAS19 p141

	Defined benefit pension plans	
	20XX	20XX-1
Opening defined benefit obligation	**X**	X
Service cost	**X**	X
Interest cost	**X**	X
Actuarial losses (gains) arising from:		
Changes in demographic assumptions	**X**	X
Changes in financial assumptions	**X**	X
Experience adjustments	**X**	X
Losses (gains) on curtailments	**X**	X
Liabilities extinguished on settlements	**X**	X
Liabilities assumed in a business combination		
Exchange differences on foreign plans	**X**	X
Benefits paid	**X**	X
Closing defined benefit obligation	**X**	**X**

Notes to the financial statements

Changes in the fair value of plan assets are as follows: IAS19 p141

	Defined benefit pension plans	
	20XX	20XX-1
Opening fair value of plan assets	**X**	X
Interest income	**X**	X
Re-measurement gains/(losses): Return on plan assets (excluding amounts included in net interest expense)	**X**	X
Assets distributed on settlements	**X**	X
Contributions by employer	**X**	X
Assets acquired in a business combination	**X**	X
Exchange differences on foreign plans	**X**	X
Benefits paid	**X**	X
Closing fair value of plan assets	**X**	X

IAS19 p142

	20XX	20XX-1
Cash and cash equivalents	**X**	X
Equity investments by industry type		
Manufacturing industry	**X**	X
Financial institutions	**X**	X
Debt investments by issuers credit rating		
AAA	**X**	X
BB and lower	**X**	X
Property investments by geographic location		
Country A	**X**	X
Country B	**X**	X
Derivatives	**X**	X
Other	**X**	X
Total	**X**	**X**

The fair value of the above are based on quoted market prices in active markets.

The pension plan assets include ordinary shares issued by Exemplum Reporting PLC with a fair value of £X (20XX-1: £X). Plan assets also include property occupied by Exemplum Reporting PLC with a fair value of £X (20XX-1: £X). IAS19 p143

Notes to the financial statements

Principal assumptions used for the purposes of the actuarial valuations at the statement of financial position date (expressed as weighted averages): IAS19 p144

	20XX	20XX-1
Discount rate at 31 December	**X%**	X%
Expected return on plan assets at 31 December	**X%**	X%
Future salary increases	**X%**	X%
Future pension increases	**X%**	X%
Proportion of employees opting for early retirement	**X%**	X%

Investigations have been carried out within the past three years into the mortality experience of the Group's schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are: IAS19 p144

	20XX	20XX-1
Retiring today:		
Males	**X**	X
Females	**X**	X
Retiring in 20 years:		
Males	**X**	X
Females	**X**	X

A sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are shown below: IAS19 p145

	Increase in assumption		**Decrease in assumption**	
	Percentage or Years	**Impact on defined benefit obligation**	**Percentage or Years**	**Impact on defined benefit obligation**
Discount rate	X%	X	X%	X
Salary growth rate	X%	X	X%	X
Pension growth rate	X%	X	X%	X
Life expectancy of male pensioners	X years	X	X years	X
Life expectancy of female pensioners	X years	X	X years	X

The above sensitivity analyses are based on reasonably possible changes in the principal assumptions occurring at the end of the reporting period, while holding all other assumptions constant. In practice it is unlikely that the change in assumptions would occur in isolation, as some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation, the present value of the defined benefit obligation has been calculated using the project unit credit method at the end of the reporting period, which is consistent with the calculation of the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to prior years.

Notes to the financial statements

Each year a review of the asset-liability matching strategy and investment risk management policy is performed. Contribution policies are based on the results of this review. The aim is to have a portfolio mix of x% equity, x% property and x% debt instruments. IAS19 p146

There has been no change in the Group's process used to manage its risks from prior years.

Funding levels are monitored on an annual basis and the current agreed contribution rate is fixed at x% of pensionable salary. The funding requirement are based on an actuarial valuation. IAS19 p147

The Group expects to contribute £ X to its defined benefit pension plans in 20XX.

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is X years (20XX-1: X years).

31. Trade and other payables

IAS1 p78

	20XX	20XX-1
Accrued expenses	**X**	X
Related party payables	**X**	X
Trade creditors	**X**	X
	X	X

32. Contingent liabilities

During the current financial year a customer initiated legal proceedings against the Group as a result of alleged in-transit damage to widgets delivered to the customer. The estimated damage is £X. The Group's lawyers have advised that the customer's claim could possibly succeed in court and provided the estimate of the amount that could be awarded to the customer for the damages. No counterclaim has been initiated against the transport company involved. IAS37 p86

Additional disclosures required for contingent liabilities

When IFRS 3 is applicable the following disclosure is required for any contingent liability recognised in a business combination: a description of its nature, financial effect, uncertainties and any expected re-imbursement of such contingent liability. If a contingent liability is not recognised because its fair value cannot be measured reliably, the acquirer should also disclose: the reasons why the liability cannot be measured reliably. (IAS 37 p85-86). IFRS3 pB64-B67

33. Operating lease commitments

As a lessee:
It is Group policy to rent certain items of office equipment and premises under operating lease agreements. The lease terms of these agreements vary between 3 and 10 years. No contingent rent is payable.

IAS17 p35

	20XX	20XX-1
As a lessee:		
Future minimum lease payments under non-cancellable operating leases:		
Within one year	**X**	X
Later than 1 year and no later than 5 years	**X**	X
Later than 5 years	**X**	X
	X	X

Notes to the financial statements

The Group does not sub-lease any of its leased premises.

Lease payments recognised in profit for the period amounted to £X (20XX-1: £X).

Leasing

Additional lessee disclosure requires a general description of the lessee's significant leasing arrangements including, but not limited to, the following: IAS17 p31

- the basis on which contingent rent payable is determined;
- the existence and terms of renewal or purchase options and escalation clauses; and
- restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.

A general description of the significant leasing arrangements is also required for lessors. IAS17 p56

As a lessor:

The company leases its investment property to various third parties under operating lease agreements. The average lease term was ten years, with annual escalation set at 2%.

	20XX	20XX-1	IAS17 p56
Future minimum lease receipts under non-cancellable operating leases:			
Within one year	**X**	X	
Later than 1 year and no later than 5 years	**X**	X	
Later than 5 years	**X**	X	
	X	X	

No contingent rentals were recognised in income.

34. Commitments and contingencies

34.1. Intangible assets

At the statement of financial position date the Group was committed to acquire intangible assets amounting to £X. IAS38 p122(e)

34.2 Investment properties

At the balance sheet date, additions and alterations to the Investment properties of the Group have already commenced. The Group has already committed to incur £X towards these additions. IAS40 p75(h)

34.3 Property, plant and equipment

The Group has committed to the construction of an item of machinery to be used in the manufacturing plant. The commitment amounts to £X. IAS16 p74(c)

Notes to the financial statements

34.4 Contingent liabilities	**20XX**	20XX-1
Legal costs	**X**	X
Contingent liabilities arising from interests in joint ventures	**X**	X

IAS37 p86(a)

One of the subsidiaries in the Group is party to a legal dispute relating to alleged breach of contract. The directors are of the opinion that the matter can be successfully defended.

Contingent liabilities have arisen from the Group's involvement in certain joint ventures. The amounts disclosed represent the estimated obligation of the Group. The extent and timing of future outflows is dependent on future events, which are not controlled by the Group.

35. Events after the statement of financial position date

35.1 Flood damage

A widget manufacturing factory was severely damaged in a flash flood on the 17 January 20XX. The value of the factory and its contents were insured in full and claims put forward to the insurers are being processed. The Group was however not insured for the loss of business due to factory down time. The loss of business is estimated to result in financial losses of £X.

IAS10 p21

35.2 Acquisition of a subsidiary

After the reporting period but before the financial statements were authorised for issue the Group acquired 100% of the share capital of Subsidiary D Ltd. The fair value of assets acquired and liabilities assumed on the acquisition date of 1 February 20XX were as follows:

IFRS3 B66

	£
Cash	X
Inventories	X
Trade receivables	X
Property, plant and equipment	X
Trade payables	X
Long-term debt	X
Total net assets	**X**
Goodwill	X
Total fair value of consideration paid	**X**
Less: Fair value of shares issued	X
Cash	X
Less: Cash of Subsidiary D Ltd	X
Cash flow on acquisition net of cash acquired	**X**

Goodwill represents the value of the synergies arising from the vertical integration of the Group's operations. These synergistic benefits were the primary reason for entering into the business combination. The total amount of goodwill that is expected to be deductible for tax purposes is £X.

Notes to the financial statements

36. Related parties

The Group's investments in subsidiaries, associates and joint ventures have been disclosed in notes 19 and 20. The Group is controlled by XYZ PLC. XYZ PLC is also the Group's ultimate controlling company.

Transactions:

IAS24 p18, p19

Relationship	Sales of goods		Purchase of goods		Amount owed to related party		Amount owed by related party	
	20XX	20XX-1	**20XX**	20XX-1	**20XX**	20XX-1	**20XX**	20XX-1
Parent	**X**	X	**X**	X	**X**	X	**X**	X
Associates	**X**	X	**X**	X	**X**	X	**X**	X
Joint venture	**X**	X	**X**	X	**X**	X	**X**	X
Key management personnel	-	-	-	-	**X**	X	**X**	X

Amounts owed to and by related parties are unsecured, interest-free, and have no fixed terms of repayment. The balances will be settled in cash. No guarantees have been given or received. No provisions for doubtful debts have been raised against amounts outstanding, and no expense has been recognised during the period in respect of bad or doubtful debts due from related parties. IAS24 p17, p18

IAS24 p17

	20XX	20XX-1
Key management personnel compensation:		
Short-term employee benefits	**X**	X
Post-employment benefits	**X**	X
Other long-term benefits	**X**	X
Termination benefits	**X**	X
Share based payments	**X**	X
Dividends	**X**	X
	X	X

Related parties

Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated. IAS24 p23

The definition of key management personnel includes directors (executive and non-executive), but it is not limited to the directors of the parent company. The definition is in fact broader and may include senior managers and directors of subsidiaries. IAS24 p9

Dividends received by the directors should be disclosed as a related party transaction. IAS24 p17

Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed IAS24 p18A

Notes to the financial statements

37. Share based payments

[A description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (e.g. whether in cash or equity)]. IFRS2 p44, p45

IFRS2 p44, p45

	20XX		20XX-1	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at the beginning of the period	**X**	**X**	X	X
Granted during the period	**X**	**X**	X	X
Forfeited during the period	**X**	**X**	X	X
Exercised during the period	**X**	**X**	X	X
Expired during the period	**X**	**X**	X	X
Outstanding at the end of the period	**X**	**X**	X	X
Exercisable at the end of the period	**X**	**X**	X	X

The weighted average share price of share options exercised during the period at the date of exercise was £X. IFRS2 p44, p45

Share options outstanding at 31 December 20XX had a weighted average exercise price of £X, and a weighted average remaining contractual life of X years. IFRS2 p44, p45

[Disclose information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined]. IFRS2 p46

The fair value of share based payment instruments were determined by the Black-Scholes Merton model. The effect of non-transferability has been taken into accounting by adjusting the expected life of the instruments. Volatility was calculated based on the share price volatility over a similar period preceding the grant date. IFRS2 p51

Inputs into the model	X
Grant date share price	X
Exercise price	X
Expected volatility	X %
Option life	X years
Dividend yield	X %
Risk-free interest rate	X %

IFRS2 p51

	20XX	20XX-1
Total expense recognised from share based payment transactions	**X**	X
Equity settled share based payment expense	**X**	X
Share based payment liability	**X**	X
Intrinsic value of liabilities arising from vested rights	**X**	X

Notes to the financial statements

Share based payments

If the Group has measured the fair value of goods or services received as consideration for equity instruments of the Group indirectly, by reference to the fair value of the equity instruments granted, the Group should disclose at least the following: IFRS2 p47

- for share options granted during the period, the weighted average fair value of those options at the measurement date and information on how that fair value was measured, including:
  - the option pricing model used and the inputs to that model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise;
  - how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and
  - whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition
- for other equity instruments granted during the period (i.e. other than share options), the number and weighted average fair value of those equity instruments at the measurement date, and information on how that fair value was measured, including:
  - if fair value was not measured on the basis of an observable market price, how it was determined;
  - whether and how expected dividends were incorporated into the measurement of fair value; and
  - whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value.

If the Group has measured directly the fair value of goods or services received during the period, the Group should disclose how that fair value was determined, e.g. whether fair value was measured at a market price for those goods or services. IFRS2 p48

If the Group has rebutted the presumption that the fair value of the goods or services received can be estimated reliably, it shall disclose that fact, and give an explanation of why the presumption was rebutted. IFRS2 p49

Disclosure is required for share-based payment arrangements that were modified during the period, including: IFRS2 p47(c)

- an explanation of those modifications;
- the incremental fair value granted (as a result of those modifications); and
- information on how the incremental fair value granted was measured.

Notes to the financial statements

38. Financial instruments and financial risk management

38.1. Categories of financial instruments

IFRS7 p6, p8

20XX

Assets as per balance sheet	**Loans and receivables**	**Assets at fair value through profit or loss**	**Derivatives used for hedging**	**Available-for-sale**
Available-for-sale investments				**X**
Trade receivables	**X**			
Other current assets at fair value through profit or loss		**X**	**X**	
Cash and cash equivalents	**X**			
Total	**X**	**X**	**X**	**X**

Liabilities as per balance sheet	**Loans and receivables**	**Financial liabilities measured at amortised cost**	**Derivatives used for hedging**
Non-current borrowings		**X**	
Current borrowings		**X**	
Current portion of non-current borrowings		**X**	
Finance lease liability		**X**	
Total	**-**	**X**	**-**

20XX-1

Assets as per balance sheet	**Loans and receivables**	**Assets at fair value through profit or loss**	**Derivatives used for hedging**	**Available-for-sale**
Available-for-sale investments				X
Trade receivables	X			
Other current assets at fair value through profit or loss		X	X	
Cash and cash equivalents	X			
Total	X	X	X	X

Liabilities as per balance sheet	**Loans and receivables**	**Financial liabilities measured at amortised cost**	**Derivatives used for hedging**
Non-current borrowings		X	
Current portion of non-current borrowings		X	
Finance lease liability		X	
Total	-	X	-

Notes to the financial statements

38.2. Classes and fair value of financial instruments

Below is a comparison of the carrying value and the fair value of the Group's financial instruments, other than those with a carrying value that approximates its fair value. IFRS7 p25, p26, p29

	20XX		20XX-1	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets				
Available-for-sale investments	**X**	**X**	X	X
Other current assets	**X**	**X**	X	X
Other current assets at fair value through profit or loss	**X**	**X**	X	X
Cash and cash equivalents	**X**	**X**	X	X
Total	**X**	**X**	X	X
Financial liabilities				
Non-current borrowings	**X**	**X**	X	X
Current borrowings / Trade payables	**X**	**X**	X	X
Current portion of non-current borrowings	**X**	**X**	X	X
Finance lease liability	**X**	**X**	X	X
Total	**X**	**X**	X	X

It is the directors' opinion that the carrying value of trade receivables and trade payables approximates their fair value due to the short-term maturities of these instruments. IFRS7 p29

38.3. Fair value hierarchy and measurements

38.3.1. Financial assets and liabilities that are measured at fair value on a recurring basis IFRS13 p93 (a)-(b)

	Fair value measurement as at 31 December 20XX			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at fair value through profit or loss				
Trading derivatives	**X**	**X**	**X**	**X**
Trading securities	**X**	**X**	**X**	**X**
Derivatives used for hedging				
Interest rate contracts	**X**	**X**	**X**	**X**
Available-for-sale financial assets				
Available-for-sale investments	**X**	**X**	**X**	**X**

Notes to the financial statements

	Fair value measurement as at 31 December 20XX-1			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Trading derivatives	X	X	X	**X**
Trading securities	X	X	X	**X**
Derivatives used for hedging				
Interest rate contracts	X	X	X	**X**
Available-for-sale financial assets				
Available-for-sale investments	X	X	X	**X**

Level 1 IFRS13 p91

The fair value of financial instruments traded in an active market is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the quoted bid price.

Level 2 IFRS13 p93 (d), (g)

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. Specific valuation techniques used to value the above financial instruments include:

- Discounted cash flow analysis using rates currently available for debt on similar terms, credit risk and remaining maturity.
- Quoted market prices for similar instruments.
- Price earnings multiple model.

Level 3 IFRS13 p93 (d), (g), (h)

Included in level 3 are holdings in unlisted shares which are measured at fair value, using the price earnings multiple model. The key assumption used by management is a price-earnings multiple of X (20XX-1: X) which is not observable from market or related data. Management consider a reasonable possible alternative assumption would result in a decrease/increase of X (20XX-1: decrease/increase of Y) in the value of unlisted investments. This sensitivity represents a change in the price earnings multiple of 10%. IFRS13 p 93 (e), (f)

Notes to the financial statements

The following table presents the changes in level 3 instruments.

	Financial assets at fair value through profit or loss	Derivatives used for hedging	Available-for-sale financial assets	Total
Opening balance 1 January 20XX	X	X	X	X
Total gains or losses				
In profit or loss	X	X	X	X
In other comprehensive income	X	X	X	X
Purchases	X	X	X	X
Issues	X	X	X	X
Settlements	X	X	X	X
Transfers out of level 3	X	X	X	X
Closing balance 31 December 20XX	X	X	X	X
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	X	X	X	X
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	X	X	X	X

	Financial assets at fair value through profit or loss	Derivatives used for hedging	Available-for-sale financial assets	Total
Opening balance 1 January 20XX-1	X	X	X	X
Total gains or losses				
In profit or loss	X	X	X	X
In other comprehensive income	X	X	X	X
Purchases	X	X	X	X
Issues	X	X	X	X
Settlements	X	X	X	X
Transfers out of level 3	X	X	X	X
Closing balance 31 December 20XX-1	X	X	X	X
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	X	X	X	X
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	X	X	X	X

Notes to the financial statements

38.3.2. Financial assets and liabilities that are not measured at fair value on a recurring basis

IFRS13 p93 (b), p97

	Fair value measurement as at 31 December 20XX			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Loans and receivables				
Trade and other receivables	**-**	**X**	**-**	**X**
Cash and cash equivalents	**X**	**-**	**-**	**X**
Financial liabilities				
Financial liabilities held at amortised costs				
Bank loans	**-**	**-**	**X**	**X**
Loans from other entities	**-**	**-**	**X**	**X**
Trade and other payables	**-**	**X**	**-**	**X**
Finance lease payables	**-**	**X**	**-**	**X**

	Fair value measurement as at 31 December 20XX-1			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Loans and receivables				
Trade and other receivables	-	X	-	**X**
Cash and cash equivalents	X	-	-	**X**
Financial liabilities				
Financial liabilities held at amortised costs				
Bank loans	-	-	X	**X**
Loans from other entities	-	-	X	**X**
Trade and other payables	-	X	-	**X**
Finance lease payables	-	X	-	**X**

The fair values of the financial assets and liabilities disclosed under level 2 and 3 above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate.

IFRS13 p93 (d), p97

Notes to the financial statements

38.4. Financial risk management

The Group's operations expose it to a number of financial risks. A risk management programme has been established to protect the Group against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year. IFRS7 p31, p33

38.4.1. Credit risk

The Group invests some of its surplus funds in high quality liquid market instruments. Such investments have a maturity no greater than three months. To reduce the risk of counterparty default the Group deposits the rest of its surplus funds in approved high quality banks. Concentrations of credit risk with respect to customers are limited due to the Group's customer base being large and unrelated. Customers are assessed for credit worthiness and where appropriate the Group obtains security for its exposure to the risk of default. Credit limits are also imposed on customers and reviewed regularly. IFRS7 p33, p36

The Group's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements: IFRS7 p36(a)

IFRS7 p27B(e)

	20XX	20XX-1
Financial assets		
Trade receivables	**X**	X
Other current assets	**X**	X
Other financial assets at fair value through profit and loss	**X**	X
Cash and cash equivalents	**X**	X
Other credit risk exposures		
Joint venture bank loan guarantee	**X**	X

The Group holds the following collateral and other credit enhancements, disclosed below at its estimated fair value, as security for trade receivables: IFRS7 p36(b)

IFRS7 p27B(e)

	20XX	20XX-1
Credit guarantee insurance	**X**	X
Inventory	**X**	X
Debt guarantees	**X**	X

During the year the Group obtained control of the following collateral and other credit enhancements which the Group has recognised on the statement of financial position: IFRS7 p38

	20XX	20XX-1
Inventory - carrying value	**X**	X

The inventory obtained is similar in nature to the Group's own inventory, and the Group therefore expects to sell the inventory, along with normal Group inventory, within the next 12 months.

The debtors' age analysis is also evaluated on a regular basis for potential doubtful debts, and the Group purchases credit guarantee insurance, where this is considered necessary. It is management's opinion that no further provision for doubtful debts is required. IFRS7 p33, p36

Notes to the financial statements

Analysis of trade receivables

	Carrying amount	Neither impaired nor past due	Past due but not impaired		
			61-90 days	91-120 days	More than 121 days
20XX					
Trade receivables	**X**	**X**	**X**	**X**	**X**
20XX-1					
Trade receivables	X	X	X	X	X

The Group allows an average debtor's payment period of 60 days after invoice date. Interest is charged at X% p.a. (20XX-1: X% p.a.) on overdue debts. It is the Group's policy to assess debtors for recoverability on an individual basis and to make provision where it is considered necessary. In assessing recoverability the Group takes into account any indicators of impairment up until the reporting date. The application of this policy generally results in debts between 61 and 90 days not being provided for unless individual circumstances indicate that a debt is impaired. X% of debtors balances between 91 and 120 days, and X% of debtors over 120 days are provided for. IFRS7 p36, p37

Trade receivables that are neither impaired nor past due are made up of 143 debtors' balances (20XX-1: 137). None of the individual balances is considered to represent a significant portion of the total balance, the largest individual debtor corresponds to 3% of the total balance (20XX-1: 4%). Historically these debtors have always paid balances when due, unless the balance or the quality of goods or services delivered is disputed. The average age of these debtors is 49 days (20XX-1: 53 days). No debtors' balances have been renegotiated during the year or in the prior year. IFRS7 p36(c)

IFRS7 p37(b)

	Impaired		
	61-90 days	91-120 days	More than 121 days
20XX			
Trade receivables	**X**	**X**	**X**
20XX-1			
Trade receivables	X	X	X

The Group individually impaired balances, which were over 120 days, of £X (20XX-1: £X). This is made up of amounts owing by debtors that are in the process of being liquidated. No amounts are expected to be received from any liquidation dividends. The Group does not hold any collateral over the impaired balances. IFRS7 p37 (b) and (c)

Maximum credit risk exposure

The disclosure of maximum credit risk exposure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.

Renegotiated financial assets

There is no requirement to specifically disclose financial assets, where the terms have been renegotiated.

Collateral obtained

Disclosure of collateral and other credit enhancements obtained is only required where those assets are still held at the reporting date.

Notes to the financial statements

38.4.2. Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Group is exposed to the following market risks: interest rate risk; foreign currency risk; and equity price risk. IFRS7 p33

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Interest bearing assets comprise trade receivables, other financial assets at fair value through profit or loss, and cash and cash equivalents which are considered to be short-term liquid assets. Our interest rate liability risk arises primarily from borrowings issued at floating interest rates which exposes the Group to cash flow interest rate risk. It is the Group's policy to settle trade payables within in the credit terms allowed and the Group does therefore not incur interest on overdue balances. Borrowings are sourced from both local and foreign financial markets, covering short and long-term funding. IFRS7 p22, p24, p33

The Group manages interest rate risk on borrowings by ensuring access to diverse sources of funding, reducing risks of refinancing by establishing and managing in accordance with target maturity profiles, and undertaking hedging activities through the use of interest rate swaps. Under the interest rate swap the Group agrees with other parties to exchange, at quarterly intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. The interest rate swap is designated and effective as a fair value hedge. The fair value of the interest rate swap was £X (20XX-1: £X). Gains on the interest rate swap were £ X (20XX-1: £X).

Interest rate exposure and sensitivity analysis: IFRS7 p34, p40

20XX	Carrying amount	Average interest rate %	If interest rates were X% higher		If interest rates were X% lower	
			Net profit	Equity	Net profit	Equity
Financial assets						
Trade receivables	X	X	X	X	X	X
Other financial assets at fair value through profit and loss	X	X	X	X	X	X
Cash and cash equivalents	X	X	X	X	X	X
Financial liability						
Non-current borrowings	X	X	X	X	X	X
Current borrowings	X	X	X	X	X	X
Current portion of non-current borrowings	X	X	X	X	X	X
Finance lease liability	X	X	X	X	X	X

20XX-1	Carrying amount	Average interest rate%	If interest rates were X% higher		If interest rates were X% lower	
			Net profit	**Equity**	**Net profit**	**Equity**
Financial assets						
Trade receivables	X	X	X	X	X	X
Other financial assets at fair value through profit and loss	X	X	X	X	X	X
Cash and cash equivalents	X	X	X	X	X	X
Financial liability						
Non-current borrowings	X	X	X	X	X	X
Current borrowings	X	X	X	X	X	X
Current portion of non-current borrowings	X	X	X	X	X	X
Finance lease liability	X	X	X	X	X	X

The average rate is calculated as the weighted average effective interest rate. Rate on cash at bank balances represents the average rate earned on cash balances after taking into account bank set-off arrangements. The tables above show the effect on profit and equity after tax if interest rates at that date had been X% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges. Concurrent movements in interest rates and parallel shifts in the yield curves are assumed. A sensitivity of X% has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. When applied to short-term interest rates this would represent two to three rate increases which is reasonably possible in the current environment with the bias coming from the reserve bank and confirmed by market expectations that interest rates in the UK are more than likely to move up than down in the coming period. The Group's sensitivity to interest rates has not changed significantly from the prior year.

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group is exposed to foreign currency risk as a result of future transactions, foreign borrowings, and investments in foreign companies, denominated in Euros. IFRS7 p22, p24, p33

The Group makes use of forward exchange contracts to manage the risk relating to future transactions, in accordance with its risk management policy. The fair value of the forward exchange contracts was £X (20XX-1: £X). Gains on the forward exchange contracts were £ X (20XX-1: £ X). The future transactions related to the forward exchange contracts are expected to occur within the next three months. No amounts were recognised directly in equity during the period or the prior period as the relationship between the forward exchange contracts and the item being hedged does not meet certain conditions in order to qualify as a hedging relationship. Changes in the fair values of forward exchange contracts are recognised directly in profit or loss.

Notes to the financial statements

The Group's foreign currency risk exposure from recognised assets and liabilities arises primarily from non-current foreign borrowings (note 29) and investments in foreign companies (note 19) denominated in Euros. The Group manages the exchange risk on translation of investments in foreign companies with borrowings denominated in the same currency. There is no significant impact on profit or loss from foreign currency movements associated with these assets and liabilities as the effective portion of foreign currency gains or losses arising are recorded through the translation reserve. The net gain of £ X (20XX-1: £ X) in the translation reserve takes into account the related hedges. The ineffective portion of the gain or loss is recognised in profit or loss and amounted to £ X (20XX-1: £ X).

Foreign currency risk sensitivity analysis:

	Profit / loss		Equity	
	20XX	20XX-1	**20XX**	20XX-1
If there was an X% weakening in the Sterling/Euro exchange rate with all other variables held constant - increase/ (decrease)	**X**	X	**X**	X
If there was an X% strengthening in the Sterling/Euro exchange rate with all other variables held constant - increase/ (decrease)	**X**	X	**X**	X

The impact of a change of X% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movement. When applied to the Sterling/Euro exchange rate this would result in a weakened exchange rate of X and a strengthened exchange rate of X. This range is considered reasonable given the historic changes that have been observed. For example over the last five years, the Sterling exchange rate against the Euro has traded in the range X to X. The Group's sensitivity to exchange rates has not changed significantly from the prior year. IFRS7 p40

Equity price risk

Investments by the Group in available-for-sale financial assets expose the Group to equity price risk. This risk is managed by diversifying the Group's investment portfolio. There is no impact on profit or loss until the investments are disposed of as fluctuations in fair value for the year of £X (20XX-1: £X) are recorded directly in the fair value reserve. Fluctuations in the fair value of investments are not hedged. IFRS7 p33

Notes to the financial statements

Equity price risk sensitivity analysis:

	Profit / loss		Equity	
	20XX	20XX-1	**20XX**	20XX-1
If there was an X% decrease in equity prices with all other variables held constant - increase/(decrease)	**X**	X	**X**	X
If there was an X% increase in equity prices with all other variables held constant - increase/(decrease)	**X**	X	**X**	X

The impact of a change of X% has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement. The range in equity prices is considered reasonable given the historic changes that have been observed. The Group's sensitivity to equity prices has not changed significantly from the prior year. IFRS7 p40

38.4.3. Liquidity risk

The Group maintains sufficient cash and marketable securities. Management review cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The Group has further undrawn banking facilities of £X (20XX-1: £X) which can be used as an additional means of easing liquidity risk if considered necessary. The average creditor payment period is X days (20XX-1: X days). IFRS7 p33, p39

Contractual maturity analysis for financial liabilities

20XX	**Due or due in less than 1 month**	**Due between 1 to 3 months**	**Due between 3 months to 1 year**	**Due between 1 to 5 years**	**Due after 5 years**	**Total**
Financial liabilities	**-**	**-**	**-**	**X**	**X**	**X**
Non-current borrowings	**X**	**X**	**-**	**-**	**-**	**X**
Trade and other payables	**-**	**-**	**X**	**-**	**-**	**X**
Current borrowings	**X**	**X**	**X**	**-**	**-**	**X**
Current portion of non-current borrowings	**X**	**X**	**X**	**-**	**-**	**X**
Finance lease liability	**X**	**X**	**X**	**X**	**X**	**X**
	X	**X**	**X**	**X**	**X**	**X**

Notes to the financial statements

20XX-1	**Due or due in less than 1 month**	**Due between 1 to 3 months**	**Due between 3 months to 1 year**	**Due between 1 to 5 years**	**Due after 5 years**	**Total**
Financial liabilities						
Non-current borrowings	-	-	-	X	X	X
Trade and other payables	X	X	-	-	-	X
Current portion of non-current borrowings	X	X	X	-	-	X
Finance lease liability	X	X	X	X	X	X
	X	**X**	**X**	**X**	**X**	**X**

Notes to the financial statements

Maturity analysis

The contractual amounts disclosed in the maturity analyses are the contractual undiscounted cash flows, for example: IFRS 7 B11D

- gross finance lease obligations (before deducting finance charges);
- prices specified in forward agreements to purchase financial assets for cash;
- net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged;
- contractual amounts to be exchanged in a derivative financial instrument (e.g. a currency swap) for which gross cash flows are exchanged; and
- gross loan commitments.

Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

Additional disclosures required in respect of transferred financial assets not derecognised in full

If the entity has transferred financial assets such that part or all of the transferred assets do not qualify for de-recognition, and the entity either continues to recognise all of the assets or continues to recognise the assets to the extent of the entity's continuing involvement, it should disclose information that enables users of the financial statements: IFRS 7 42B

- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities. This involves disclosure of the following:
  - the nature of the transferred assets;
  - the nature of the risks and rewards of ownership to which the entity is exposed;
  - a description of tile nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets;
  - when the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities);
  - when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities;
  - when the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 20(c)(ii) and 30 of IAS 39), the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets. This involves disclosure of the following:
  - the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised;
  - the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;
  - the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined;
  - the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (e.g. the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date;
  - a maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement;
  - qualitative information that explains and supports the quantitative disclosures.

39. Capital management

IAS1 p134, p136

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. 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.

Consistently with others in the industry, the Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt-adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. ordinary shares, share premium, non-controlling interest, retained earnings, and other reserves) other than amounts recognised in equity relating to cash flow hedges, and includes some forms of subordinated debt.

During 20XX, the Group's strategy, which was unchanged from 20XX-1, was to maintain the debt-to-adjusted capital ratio at the lower end of the range 6: 1 to 7: 1, in order to secure access to finance at a reasonable cost by maintaining a BB credit rating. The debt-to-adjusted capital ratios at 31 December 20XX and at 31 December 20XX-1 were as follows:

	20XX	20XX-1
Total debt	**X**	X
Less: cash and cash equivalents	**X**	X
Net debt	**X**	X
Total equity	**X**	X
Add: subordinated debt instruments	**X**	X
Less: amounts recognised in equity - cash flow hedges	**X**	X
Adjusted capital	**X**	X
Debt-to-adjusted capital ratio	**X**	X

The increase in the debt-to-adjusted capital ratio during 20XX resulted primarily from the increase in net debt that occurred on the acquisition of Subsidiary B. As a result of this increase in net debt, reduced profitability and higher levels of managed receivables, the dividend payment was decreased to £X for 20XX (from £X for 20XX-1).

Appendix 1:
Consolidated statement of profit or loss and other comprehensive income

Appendix 1 - Consolidated statement of profit or loss and other comprehensive income

EXTRACT OF THE PROFIT OR LOSS STATEMENT BY NATURE

	Group	
	20XX	20XX-1
Continuing operations		
Revenue	**X**	X
Other income	**X**	X
Changes in inventories of finished goods and work in progress	**X**	X
Work performed by the Group and capitalised	**X**	X
Raw material and consumables used	**X**	X
Employee benefits expense	**X**	X
Depreciation and amortisation expense	**X**	X
Impairment of property, plant and equipment	**X**	X
Other expenses	**X**	X
Operating profit	**X**	X

Appendix 2:
Change in accounting policy

Appendix 2 - Change in accounting policy

A statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. IAS 1 p10(f)

Example extract of note 2.12 Inventories accounting policy

Inventories are valued at the lower of cost and net realisable value on a weighted average basis. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels. During the year the accounting policy was changed from the first-in-first-out to the weighted average basis. IAS2 p36

Example extract of note 22. Inventories IAS2 p36

		Restated	**Restated**
	20XX	20XX-1	20XX-2
Raw materials	**X**	X	X
Work in progress	**X**	X	X
Finished goods	**X**	X	X
	X	X	X

Inventories to the value of £X are carried at net realisable value. Inventory written-down during the year amounted to £X (20XX-1: £X).

Inventory with a carrying amount of £X (20XX-1: £X) has been pledged as security for liabilities. The holder of the security does not have the right to sell or re-pledge the inventory in the absence of default. IFRS7 p14

During the year the accounting policy for inventory was changed from the first-in first-out basis to the weighted average basis. Due to significant fluctuations in the cost price of inventories purchased, the change to the weighted average basis will result in the financial statements providing more reliable and relevant information. The change in accounting policy has been accounted for retrospectively and the comparative statements for 20XX-1 have been restated. The effect on EPS is considered to be immaterial. Inventory and cost of sales have been restated for all periods presented, as follows: IAS8 p28

Effect on 20XX-1	
(Increase) in cost of sales	(X)
Decrease in taxation expense	X
(Decrease) in profit	(X)
(Decrease) in inventories	(X)
Effect on periods prior to 20XX-1	
(Decrease) in retained earnings and inventories (£X cost of sales less tax of £X)	(X)
Total (decrease) in retained earnings and inventories at 31 December 20XX-1	(X)

Appendix 2 - Change in accounting policy (continued)

	Notes	20XX	Restated 20XX-1	Restated 20XX-2
Assets				
Non-current assets				
Property, plant and equipment	15	**X**	X	X
Investment property	16	**X**	X	X
Goodwill	17	**X**	X	X
Other intangible assets	18	**X**	X	X
Investments accounted for using the equity method	20	**X**	X	X
Available-for-sale investments		**X**	X	X
		X	X	X
Current assets				
Inventories	22	**X**	X	X
Trade receivables	23	**X**	X	X
Other current assets		**X**	X	X
Other financial assets at fair value through profit and loss		**X**	X	X
Cash and cash equivalents	24	**X**	X	X
		X	X	X
Non-current assets held for sale	12	**X**	X	X
		X	X	X
Total assets		**X**	X	X
Equity and liabilities				
Equity attributable to equity holders of the parent				
Ordinary shares		**X**	X	X
Share premium		**X**	X	X
Translation reserve		**X**	X	X
Fair value reserve		**X**	X	X
Retained earnings		**X**	X	X
		X	X	X
Non-controlling interest		**X**	X	X
Total equity		**X**	X	X

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PKF International Limited, 12 Groveland Court, London EC4M 9EH, United Kingdom
Telephone: +44 20 3691 2500

www.pkf.com

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