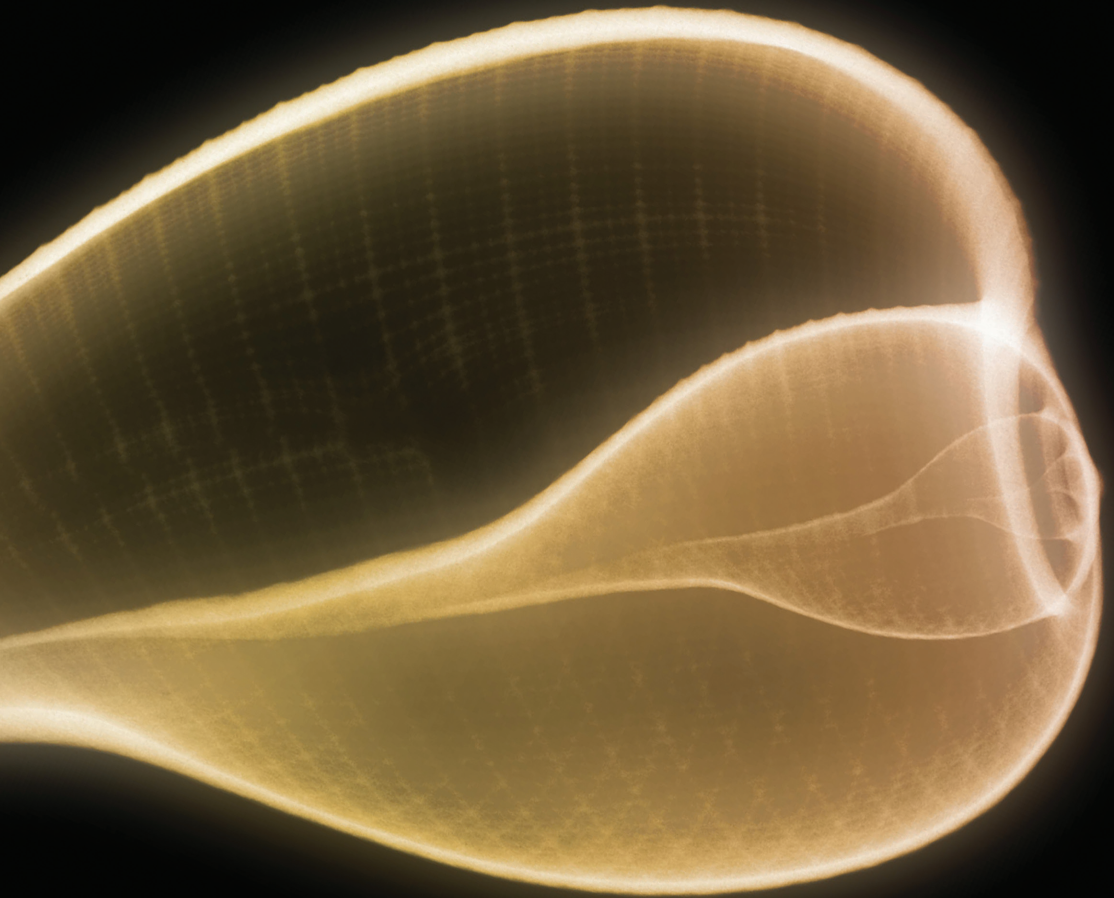
Illustrative IFRS corporate consolidated financial statements

for 2009 year ends



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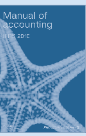

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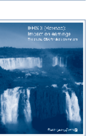

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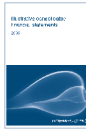

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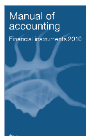

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International Financial Reporting Standards – Illustrative corporate consolidated financial statements 2009

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Introduction

This publication provides an illustrative set of consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) for a fictional manufacturing, wholesale and retail group (IFRS GAAP plc). IFRS GAAP plc is an existing preparer of IFRS consolidated financial statements; IFRS 1, 'First-time adoption of International Financial Reporting Standards', is not applicable.

For an illustrative set of financial statements for first-time adopters of IFRS, refer to the PricewaterhouseCoopers' publication 'Adopting IFRS: IFRS 1 – First time adoption of International Financial Reporting Standards'.

This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2009.

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

Areas in which presentation has changed significantly since 2008 have been highlighted in grey.

We have attempted to create a realistic set of financial statements for a corporate entity. Certain types of transaction have been excluded, as they are not relevant to the group's operations. The example disclosures for some of these additional items have been included in appendices III and IV. The forthcoming IFRS requirements are outlined in a table in Appendix VI.

Readers should refer to PricewaterhouseCoopers' industry illustrative financial statements for industry-specific transactions and presentation. See inside front cover of this publication for details.

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

These illustrative financial statements are not a substitute for reading the standards and interpretations themselves or for professional judgement as to fairness of presentation. They do not cover all possible disclosures that IFRS requires. Further specific information may be required in order to ensure fair presentation under IFRS. We recommend that readers refer to the 2009 version of GAAPChecker (our automated checklist), as well as our publication IFRS Disclosure Checklist 2009.

Abbreviations

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

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(All amounts in C thousands unless otherwise stated)

Consolidated income statement – by function of expense

		Note	Year ended 31 December 2009	2008
1Rp81(b), 84 1Rp10(b), 12 1Rp113, 1Rp38				
	Continuing operations			
1Rp82(a)	Revenue	5	**211,034**	112,360
1Rp99, 103	Cost of sales		**(77,366)**	(46,682)
	Gross profit		**133,668**	65,678
1Rp99, 103	Distribution costs		**(52,140)**	(21,213)
1Rp99, 103	Administrative expenses		**(28,778)**	(10,426)
1Rp99, 103	Other income	27	**1,900**	1,259
1Rp85	Other (losses)/gains – net	26	**(90)**	63
1Rp85	Loss on expropriated land	28	**(1,117)**	–
1Rp85	**Operating profit**[1]		**53,443**	35,361
1Rp85	Finance income	31	**1,730**	1,609
1Rp82(b)	Finance costs	31	**(8,173)**	(12,197)
1Rp85	Finance costs – net	31	**(6,443)**	(10,588)
1Rp82(c)	Share of (loss)/profit of associates	8	**(174)**	145
1Rp85	**Profit before income tax**		**46,826**	24,918
1Rp82(d), 12p77	Income tax expense	32	**(14,611)**	(8,670)
1Rp85	**Profit for the year from continuing operations**		**32,215**	16,248
IFRS5p33 (a)	**Discontinued operations**			
	Profit for the year from discontinued operations	16	**100**	120
1Rp82(f)	**Profit for the year**		**32,315**	16,368
	Profit attributable to:			
1Rp83(a)(ii)	Owners of the parent		**29,767**	15,512
1Rp83(a)(i)	Minority interest		**2,548**	856
			32,315	16,368
	Earnings per share from continuing and discontinued operations attributable to the equity holders of the company during the year (expressed in C per share)			
	Basic earnings per share			
33p66	From continuing operations	34	**1.26**	0.75
33p68	From discontinued operations[2]		**0.01**	0.01
			1.27	0.76
	Diluted earnings per share			
33p66	From continuing operations	34	**1.15**	0.71
33p68	From discontinued operations[2]		**0.01**	0.01
			1.16	0.72

The notes on pages 23 to 113 are an integral part of these consolidated financial statements.

The profit for the parent company for the year was C9,098 (2008: C10,491).

[1] The disclosure of operating profit on the face of the income statement is not prescribed by IAS 1. There is, however, no prohibition from disclosing this or a similar line item.

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

(All amounts in C thousands unless otherwise stated)

Consolidated statement of comprehensive income

		Note	Year ended 31 December 2009	2008
	Profit for the year		**32,315**	16,368
	Other comprehensive income:			
16p77(f)	Gains on revaluation of land and buildings	20	–	759
IFRS7 p20(a)(ii)	Available-for-sale financial assets	20	**362**	62
	Share of other comprehensive income of associates	20	**(86)**	91
19p93A	Actuarial loss on post employment benefit obligations	24	–	(494)
12p80(d)	Impact of change in Euravian tax rate on deferred tax	23	**(10)**	–
1Rp106(b), IFRS7p23(c)	Cash flow hedges	20	**64**	(3)
1Rp106(b)	Net investment hedge	20	**(45)**	40
1Rp106(b)	Currency translation differences	20	**2,318**	(261)
IFRS3p59	Increase in fair values of proportionate holding of ABC Group	20	**850**	–
	Other comprehensive income for the year, net of tax		**3,453**	194
	Total comprehensive income for the year		**35,768**	16,562
	Attributable to:			
1Rp83(b)(ii)	– Owners of the parent		**32,968**	15,746
1Rp83(b)(i)	– Minority interest		**2,800**	816
	Total comprehensive income for the year		**35,768**	16,562

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 32.

The notes on pages 23 to 113 are an integral part of these consolidated financial statements.

Commentary – income statement and statement of comprehensive income

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

1Rp81

1 Entities have a choice of presenting all items of income and expense recognised in a period either:

(a) in a single statement of comprehensive income; or

(b) in two statements (as adopted by IFRS GAAP plc) comprising:

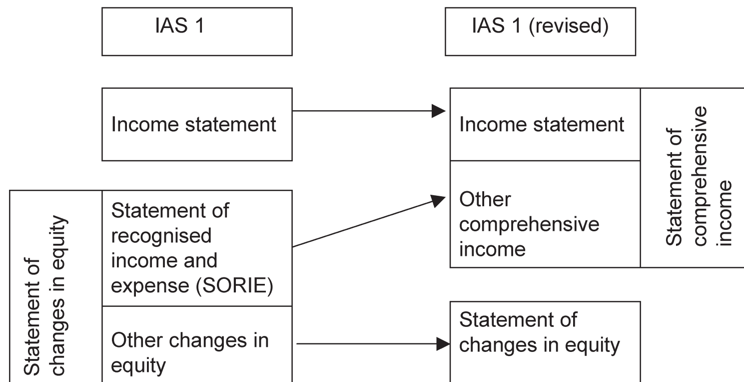
(i) a separate income statement, which displays components of profit or loss; and

(ii) a statement of comprehensive income, which begins with profit or loss and displays components of other comprehensive income.

The main difference between these two options is that in option (a), profit for the year is shown as a sub-total rather than the 'bottom line', and the statement continues down to total comprehensive income for the year.

(All amounts in C thousands unless otherwise stated)

2 The relationship between the formats in IAS 1 and IAS 1 (revised) is illustrated below:



1Rp82

3 A single statement of comprehensive income includes, as a minimum, the following line items:

(a) Revenue.

(b) Finance costs.

(c) Share of the profit or loss of associates and joint ventures accounted for using the equity method.

(d) Tax expense.

(e) A single amount comprising the total of:

(i) the post-tax profit or loss of discontinued operations; and
(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

(f) Profit or loss.

(g) Each component of other comprehensive income classified by nature.

(h) Share of the other comprehensive income of associates and joint ventures accounted for using the equity method.

(i) Total comprehensive income.

1Rp83

4 The following items are disclosed as allocations for the period:

(a) Profit or loss attributable to:

(i) non-controlling interests; and
(ii) owners.

(b) Total comprehensive income for the period attributable to:

(i) non-controlling interests; and
(ii) owners.

IFRS5 p33(d)		(c) From 1 July 2009, the amount of income attributable to owners of the parent from: (i) continued operations; and (ii) discontinued operations.
1Rp84	5	If the entity prepares a separate income statement, this includes: (a) Items (a)-(f) in paragraph 3 above. (b) Item (a) in paragraph 4 above.
1Rp12	6	If the two-statement presentation is used, the statement of comprehensive income follows immediately after the income statement.
1Rp85	7	Additional line items, headings and subtotals are presented in the statement of comprehensive income and the income statement (where presented) when such presentation is relevant to an understanding of the entity's financial performance. For example, a sub-total of gross profit (revenue less cost of sales) may be included where expenses have been classified by function.
Framework p31 CESR/05 – 178b	8	However, additional sub-headings should be used with care. the 'Framework for the preparation and presentation of financial statements' states that, to be useful, information must be reliable; that is, free from material error and bias. The apparent flexibility in IAS 1 (revised) can, therefore, only be used to enhance users' understanding of the GAAP-compliant numbers. It cannot be used to detract from the GAAP numbers. The Committee of European Securities Regulators (CESR) has issued a recommendation on disclosure of alternative performance measures, which provides useful guidance on the use of sub-totals and alternative performance measures: (a) GAAP numbers should be given at least equal prominence to non-GAAP numbers. (b) Additional line items, sub-totals and columns may be used, but only if they do not detract from the GAAP numbers by introducing bias or by overcrowding the income statement. (c) Each additional line item or column should contain all the revenue or expenses that relates to the particular line item or column inserted. (d) Each additional line item or column should contain only revenue or expense that is revenue or expense of the entity itself. (e) Items may be segregated (for example, by use of columns or sub-totals), but only where they are different in nature or function from other items in the income statement. (f) An entity should not mix natural and functional classifications of expenses where the natural and functional categories of expenses overlap. (g) Terms used for additional line items and sub-totals should be defined if they are not terms recognised in IFRS. (h) Additional line items, columns and sub-totals should only be presented when they are used internally to manage the business.

(i) Various presentations will be acceptable individually, but consideration should be given to the aggregate effect of these presentations, so that the overall message of the income statement is not distorted or confused.

(j) The presentation method should generally be consistent from year to year.

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

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

Material items of income and expense

1Rp97 11 When items of income and expense are material, their nature and amount is disclosed separately either on the face of the income statement or in the notes. In the case of IFRS GAAP plc these disclosures are made on the face of the income statement and in note 29.

1Rp85, 97 12 IAS 1 (revised) does not provide a specific name for the types of items that should be separately disclosed. Where an entity discloses a separate category of 'exceptional', 'significant' or 'unusual' items either on the face of their income statement or in the notes, the accounting policy note should include a definition of the chosen term. The presentation and definition of these items should be applied consistently from year to year. However, it is not appropriate to show an operating profit line which excludes these items.

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

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

Operating profit

1R(BC56) 15 An entity may elect to include a sub-total for its result from operating activities. This is permitted, but as noted above, care should be taken that the amount disclosed is representative of activities that would normally be considered to be

'operating'. Items that are clearly of an operating nature (for example, inventory write-downs, restructuring and relocation expenses) are not excluded simply because they occur infrequently or are unusual in amount. Nor can expenses be excluded on the grounds that they do not involve cash flows (for example, depreciation or amortisation). As a general rule, operating profit is the subtotal after 'other expenses' – that is, excluding finance costs and the share of profits of equity-accounted investments.

Re-ordering of line items

1Rp86

16 Entities should re-order the line items and descriptions of those items where this is necessary to explain the elements of performance. However, entities are again governed by the requirement for a 'fair presentation' and should not make any changes unless there is a good reason to do so.

17 For example, the share of profit of associates is normally shown after finance cost. However, where the group conducts a significant amount of its business through associates (or joint ventures), it may be more appropriate to show finance costs after the share of profit of associates. Management may even insert a sub-total 'profit before finance costs if the business conducted through associates is a strategically significant component of the group's business activity'. An inclusion of the share of profit of associates in operating profit, however, would only be appropriate if the associates (or joint ventures) are regarded as a primary vehicle for the conduct of the group's operations.

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

Discontinued operations

1Rp82(e)
IFRS5
p33(a)(b)

19 As stated in paragraph 3(e) above, entities disclose a single amount in the statement of comprehensive income (or separate income statement), comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. Paragraph 33 of IFRS 5, 'Non-current assets held for sale and discontinued operations', also requires an analysis of this single amount. This analysis may be presented in the notes or in the statement of comprehensive income (separate income statement). If it is presented in the income statement, it should be presented in a section identified as relating to discontinued operations – that is, separate from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see IFRS 5 para 11).

Earnings per share

33p66

20 IAS 33, 'Earnings per share', requires an entity to present in the statement of comprehensive income basic and diluted earnings per share (EPS) for profit or

loss from continuing operations attributable to the ordinary equity holders of the parent entity and for total profit or loss attributable to the ordinary equity holders of the parent entity for each class of ordinary shares. Basic and diluted EPS is disclosed with equal prominence for all periods presented.

33p67A 21 If an entity presents a separate income statement, basic and diluted earnings per share are presented at the end of that statement.

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

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

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

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

Components of other comprehensive income

1Rp7 26 Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs. They include: changes in the revaluation surplus relating to property, plant and equipment or intangible assets; actuarial gains and losses on defined benefit plans; gains and losses arising from translating the financial statements of a foreign operation; gains and losses on re-measuring available-for-sale financial assets; and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

1Rp91 1Rp90 27 Entities may present components of other comprehensive income either net of related tax effect or before related tax effects. IFRS GAAP plc has chosen to present the items net of tax. In this case the amount of income tax relating to each component of OCI, including reclassification adjustments, is disclosed in the notes.

Reclassification adjustments

1Rp92, 94 28 An entity discloses separately any reclassification adjustments relating to components of other comprehensive income either in the statement of

comprehensive income or in the notes. IFRS GAAP plc provides this information in note 20, 'Other reserves'.

1Rp7, 95 29 Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation, on derecognition of an available-for-sale financial asset and when a hedged forecast transaction affects profit or loss.

1Rp107 30 The amount of dividends recognised as distributions to owners during the period, and the related amount per share are presented either in the statement of changes in equity or in the notes. Following the revisions made to IAS 1 (revised), dividends cannot be displayed in the statement of comprehensive income or income statement.

Consistency

1Rp45 31 The presentation and classification of items in the financial statements is retained from one period to the next unless:

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

(b) an IFRS requires a change in presentation.

Materiality and aggregation

1Rp29 32 Each material class of similar items is presented separately in the financial statements. Items of a similar nature or function are presented separately unless they are immaterial.

Offsetting

1Rp32 33 Assets and liabilities, and income and expenses, are not offset unless required or permitted by an IFRS. Examples of income and expenses that are required or permitted to be offset are as follows:

1Rp34(a) (a) Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses.

1Rp34(b) (b) Expenditure related to a provision that is recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets', and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement.

(All amounts in C thousands unless otherwise stated)

1Rp35

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

Summary

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

Item	Reference	Requirement in standard	Presentation in IFRS GAAP plc
Each component of OCI recognised during the period, classified by nature	IAS 1 (revised) p82(g)	Statement of OCI	Statement of OCI
Reclassification adjustments during the period relating to components of OCI	IAS 1 (revised) p92	Statement of OCI or notes	Note 20
Tax relating to each component of OCI, including reclassification adjustments	IAS 1 (revised) p90	Statement of OCI or notes	Note 32
Reconciliation for each component of equity, showing separately: – Profit/loss – Each item of OCI – Transactions with owners	IAS 1 (revised) p106(d)	Statement of changes in equity and notes (reconciliation showing separately each item of OCI)	Statement of changes in equity and note 20

(All amounts in C thousands unless otherwise stated)

Consolidated balance sheet

			As at 31 December	
		Note	**2009**	2008
1Rp54, 1Rp113, 1Rp38	**Assets**			
1Rp60	**Non-current assets**			
1Rp54(a)	Property, plant and equipment	6	**155,341**	100,233
1Rp54(c)	Intangible assets	7	**26,272**	20,700
1Rp54(e)	Investments in associates	8b	**13,373**	13,244
1Rp54(n), 1Rp56	Deferred income tax assets	23	**3,520**	3,321
1Rp54(d), IFRS7p8(d)	Available-for-sale financial assets	10	**17,420**	14,910
1Rp54(d), IFRS7p8(a)	Derivative financial instruments	11	**395**	245
1Rp54(h), IFRS7p8(c)	Trade and other receivables	12	**2,322**	1,352
			218,643	154,005
1Rp60, 1Rp66	**Current assets**			
1Rp54(g)	Inventories	13	**24,700**	18,182
1Rp54(h), IFRS7p8(c)	Trade and other receivables	12	**19,765**	18,330
1Rp54(d), IFRS7p8(d)	Available-for-sale financial assets	10	**1,950**	–
1Rp54(d), IFRS7p8(a)	Derivative financial instruments	11	**1,069**	951
1Rp54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss	14	**11,820**	7,972
1Rp54(i), IFRS7p8	Cash and cash equivalents	15	**17,928**	34,062
			77,232	79,497
IFRS5p38	Assets of disposal group classified as held for sale	16	**3,333**	–
			80,565	79,497
	Total assets		**299,208**	233,502

(All amounts in C thousands unless otherwise stated)

		Note	As at 31 December 2009	2008
1Rp54(r)	**Equity attributable to owners of the parent**			
1Rp78(e)	Ordinary shares	17	**25,300**	21,000
1Rp78(e)	Share premium	17	**17,144**	10,494
1Rp78(e)	Other reserves	20	**15,549**	7,005
1Rp78(e)	Retained earnings	19	**66,592**	48,681
			124,585	87,180
1Rp54(q)	**Minority interest**		**7,188**	1,766
	Total equity		**131,773**	88,946
1Rp60	**Liabilities**			
	Non-current liabilities			
1Rp54(m), IFRS7p8(f)	Borrowings	22	**115,121**	96,346
1Rp54(m), IFRS7p8(e)	Derivative financial instruments	11	**135**	129
1Rp54(o), 1Rp56	Deferred income tax liabilities	23	**12,370**	9,053
1Rp54(l), 1Rp78(d)	Retirement benefit obligations	24	**4,635**	2,233
1Rp54(l), 1Rp78(d)	Provisions for other liabilities and charges	25	**1,320**	274
			133,581	108,035
1Rp60, 1Rp69	**Current liabilities**			
1Rp54(k), IFRS7p8(f)	Trade and other payables	21	**16,670**	12,478
1Rp54(n)	Current income tax liabilities		**2,566**	2,771
1Rp54(m), IFRS7p8(f)	Borrowings	22	**11,716**	18,258
1Rp54(m), IFRS7p8(e)	Derivative financial instruments	11	**460**	618
1Rp54(l)	Provisions for other liabilities and charges	25	**2,222**	2,396
			33,634	36,521
IFRS5p38	Liabilities of disposal group classified as held-for-sale	16	**220**	–
			33,854	36,521
	Total liabilities		**167,435**	144,556
	Total equity and liabilities		**299,208**	233,502

10p17 The notes on pages 23 to 113 are an integral part of these consolidated financial statements.

The financial statements on page 23 to 114 were authorised for issue by the board of directors on 28 March 2010 and were signed on its behalf.

CD Suede
Chief Executive

G Wallace
Finance Director

Commentary – balance sheet

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

1Rp1 1 IAS 1 (revised), refers to the balance sheet as the 'statement of financial position'. However, as this new title is not mandatory, IFRS GAAP plc has elected to retain the better-known title of 'balance sheet'.

1Rp54, 55 2 Paragraph 54 of IAS 1 (revised) sets out the line items that are, as a minimum, required to be presented in the balance sheet. Additional line items, headings and subtotals are presented in the balance sheet when such presentation is relevant to an understanding of the entity's financial position.

1Rp77, 78 3 An entity discloses, either in the balance sheet or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations. The detail provided in sub-classifications depends on the requirements of IFRSs and on the size, nature and function of the amounts involved.

Current/non-current distinction

1Rp60 4 An entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities are presented broadly in order of liquidity.

1Rp61 5 Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than 12 months after the reporting period; and (b) more than 12 months after the reporting period, an entity discloses the amount expected to be recovered or settled after more than 12 months.

1Rp66-70 6 Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting period. Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than 12 months after the reporting period.

1Rp68 7 The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in the form of cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.

(All amounts in C thousands unless otherwise stated)

Consistency

1Rp45 8 The presentation and classification of items in the financial statements is retained from one period to the next unless:

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

(b) An IFRS requires a change in presentation.

Materiality and aggregation

1Rp29 9 Each material class of similar items is presented separately in the financial statements. Items of a similar nature or function are presented separately unless they are immaterial.

Current and deferred tax assets and liabilities

1Rp54, 56 10 Current and deferred tax assets and liabilities are presented separately from each other and from other assets and liabilities. When a distinction is made between current and non-current assets and liabilities in the balance sheet, deferred tax assets and liabilities are presented as non-current.

Offsetting

1Rp32 11 An entity does not offset assets and liabilities unless required or permitted to by an IFRS. Measuring assets net of valuation allowances, for example, obsolescence allowances on inventories and doubtful debt allowances on receivables – is not offsetting.

Three balance sheets required in certain circumstances

1Rp39 12 If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements, it provides a third balance sheet as at the beginning of the earliest comparative period presented.

(All amounts in C thousands unless otherwise stated)

Consolidated statement of changes in equity

			Attributable to owners of the parent						
1Rp106, 108,109		Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
	Balance at 1 January 2008		**20,000**	**10,424**	**6,364**	**48,470**	**85,258**	**1,500**	**86,758**
	Comprehensive income								
1Rp106 (d)(i)	Profit or loss					15,512	15,512	856	16,368
1Rp106 (d)(ii)	**Other comprehensive income**								
16p77(f) 1Rp82(g)	Gain on the revaluation of land and buildings	20	–	–	759	–	759	–	759
16p41	Depreciation transfer on land and buildings, net of tax	19	–	–	(87)	87	–	–	–
1Rp82(g), IFRS7p20 (a)(ii)	- Available-for-sale financial assets	20	–	–	62	–	62	–	62
1Rp82(h)	Share of other comprehensive income/(loss) of associates		–	–	91	–	91	–	91
19p93(b)	Actuarial loss on post employment benefit obligations		–	–	–	(494)	(494)	–	(494)
1Rp82(g), IFRS 7p23(c)	Cash flow hedges, net of tax	20	–	–	(3)	–	(3)	–	(3)
1Rp82(g), 39p102(a)	Net investment hedge	20	–	–	40	–	40	–	40
1Rp82(g), 21p52(b)	Currency translation differences	20	–	–	(221)	–	(221)	(40)	(261)
	Total other comprehensive income		–	–	641	(407)	234	(40)	194
1Rp106(a)	**Total comprehensive income**		**–**	**–**	**641**	**15,105**	**15,746**	**816**	**16,562**
	Transactions with owners								
	Employees share option scheme:								
IFRS2p50	- Value of employee services	19	–	–	–	822	822	–	822

(All amounts in C thousands unless otherwise stated)

			Attributable to owners of the parent						
		Note	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
IFRS2p50	- Proceeds from shares issued	17	1,000	70	–	–	1,070	–	1,070
	- Tax credit relating to share option scheme	19	–	–	–	20	20	–	20
1Rp106 (d)(iii)	Dividends relating to 2007	35	–	–	–	(15,736)	(15,736)	(550)	(16,286)
1Rp106 (d)(iii)	**Total transactions with owners**		**1,000**	**70**	**–**	**(14,894)**	**(13,824)**	**(550)**	**(14,374)**
	Balance at 1 January 2009		**21,000**	**10,494**	**7,005**	**48,681**	**87,180**	**1,766**	**88,946**
	Comprehensive income								
1Rp106 (d)(i)	Profit or loss		–	–	–	29,767	29,767	2,548	32,315
1Rp106 (d)(ii)	**Other comprehensive income**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1Rp82(g)	Gain on the revaluation of land and buildings	–	–	–	–	–	–	–	–
16p41	Depreciation transfer on land and buildings, net of tax	19	–	–	(100)	100	–	–	–
1Rp82(g), IFRS7p20 (a)(ii)	- Available-for-sale financial assets	20	–	–	362	–	362	–	362
	Share of other comprehensive income/(loss) of associates		–	–	(86)	–	(86)	–	(86)
1Rp82(g), IFRS 7p23(c)	Cash flow hedges, net of tax	20	–	–	64	–	64	–	64
1Rp82(g), 39p102(a)	Net investment hedge	20	–	–	(45)	–	(45)	–	(45)
1Rp82(g), 21p52(b)	Currency translation differences	20	–	–	2,066	–	2,066	252	2,318
IFRS3p59	Increase in fair values of proportionate holding of ABC Group	20	–	–	850	–	850	–	850
12p80(d)	Impact of the change in the Euravian tax rate on deferred tax	23	–	–	–	(10)	(10)	–	(10)
	Total other comprehensive income		–	–	3,111	90	3,201	252	3,453

(All amounts in C thousands unless otherwise stated)

			Attributable to owners of the parent						
		Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
1R106(a)	**Total comprehensive income**		**–**	**–**	**3,111**	**29,857**	**32,968**	**2800**	**35,768**
	Transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	Employees share option scheme:								
IFRS2p50	- Value of employee services	19	–	–	–	690	690	–	690
IFRS2p50	- Proceeds from shares issued	17	750	200	–	–	950	–	950
	- Tax credit relating to share option scheme	19	–	–	–	30	30	–	30
1Rp106 (d)(iii)	Issue of ordinary shares related to business combination	17	3,550	6,450	–	–	10,000	–	10,000
1Rp106 (d)(iii)	Purchase of treasury shares	19	–	–	–	(2,564)	(2,564)	–	(2,564)
	Convertible bond – equity component, net of tax	20	–	–	5,433	–	5,433	–	5,433
1Rp106 (d)(iii)	Dividends relating to 2008	35	–	–	–	(10,102)	(10,102)	(1,920)	(12,022)
1Rp106 (d)(iii)	Total contributions by and distributions to owners		4,300	6,650	5,433	(11,946)	4,437	(1,920)	2,517
	Changes in ownership interests in subsidiaries that do not result in a loss of control								
1Rp106 (d)(iii)	Minority interest arising on business combination	39	–	–	–	–	–	4,542	4,542
1Rp106 (d)(iii)	**Total transactions with owners**		**4,300**	**6,650**	**5,433**	**(11,946)**	**4,437**	**2,622**	**7,059**
	Balance at 31 December 2009		**25,300**	**17,144**	**15,549**	**66,592**	**124,585**	**7,188**	**131,773**

The notes on pages 23 to 113 are an integral part of these consolidated financial statements.

(All amounts in C thousands unless otherwise stated)

Commentary – statement of changes in equity

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

1Rp106

1 Information to be included in the statement of changes in equity for companies not adopting IAS 27 (revised) includes:

(a) Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to minority interest.

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

1Rp106(d)

(c) The amounts of transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners.

(d) For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change.

1Rp106

2 Information to be included in the statement of changes in equity for companies adopting IAS 27 (revised) includes:

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

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

(c) For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
   (i) profit or loss;
   (ii) each item of other comprehensive income; and
   (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in loss of control.

1Rp139A

3 IAS 27 (as amended in 2008) amended paragraph 106. An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period. The amendment shall be applied retrospectively.

IASB Update August 2009

4 The above information is presented in the statement of changes in equity and can no longer be provided in the notes, as was previously the case. The IASB published an exposure draft of proposed amendments to 11 IFRSs under its annual improvements project in August 2009. The exposure draft proposes to amend IAS 1 to state *explicitly* that an entity presents the components of changes in equity either in the statement of changes in equity or in the notes to the financial statements. Unless otherwise specified, the proposed effective date for the amendments is for annual periods beginning on or after 1 January 2011, although entities would be permitted to adopt them earlier.

(All amounts in C thousands unless otherwise stated)

		IFRS GAAP plc has included the items in the statement of changes in equity.
1Rp107	5	The amount of dividends recognised as distributions to owners during the period and the related amount per share are now disclosed either in the statement of changes in equity or in the notes and can no longer be presented in the income statement. IFRS GAAP plc presents this information in note 35.

(All amounts in C thousands unless otherwise stated)

Consolidated statement of cash flows

7p10, 18(b), 1Rp38 1Rp113		Note	Year ended 31 December **2009**	2008
	Cash flows from operating activities			
	Cash generated from operations	36	**56,234**	41,776
7p31	Interest paid		**(7,835)**	(14,773)
7p35	Income tax paid		**(14,317)**	(10,526)
	Net cash generated from operating activities		**34,082**	16,477
7p21, 7p10	**Cash flows from investing activities**			
7p39	Acquisition of subsidiary, net of cash acquired	39	**(3,950)**	–
7p16(a)	Purchases of property, plant and equipment (PPE)	6	**(9,755)**	(6,042)
7p16(b)	Proceeds from sale of PPE	36	**6,354**	2,979
7p16(a)	Purchases of intangible assets	7	**(3,050)**	(700)
‘7p16(c)	Purchases of available-for-sale financial assets	10	**(2,781)**	(1,126)
7p16(e)	Loans granted to associates	40	**(1,000)**	(50)
7p16(f)	Loan repayments received from associates	40	**14**	64
7p17(c)	Loans granted to subsidiary undertakings		–	–
7p17(f)	Loan repayments received from subsidiary undertakings		–	–
7p31	Interest received		**1,254**	1,193
7p31	Dividends received		**1,180**	1,120
	Net cash used in investing activities		**(11,734)**	(2,562)
7p21, 7p10	**Cash flows from financing activities**			
7p17(a)	Proceeds from issuance of ordinary shares	17	**950**	1,070
7p17(b)	Purchase of treasury shares	19	**(2,564)**	–
7p17(c)	Proceeds from issuance of convertible bonds	22b	**50,000**	–
7p17(c)	Proceeds from issuance of redeemable preference shares	22c	–	30,000
7p17(c)	Proceeds from borrowings		**8,500**	18,000
7p17(d)	Repayments of borrowings		**(78,117)**	(34,674)
7p17(c)	Proceeds from loan from subsidiary undertaking		–	–
7p31	Dividends paid to company’s shareholders	35	**(10,102)**	(15,736)
7p31	Dividends paid to holders of redeemable preferences shares		**(1,950)**	(1,950)
7p31	Dividends paid to minority interests		**(1,920)**	(550)
	Net cash used in financing activities		**(35,203)**	(3,840)
	Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(12,855)**	10,075
	Cash, cash equivalents and bank overdrafts at beginning of year	15	**27,598**	17,587
	Exchange gains/(losses) on cash and bank overdrafts		**535**	(64)
	Cash, cash equivalents and bank overdrafts at end of year	15	**15,278**	27,598

The notes on pages 23 to 113 are an integral part of these consolidated financial statements.

Commentary – Statement of cash flows

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

Reporting cash flows

Cash flows from operating activities

7p18(a) 1 Cash flows from operating activities are reported using either:

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

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

7p19 2 IFRS GAAP plc continues to use the indirect method. For an illustration of a statement of cash flows presented using the direct method, refer to appendix I.

Cash flows from investing and financing activities

7p21 4 Major classes of gross cash receipts and gross cash payments arising from investing and financing activities are reported seperately, except to the extent that cash flows described in paragraphs 22 and 24 of IAS 7 are reported on a net basis.

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

7p14 5 Cash flows from the sale of property, plant and equipment are normally presented as cash flows from investing activities. However, cash payments to manufacture or acquire assets that will be held for rental to others and subsequently for sale are cash flows from operating activities.The cash receipts from rents and subsequent sales of such assets are also therefore cash flows from operating activities.

Changes in ownership interest in a subsidiary without loss of control

7p42A,42B 6 Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control are classified as cash flows from financing activities.

Expenditure on unrecognised assets to be classified as operating cash flows – from 1 January 2010

7(R)p16 Annual improvements May 2008 7 Following changes made to IAS 7 in May 2009, expenditure can in future only be classified as arising from investing activities if it results in the recognition of an asset in the balance sheet. Expenditure on exploration or evaluation activities can, therefore, only be classified as investing cash flows if the entity has a policy of capitalising such expenditure, as permitted under IFRS 6, 'Exploration for and

evaluation of mineral resources'. Expenditure on advertising or promotional activities, staff training and research and development would normally be presented as operating cash flows. The amendments apply to annual reporting periods beginning on or after 1 January 2010.

Reporting on a net basis

7p22, 23 8 Cash flows arising from the following operating, investing or financing activities may be reported on a net basis:

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

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

7p24 9 Cash flows arising from each of the following activities of a financial institution may be reported on a net basis:

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

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

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

Interest and dividends

7p31 10 Cash flows from interest and dividends received and paid are each disclosed separately. Each is classified in a consistent manner from period to period as either operating, investing or financing activities.

7p33 11 Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of net profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.

7p34 12 Dividends paid may be classified as 'financing cash flows' because they are a cost of obtaining financial resources. Alternatively, they may be classified as operating cash flows to assist users to determine the ability of an entity to pay dividends out of operating cash flows.

Income taxes

7p35 13 Cash flows arising from income taxes are separately disclosed and classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

Effects of exchange rate changes

7p28 14 Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities. It also includes the differences, if any, had those cash flows been reported at period-end exchange rates.

Additional recommended disclosures

7p50 15 Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is encouraged and may include:

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

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

7p50(d) (c) The amount of the cash flows arising from the operating, investing and financing activities of each reportable segment (refer to IFRS 8, 'Operating segments',as applicable).

(All amounts in C thousands unless otherwise stated)

Notes to the consolidated financial statements

1 General information

1Rp138 (b) (c) 1Rp51(a)(b) IFRS GAAP plc ('the company') and its subsidiaries (together 'the group') manufacture distribute and sell shoes through a network of independent retailers. The group has manufacturing plants around the world and sells mainly in countries within the UK, the US and Europe. During the year, the group acquired control of 'ABC Group', a shoe and leather goods retailer operating in the US and most western European countries.

1Rp138(a) The company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is Nice Walk Way, London.

2 Summary of significant accounting policies

1Rp112(a) 1Rp117(b) 1Rp119 The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

1Rp116 1Rp117(a) The consolidated financial statements of IFRS GAAP plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

8p28

- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

8p28

- IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the

consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with emloyees and others providing similiar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group and company has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the group or company's financial statements.
- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The group previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of IAS 23, 'Borrowing costs' (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share. The group has capitalised borrowing costs with respect to intangible asset arising from internally generated software costs(see note 7).

8p30 *(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group*[1]

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not early adopted them:

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The group and company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

[1] A detailed list of standards and interpretations in issue at 1 June 2009 that are effective for annual reporting periods beginning after 1 January 2009 is provided in appendix VI.

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the group and company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the group or company's financial statements.
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The group and company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group and company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.
- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guiance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the group's financial statements.

1Rp119

2.2 Consolidation

27p12

(a) Subsidiaries

27p14
27p30

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated

IFRS3p14 IFRS3p24 IFRS3p28 IFRS3p36, 37 IFRS3p51 IFRS3p56 27p24 27p28

from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (note 2.6). Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions and minority interests

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

1Rp119

(c) Associates

28p13 28p11

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2.7 for the impairment of non-financial assets including goodwill.

28p29 28p30

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

28p22 28p26

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

1Rp119

2.3 Segment reporting

IFRS8p5(b)

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

(All amounts in C thousands unless otherwise stated)

1Rp119

2.4 Foreign currency translation

1Rp119

(a) Functional and presentation currency

21p17
21p9, 18
1Rp51(d)

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'currency' (C), which is the company's functional and the group's presentation currency.

1Rp119

(b) Transactions and balances

21p21, 28
21p32
39p95(a)
39p102(a)

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

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

39AG83

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

21p30

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

1Rp119

(c) Group companies

21p39

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

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

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

1Rp79(b)
(c) All resulting exchange differences are recognised as a separate component of equity.

(All amounts in C thousands unless otherwise stated)

1Rp79(b)
21p39(c)
1Rp79(b)
39p102

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

21p47

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

1Rp119

2.5 Property, plant and equipment

16p73(a)
16p35(b)
16p15
16p17

Land and buildings comprise mainly factories, retail outlets and offices. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipmentManagement may choose to keep these gains/(losses) in equity until the acquired asset affects profit or loss. At this time, management should reclassify the gains/(losses) into profit or loss..

16p12
39p98(b)

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

16p39,
1Rp79(b)
1Rp79(b)
16p40
16p41

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

16p73(b),
50
16p73(c)

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

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

16p51

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

36p59

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

(All amounts in C thousands unless otherwise stated)

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

16p41, 1p76(b) When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

1Rp119

2.6 Intangible assets

1Rp119

(a) Goodwill

IFRS3p51 38p118(a) IFRS3p54 36p124 Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

36p80 Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

1Rp119

(b) Trademarks and licences

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

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

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

1Rp119

(d) Computer software

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;

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

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

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

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

1Rp119

2.7 Impairment of non-financial assets

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

1Rp119

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

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

1Rp119

2.9 Financial assets

2.9.1 Classification

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

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

39p9

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

39p9
1Rp66, 68

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (notes 2.12 and 2.13).

(c) Available-for-sale financial assets

39p9
1Rp66, 68
IFRS7
AppxB5(b)

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition and measurement

9p38
IFRS7
AppxBp5
39p43
39p16
39p46

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

39p55(a)
IFRS7
AppxBp5(e)

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

39p55(b)
IFRS7
Appx
Bp5(e)
39AG83
1Rp79(b)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

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

39p67 Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

2.10 Offsetting financial instruments

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

2.11 Impairment of financial assets

39p58 *(a) Assets carried at amortised cost*

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

IFRS7 AppxB5(f) The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) Adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

39p64 The group first assesses whether objective evidence of impairment exists.

(All amounts in C thousands unless otherwise stated)

IFRS7p16
39p63
39AG84

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

IFRS7
AppxB5(d)

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

(b) Assets classified as available for sale

39p65
39p67
39p68
39p70
39p69

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

Impairment testing of trade receivables is described in note 2.12.

1Rp119

2.12 Derivative financial instruments and hedging activities

IFRS7p21
IFRS7p22

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

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

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

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

39p88

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used

in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

39p89 *(a) Fair value hedge*

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

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

39p95 *(b) Cash flow hedge*

1Rp79(b) The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

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

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

39p102 (a)(b)

(c) Net investment hedge

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

1Rp79(b)

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

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

1Rp119

2.13 Inventories

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

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

1Rp119
IFRS7p21

2.14 Trade receivables

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

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

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

1Rp119
IFRS7p21

2.15 Cash and cash equivalents

7p45

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

1Rp119
IFRS7p21

2.16 Share capital

32p18(a)

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 2.16).

32p37

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.

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

32p33 Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

1Rp119

2.17 Trade payables

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

IFRS7p21
39p43, 47 Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1Rp119
IFRS7p21
39p43
39p47

2.18 Borrowings

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

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

32p18(a)
32p33 Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

2.19 Compound financial instruments

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

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

32p35 Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

1Rp60, 61 Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

1Rp119

2.20 Current and deferred income tax

12p58
12p61A

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

12p12
12p46

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

12p24
12p15
12p47

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

12p24, 34 Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

12p39, 44 Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

1Rp119

2.21 Employee benefits

1Rp119

(a) Pension obligations

19p27
19p25
19p7
19p120A(b)

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

defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

19p79
19p80
19p64

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

19p93-93D
19p120A(a)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

19p96

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

19p44

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

1Rp119

(b) Other post-employment obligations

19p120A(a)
19p120A(b)

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

1Rp119

(d) Termination benefits

19p133
19p134
19p139

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(All amounts in C thousands unless otherwise stated)

1Rp119 *(e) Profit-sharing and bonus plans*

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

1Rp119

2.22 Share-based payment

IFRS2 p15(b) IFRS2p19

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

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

1Rp119

2.23 Provisions

37p14 37p72 37p63

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

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

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

1Rp119

2.24 Revenue recognition

18p35(a) Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

18p14 *(b) Sales of goods – retail*

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

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

18p20 *(c) Sales of services*

The group sells design services and transportation services to other shoe manufacturers. These services are provided on a time and material basis or as a fixed-price contract, with contract terms generally ranging from less than one year to three years.

(All amounts in C thousands unless otherwise stated)

Revenue from time and material contracts, typically from delivering design services, is recognised under the percentage-of-completion method. Revenue is generally recognised at the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours delivered as a percentage of total hours to be delivered. For material contracts, the stage of completion is measured on the basis of direct expenses incurred as a percentage of the total expenses to be incurred.

Revenue from fixed-price contracts for delivering design services is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

Revenue from fixed-price contracts for delivering transportation services is generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

18p30(a) *(d) Interest income*

39p93 Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

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

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

18p30(c) *(f) Dividend income*

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

1Rp119

2.25 Leases

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

1Rp119 The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

17p20
17p27

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

1Rp119

2.26 Dividend distribution

10p12

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

Commentary – Summary of significant accounting policies

Statement of compliance with IFRS

1Rp16

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

2 Where an entity can make the explicit and unreserved statement of compliance in respect of only:

(a) the parent financial statements and notes; or

(b) the consolidated financial statements and notes,

it clearly identifies to which financial statements and notes the statement of compliance relates.

Summary of accounting policies

3 A summary of significant accounting policies includes:

1Rp117(a)

(a) The measurement basis (or bases) used in preparing the financial statements; and

1Rp117(b)

(b) The other accounting policies used that are relevant to an understanding of the financial statements.

1Rp116

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

1Rp119

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

(All amounts in C thousands unless otherwise stated)

Changes in accounting policies

Initial application of IFRS

8p28

6 When initial application of an IFRS:

(a) has an effect on the current period or any prior period;

(b) would have such an effect except that it is impracticable to determine the amount of the adjustment; or

(c) might have an effect on future periods, an entity discloses:
(i) the title of the IFRS;
(ii) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
(iii) the nature of the change in accounting policy;
(iv) when applicable, a description of the transitional provisions;
(v) when applicable, the transitional provisions that might have an effect on future periods;
(vi) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment, for each financial statement line item affected;
(vii) if IAS 33, 'Earnings per share', applies to the entity, for basic and diluted earnings per share, the amount of the adjustment relating to periods before those presented, to the extent practicable; and
(viii) if retrospective application required by paragraph 19(a) or (b) of IAS 8, 'Accounting policies, changes in accounting estimates and errors', is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

Voluntary change in accounting policy

8p29

7 When a voluntary change in accounting policy:

(a) has an effect on the current period or any prior period;

(b) would have an effect on that period except that it is impracticable to determine the amount of the adjustment; or

(c) might have an effect on future periods, an entity discloses:

(i) the nature of the change in accounting policy;
(ii) the reasons why applying the new accounting policy provides reliable and more relevant information;
(iii) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
- for each financial statement line item affected, and
- if IAS 33 applies to the entity, for basic and diluted earnings per share;

(iv) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

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

Financial statements of subsequent periods need not repeat these disclosures.

Change during interim periods

1Rp112(c) 8 There is no longer an explicit requirement to disclose the financial effect of a change in accounting policy that was made during the final interim period on prior interim financial reports of the current annual reporting period. However, where the impact on prior interim reporting periods is significant, an entity should consider explaining this fact and the financial effect.

IFRSs issued but not yet effective

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

(a) this fact; and

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

8p31 10 An entity considers disclosing:

(a) the title of the new IFRS;

(b) the nature of the impending change or changes in accounting policy;

(c) the date by which application of the IFRS is required;

(d) the date as at which it plans to apply it initially; and

(e) either
  (i) a discussion of the impact that initial application of the IFRS is expected to have on the entity's financial statements, or
  (ii) if that impact is not known or reasonably estimable, a statement to that effect.

11 The disclosures in paragraph 38 above are made even if the impact on the entity is not expected to be material. However, there is no need to mention a standard or interpretation if it is clearly not applicable to the entity. For example, if the entity is not operating in the real estate industry, it does not need to refer to IFRIC 15, 'Agreements for the construction of real estates'. Where a pronouncement introduces a new accounting option that was not previously available, management explains whether and/or how it expects to use the option in future.

Disclosures not illustrated in IFRS GAAP plc financial statements

For disclosures relating to IAS 29, 'Financial reporting in hyperinflationary economies', IAS 41, 'Agriculture', and IFRS 6, 'Exploration for and evaluation of mineral resources', please refer to PricewaterhouseCoopers 'IFRS disclosure checklist 2009'.

(All amounts in C thousands unless otherwise stated)

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

IFRS7 p22(c) The group treasury's risk management policy is to hedge between 75% and 100% of anticipated cash flows (mainly export sales and purchase of inventory) in each major foreign currency for the subsequent 12 months. Approximately 90% (2008: 95%) of projected sales in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

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

IFRS7p40 IFRS7IG36 At 31 December 2009, if the currency had weakened/strengthened by 11% against the US dollar with all other variables held constant, post-tax profit for the year would have been C362 (2008: C51) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables, financial assets at fair value through profit or loss, debt securities classified as available-for-sale and foreign exchange

losses/gains on translation of US dollar-denominated borrowings. Profit is more sensitive to movement in currency/US dollar exchange rates in 2009 than 2008 because of the increased amount of US dollar-denominated borrowings.

At 31 December 2009, if the currency had weakened/strengthened by 4% against the UK pound with all other variables held constant, post-tax profit for the year would have been C135 (2008: C172) lower/higher, mainly as a result of foreign exchange gains/losses on translation of UK pound-denominated trade receivables, financial assets at fair value through profit or loss, debt securities classified as available-for-sale and foreign exchange losses/gains on translation of UK pound-denominated borrowings.

(ii) Price risk

IFRS7 p33(a)(b)

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

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

IFRS7p40 IFRS7IG36

The table below summarises the impact of increases/decreases of the FTSE 100 on the group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the group's equity instruments moved according to the historical correlation with the index:

	Impact on post-tax profit in C		**Impact on other components of equity in C**	
Index	**2009**	2008	**2009**	2008
DAX	**200**	120	**290**	290
Dow Jones	**150**	120	**200**	70
FTSE 100 UK	**60**	30	**160**	150

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

(iii) Cash flow and fair value interest rate risk

IFRS7 p33(a)(b), IFRS7 p22(c)

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2009 and 2008, the group's borrowings at variable rate were denominated in the Currency and the UK pound.

(All amounts in C thousands unless otherwise stated)

IFRS7 p22(b)(c)

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

Based on the simulations performed, the impact on post tax profit of a 0.1% shift would be a maximum increase of C41 (2008: C37) or decrease of C34 (2008: C29), respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

IFRS7 p22(b)(c)

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

IFRS7 p22(b)(c)

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

IFRS7p40
IFRS7IG36

At 31 December 2009, if interest rates on Currency-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been C22 (2008: C21) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been C5 (2008: C3) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available-for-sale. At 31 December 2009, if interest rates on UK pound-denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been C57 (2008: C38) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been C6 (2008: C4) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available-for-sale.

(b) Credit risk

IFRS7 p33(a)(b)
IFRS7 p34(a)

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of ‘A’ are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. See note 9(b) for further disclosure on credit risk.

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

(c) Liquidity risk

IFRS7 p34(a)

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

IFRS7p33, 39(c) IFRS7B11E

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the group held money market funds of C6,312 (2008: C934) and other liquid assets of C321 (2008: C1,400) that are expected to readily generate cash inflows for managing liquidity risk.

IFRS7 p39(a)(b)

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

IFRS7p44G

Comparative information has been restated as permitted by the amendments to IFRS 7 for the liquidity risk disclosures.

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

(All amounts in C thousands unless otherwise stated)

At 31 December 2009	Less than 1 year[1]	Between 1 and 2 years[1]	Between 2 and 5 years[1]	Over 5 years[1]
Borrowings (ex finance lease liabilities)	20,4 96	22,002	67,457	38,050
Finance lease liabilities	2,749	1,573	4,719	2,063
Trading and net settled derivative financial instruments (interest rate swaps)	280	10	116	41
Trade and other payables	15,668[2]	–	–	–
Financial guarantee contracts	21	–		
At 31 December 2008				
Borrowings (ex finance lease liability)	16,258	11,575	58,679	38,103
Finance lease liabilities	3,203	1,790	5,370	2,891
Trading and net settled derivative financial instruments (interest rate swaps)	317	15	81	50
Trade and other payables	11,518[2]	–	–	–
Financial guarantee contracts	10	–		

IFRS7 B10A(a)

Of the C67,457 disclosed in the 2009 borrowings time band 'Between 2 and 5 years' the company intends to repay C40,000 in the first quarter of 2010 (2008: nil).

IFRS7 p39(b) IFRS7

The group's trading portfolio derivative instruments with a negative fair value have been included at their fair value of C 268 (2008: 298) within the less than 1 year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows These contracts are managed on a net-fair value basis rather than by maturity date. Net settled derivatives comprise interest rate swaps used by the group to manage the group's interest rate profile.

IFRS7 p39(b) IFRS7

All of the non-trading group's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of C78,756 (2008: C83,077) and undiscounted contractual cash outflows of C78,241 (2008: 83,366).

1Rp134, 135, IG10

3.2 Capital risk management

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

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

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

[1] The specific time-buckets presented are not mandated by the standard but are based on a choice by management based on how the business is managed. Sufficient time buckets should be provided to give sufficient granularity to provide the reader with an understanding of the entity's liquidity.
[2] The maturity analysis applies to financial instruments only and therefore statutory liabilities are not included.

During 2009, the group's strategy, which was unchanged from 2008, was to maintain the gearing ratio within 45% to 50% and a BB credit rating. The BB credit rating has been maintained throughout the period. The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009	2008
Total borrowings (note 22)	**126,837**	114,604
Less: cash and cash equivalents (note 15)	**(17,928)**	(34,062)
Net debt	**108,909**	80,542
Total equity	**131,773**	88,946
Total capital	**240,682**	169,488
Gearing ratio	**45%**	48%

The decrease in the gearing ratio during 2009 resulted primarily from the issue of share capital as part of the consideration for the acquisition of a subsidiary (notes 17 and 38).

3.3 Fair value estimation

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

(All amounts in C thousands unless otherwise stated)

IFRS7 p27B(a)

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives	–	250	111	361
– Trading securities	11,820	–	–	11,820
Derivatives used for hedging	–	1,103	–	1,103
Available-for-sale financial assets				
– Equity securities	18,735	–	–	18,735
– Debt investments	288	347	–	635
Total assets	31,204	1,450		32,654
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives	–	268	–	268
Derivatives used for hedging	–	327	–	327
Total liabilities	–	595	–	595

IFRS7p27

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

IFRS 7p27B(c) The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

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

In 2009, the group transferred a held-for-trading forward foreign exchange contract from level 2 into level 3. This is because the counterparty for the derivative encountered significant financial difficulties, which resulted in a significant increase to the discount rate due to increased counterparty credit risk, which is not based on observable inputs.

Commentary – financial risk management

Accounting standard for presentation and disclosure of financial instruments

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

- Those interests in subsidiaries, associates and joint ventures that are accounted for under IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', or IAS 31, 'Interests in joint ventures'. However, entities should apply IFRS 7 to an interest in a subsidiary, associate, or joint venture that according to IAS 27, IAS 28 or IAS 31 is accounted for under IAS 39, 'Financial instruments: Recognition and measurement'. In these cases, entities should apply certain disclosure requirements in IAS 27, IAS 28 and IAS 31 in addition to those in IFRS 7. Entities should also apply IFRS 7 to all derivatives on interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in IAS 32.
- Employers' rights and obligations under employee benefit plans, to which IAS 19, 'Employee benefits',applies.
- Contracts for contingent consideration in a business combination (refer to IFRS 3, 'Business combinations'). This exemption applies only to the acquirer and will be removed effective 1 July 2009 when the revised IFRS 3 becomes operative.
- Insurance contracts as defined in IFRS 4, 'Insurance contracts'. However, IFRS 7 applies to derivatives that are embedded in insurance contracts if IAS 39 requires the entity to account for them separately. It also applies to

financial guarantee contracts if the issuer applies IAS 39 in recognising and measuring the contracts.

- Financial instruments, contracts and obligations under share-based payment transactions to which IFRS 2, 'Share-based payment', applies, except for contracts within the scope of paragraphs 5-7 of IAS 39, which must be disclosed under IFRS 7.
- From 1 January 2009 puttable financial instruments that are required to be classified as equity instruments in accordance with paragraphs 16A and 16B or 16C and 16D of IAS 32 (revised).

Parent entity disclosures

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

Classes of financial instrument

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

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

IFRS7 p34(a) 4 The disclosures in relation to an entity's financial risk management should reflect the information provided internally to key management personnel. As such, the disclosures that will be provided by an entity, their level of detail and the underlying assumptions used will vary greatly from entity to entity. The disclosures in this illustrative financial statement are only one example of the kind of information that may be disclosed; the entity should consider carefully what may be appropriate in its individual circumstances.

Nature and extent of risks arising from financial instruments

IFRS7p31, 32 5 The financial statement should include qualitative and quantitative disclosures that enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

Qualitative disclosures

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

(a) the exposures to the risk and how they arise;

(b) the entity's objectives, policies and processes for managing the risk and the methods used to measure the risk; and

(c) any changes in (a) or (b) from the previous period.

Quantitative disclosures

IFRS7 p34(a)(c) 7 An entity should provide for each type of risk, summary quantitative data on risk exposure at the end of the reporting period, based on information provided internally to key management personnel and any concentrations of risk. This information can be presented in narrative form as is done on pages x to x of this publication. Alternatively, entities could provide the data in a table that sets out the impact of each major risk on each type of financial instruments. This table could also be a useful tool for compiling the information that should be disclosed under paragraph 34 of IFRS 7.

IFRS7 p34(b) 8 If not already provided as part of the summary quantitative data, the entity should also provide the information in paragraphs 9-15 below, unless the risk is not material.

Credit risk

IFRS7 p36,37 9 For each class of financial instrument, the entity should disclose:

(a) The maximum exposure to credit risk and any related collateral held.

(b) Information about the credit quality of financial assets that are neither past due nor impaired.

(c) The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

(d) An analysis of the age of financial assets that are past due but not impaired.

(e) An analysis of financial assets that are individually determined to be impaired including the factors in determining that they are impaired.

Liquidity risk

IFRS7 p34(a), 39 10 Information about liquidity risk shall be provided by way of:

(a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities;

(b) a maturity analysis for derivative financial liabilities (see paragraph 12 below for details); and

(c) a description of how the entity manages the liquidity risk inherent in (a) and (b).

IFRS7 B11F

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

(a) Has committed borrowing facilities or other lines of credit that it can access to meet liquidity needs.

(b) Holds deposits at central banks to meet liquidity needs.

(c) Has very diverse funding sources.

(d) Has significant concentrations of liquidity risk in either its assets or its funding sources.

(e) Has internal control processes and contingency plans for managing liquidity risk.

(f) Has instruments that include accelerated repayment terms (for example, on the downgrade of the entity's credit rating).

(g) Has instruments that could require the posting of collateral (for example, margin calls for derivatives).

(h) Has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares.

(i) Has instruments that are subject to master netting agreements.

Maturity analysis

IFRS7 B11B

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

IFRS7p3, B11D

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

IFRS7B11

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

IFRS7 B11D

15 If the amounts included in the maturity tables are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings, derivative financial instruments and trade and other payables. Entities can choose to add a column with the carrying amounts that ties

into the balance sheet and a reconciling column if they so wish, but this is not mandatory.

IFRS7 B10A

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

Financing arrangements

IFRS7 p50(a) IFRS7 p39(c)

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

Market risk

IFRS7 p40(a)(b)

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

IFRS7 p40(c)

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

IFSR7 p40(c)

Foreign currency risk

IFRS7B23

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

Interest rate risk

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

Fair value disclosures

Financial instruments carried at other than fair value

IFRS7 p25, 29

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

(a) When the carrying amount is a reasonable approximation of fair value.

(b) Investments in equity instruments (and derivatives linked to such equity instruments) that do not have a quoted market price in an active market and that are measured at cost in accordance with IAS 39 because their fair value cannot be measured reliably.

(c) A contract containing a discretionary participation feature (as described in IFRS 4, 'Insurance contracts') where the fair value of that feature cannot be measured reliably.

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

Methods and assumptions in determining fair value

IFRS7p27

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

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

IFRS7p30

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

(a) The fact that fair value information has not been disclosed because it cannot be measured reliably.

(b) A description of the financial instruments, their carrying amount and an explanation of why fair value cannot be measured reliably.

(c) Information about the market for the instruments.

(d) Information about whether and how the entity intends to dispose of the financial instruments.

(e) If the instruments are subsequently derecognised, that fact, their carrying amount at the time of derecognition and the amount of gain or loss recognised.

Fair value measurements recognised in the balance sheet

IFRS7 p27B

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

(a) The level in the fair value hierarchy into which the fair value measurements are categorised.

(b) Any significant transfers between level 1 and level 2 of the fair value hierarchy and the reasons for those transfers.

(c) For fair value measurements in level 3 of the hierarchy, a reconciliation from the beginning balances to the ending balances, showing separately changes during the period attributable to the following:
   (i) total gains or losses for the period recognised in profit or loss, together with a description of where they are presented in the statement of comprehensive income or the income statement (as applicable);
   (ii) total gains or losses recognised in other comprehensive income;
   (iii) purchases, sales issues and settlements (each type disclosed separately); and
   (iv) transfers into or out of level 3 and the reasons for those transfers.

(d) The amount of total gains or losses for the period included in profit or loss that are attributable to gains or losses relating to assets and liabilities held at the end of the reporting period, together with a description of where the gains and losses are presented in the statement of comprehensive income or the income statement (as applicable)

(e) For fair value measurements in level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, that fact, the effect of those changes and how the effect was calculated.

IFRS7 p27A

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

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).

(c) Level 3: inputs for the asset or liability that are not based on observable market data.

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

Additional information where quantitative data about risk exposure is unrepresentative

IFRS7p35, 42

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

Disclosure of comparatives – amendments made to IFRS 7 in March 2009

IFRS7 p44G

29 The requirement to disclose fair value measurements in a three-level hierarchy was introduced by amendments made to IFRS 7 in March 2009. Changes were also made to the requirements surrounding the maturity analysis of financial liabilities. According to the transition provisions in the amending standard, there is no need to restate any of the comparatives. However, entities may do so voluntarily if they wish. IFRS GAAP plc has restated the maturity analyses but has not provided comparative information in relation to the fair value measurements.

30 Knowledge of comparatives is necessary to identify reclassifications between hierarchy levels. Entities also need to be aware of any reclassifications between the levels during the year, as they need to be disclosed. For that purpose, they will still need to determine the classification of their fair value measurements as at the previous reporting date, even though disclosure of this comparative information is not necessary.

4 Critical accounting estimates and judgements

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

1Rp125

4.1 Critical accounting estimates and assumptions

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

(a) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 7).

1Rp129, 36p134 (f)(i)-(iii)

An impairment charge of C4,650 arose in the wholesale CGU in Step-land (included in the Russian operating segment) during the course of the 2009 year, resulting in the carrying amount of the CGU being written down to its recoverable amount. If the budgeted gross margin used in the value-in-use calculation for the wholesale CGU in Step-land had been 10% lower than management's estimates at 31 December 2009 (for example, 46% instead of 56%), the group would have recognised a further impairment of goodwill by C100 and would need to reduce the carrying value of property, plant and equipment by C300.

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

(b) Income taxes

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

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

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

(c) Fair value of derivatives and other financial instruments

IFRS7 p27(a)

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

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

(d) Revenue recognition

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

recognised in the year would be increased by C175 if the proportion performed were increased, or would be decreased by C160 if the proportion performed were decreased.

(e) Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 24.

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

1Rp122

4.2 Critical judgements in applying the entity's accounting policies

(a) Revenue recognition

The group has recognised revenue amounting to C950 for sales of goods to L&Co in the UK during 2009. The buyer has the right to return the goods if their customers are dissatisfied. The group believes that, based on past experience with similar sales, the dissatisfaction rate will not exceed 3%. The group has, therefore, recognised revenue on this transaction with a corresponding provision against revenue for estimated returns. If the estimate changes by 1%, revenue will be reduced/increased by C10.

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

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

If all of the declines in fair value below cost were considered significant or prolonged, the group would suffer an additional loss of C1,300 in its 2009 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the income statement.

(All amounts in C thousands unless otherwise stated)

5 Segment information

IFRS8 p22(a) Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

IFRS8 p22(a) The committee considers the business from both a geographic and product perspective. Geographically, management considers the performance of wholesale in the UK, US, China, Russia and Europe. The UK and US are further segregated into retail and wholesale, as all of the retail business is located in these two geographic areas.

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

IFRS8 p22(b) The reportable operating segments derive their revenue primarily from the manufacture and sale of shoes on a wholesale basis, with the exception of the UK and US, which are further segregated into retail shoe and leather goods sales.

IFRS8p16 Other services included within the European and UK segments include the sale of design services and goods transportation services to other shoe manufacturers. These are not included within the reportable operating segments, as they are not included in the reports provided to the strategic steering committee. The wholesale shoe revenue from the Central American region, mainly Mexico, is also not included, as this information is not reviewed by the strategic steering committee. The results of these operations are included in the 'all other segments' column.

IFRS8 p27(b), 28 The strategic steering committee assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group. Since the strategic steering committee reviews adjusted EBITDA, the results of discontinued operations are not included in the measure of adjusted EBITDA.

(All amounts in C thousands unless otherwise stated)

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 December 2009 is as follows:

		UK		US					All other	
		Wholesale	**Retail**	**Wholesale**	**Retail**	**Russia**	**China**	**Europe**	**segments**	**Total**
IFRS8 p23(b)	Segment revenue	46,638	43,257	28,820	42,672	26,273	5,818	40,273	13,155	246,906
	Inter-segment revenue	(11,403)	–	(7,364)	–	(5,255)	(1,164)	(8,055)	(2,631)	(35,872)
IFRS8p23, p33(a)	**Revenue from external customers**	**35,235**	**43,257**	**21,456**	**42,672**	**21,018**	**4,654**	**32,218**	**10,524**	**211,034**
IFRS8p23	Adjusted EBITDA	17,298	9,550	9,146	9,686	12,322	2,323	16,003	3,504	79,832
IFRS8 p23(e)	Depreciation and amortisation	(3,226)	(3,830)	(1,894)	(3,789)	(2,454)	(386)	(2,706)	(269)	(18,554)
IFRS8 p23(i) IAS36 p129(a)	Goodwill impairment	–	–	–	–	(4,650)	–	–	–	(4,650)
IFRS8 p23(i)	Restructuring costs	–	–	–	–	(1,986)	–	–	–	(1,986)
IFRS8 p23(h)	Income tax expense	(2,550)	(2,780)	(1,395)	(3,040)	(1,591)	(365)	(2,490)	(400)	(14,611)
IFRS8 p23(g)	Share of profit/(loss) from associates	200	–	–	–	–	–	(389)	15	(174)
IFRS8p23	**Total assets**	**45,201**	**24,495**	**41,195**	**13,988**	**15,067**	**24,899**	**33,571**	**61,285**	**259,701**
	Total assets includes:									
IFRS8 p24(a)	Investments in associates	7,207	–	–	–	–	–	–	6,166	13,373
IFRS8 p24(b)	Additions to non-current assets (other than financial instruments and deferred tax assets)	–	35,543	–	39,817	–	11,380	–	1,500	88,204
IFRS8p23	**Total liabilities**[1]	**3,207**	**6,700**	**5,900**	**3,500**	**700**	**1,200**	**1,500**	**2,140**	**24,847**

[1] The measure of liabilities has been disclosed for each reportable segment as is regularly provided to the chief operating decision-maker.

The segment information for the year ended 31 December 2008 is as follows:

		UK		US					All other	
		Wholesale	Retail	Wholesale	Retail	Russia	China	Europe	segments	Total
	Total segment revenue	57,284	1,682	33,990	2,390	8,778	3,209	26,223	5,724	139,280
IFRS8 p23(b)	Inter-segment revenue	(11,457)	–	(6,798)	–	(1,756)	(642)	(5,245)	(1,022)	(26,920)
IFRS8 p23(a), 33(a)	**Revenue from external customers**	**45,827**	**1,682**	**27,192**	**2,390**	**7,022**	**2,567**	**20,978**	**4,702**	**112,360**
IFRS8p23	Adjusted EBITDA	17,183	800	10,369	1,298	3,471	1,506	10,755	1,682	47,064
IFRS8 p23(e)	Depreciation and amortisation	(3,801)	(201)	(2,448)	(199)	(453)	(286)	(2,701)	(138)	(10,227)
IFRS 8p23(h)	Income tax expense	(2,772)	(650)	(1,407)	(489)	(509)	(150)	(2,201)	(687)	(8,865)
IFRS8 p23(g)	Share of profit/(loss) from associates	155	–	–	–	–	–	–	(10)	145
IFRS8p23	**Total assets**	**43,320**	**9,580**	**32,967**	**8,550**	**5,067**	**20,899**	**36,450**	**49,270**	**206,103**
	Total assets includes:									
IFRS8 p24(a)	Investments in associates	7,050	–	–	–	–	–	–	6,194	13,244
IFRS8 p24(b)	Additions to non-current assets (other than financial instruments and deferred tax assets)	–	47	–	46	–	2,971	–	3,678	6,742
IFRS 8p23	**Total liabilities**[1]	**4,221**	**55**	**6,054**	–	**250**	**800**	**2,537**	**3,464**	**17,381**

[1] The measure of liabilities has been disclosed for each reportable segment as is regularly provided to the chief operating decision-maker.

IFRS 8 has been amended so that a measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision maker. The amendment is effective for periods beginning on or after 1 January 2010.

During 2008, retail did not qualify as a reportable operating segment. However, with the acquisition in 2009, of ABC Group (note 39), retail qualifies as a reportable operating segment and, therefore, the comparatives are consistent in this regard.

IFRS 8p23(i) See note 7 for details of the impairment of goodwill of C4,650 in the Russian operating segment in 2009 relating to the decision to reduce manufacturing output. There has been no further impact on the measurement of the company's assets and liabilities. There was no impairment charge or restructuring costs recognised in 2008.

IFRS 8p27(a) Sales between segments are carried out at arm's length. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

(All amounts in C thousands unless otherwise stated)

IFRS 8p28(b)

A reconciliation of adjusted EBITDA to profit before tax and discontinued operations is provided as follows:

	2009	2008
Adjusted EBITDA for reportable segments	**76,328**	45,382
Other segments EBITDA	**3,504**	1,682
Total segments	**79,832**	47,064
Depreciation	**(17,754)**	(9,662)
Amortisation	**(800)**	(565)
Restructuring costs	**(1,986)**	–
Legal expenses	**(737)**	(855)
Goodwill impairment	**(4,650)**	–
Unrealised financial instrument gains	**102**	101
Share options granted to directors and employees	**(690)**	(820)
Finance costs – net	**(6,443)**	(10,588)
Other	**(48)**	243
Profit before tax and discontinued operations	**46,826**	24,918

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

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

IFRS8 p27(c)

Reportable segments' assets are reconciled to total assets as follows:

	2009	2008
Segment assets for reportable segments	**198,416**	156,833
Other segments assets	**61,285**	49,270
Unallocated:		
Deferred tax	**3,520**	3,321
Available-for-sale financial assets	**19,370**	14,910
Financial assets at fair value through the profit and loss	**11,820**	7,972
Derivatives	**1,464**	1,196
Assets of disposal group classified as held for resale	**3,333**	—
Total assets per the balance sheet	**299,208**	233,502

The amounts provided to the strategic steering committee with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

(All amounts in C thousands unless otherwise stated)

IFRS8 p27(d)

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2009	2008
Segment liabilities for reportable segments	**22,707**	13,917
Other segments liabilities	**2,140**	3,464
Unallocated:		
Deferred tax	**12,370**	9,053
Current tax	**2,566**	2,771
Current borrowings	**11,716**	18,258
Non-current borrowings	**115,121**	96,346
Derivatives	**595**	747
Liabilities of disposal group classified as held for resale	**220**	–
Total liabilities per the balance sheet	**167,435**	144,556

IFRS8 p27(f)

Due to the European operations utilising excess capacity in certain Russian assets that are geographically close to the European region, a portion of the depreciation charge of C197 (2008: C50) relating to the Russian assets has been allocated to the European segment to take account of this.

IFRS8p32

Revenues from external customers are derived from the sales of shoes on a wholesale and retail basis. The breakdown of retail and wholesale results are provided above. The wholesale of shoes relates only to the group's own brand, Footsy Tootsy. The retail sales comprise not only the group's own brand, but other major retail shoe brands.

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category	2009	2008
Sales of goods	**202,884**	104,495
Revenue from services	**8,000**	7,800
Royalty income	**150**	65

IFRS8 p33(a)

The entity is domiciled in the UK. The result of its revenue from external customers in the UK is C50,697 (2008: C48,951), and the total of revenue from external customers from other countries is C160,337 (2008: C63,409). The breakdown of the major component of the total of revenue from external customers from other countries is disclosed above.

IFRS8 p33(b)

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the UK is C49,696 (2008: C39,567), and the total of these non-current assets located in other countries is C146,762 (2008: C93,299).

IFRS8p34

Revenues of approximately C32,023 (2008: C28,034) are derived from a single external customer. These revenues are attributable to the US retail and wholesale segments.

(All amounts in C thousands unless otherwise stated)

6 Property, plant and equipment

1Rp78(a)		Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Total
16p73(d)	**At 1 January 2008**				
	Cost or valuation	39,664	71,072	20,025	130,761
	Accumulated depreciation	(2,333)	(17,524)	(3,690)	(23,547)
	Net book amount	37,331	53,548	16,335	107,214
16p73(e)	**Year ended 31 December 2008**				
	Opening net book amount	37,331	53,548	16,335	107,214
16p73 (e)(viii)	Exchange differences	(381)	(703)	(423)	(1,507)
16p73(e)(iv)	Revaluation surplus (note 20)	1,133	–	–	1,133
16p73(e)(i)	Additions	1,588	2,970	1,484	6,042
16p73(e)(ix)	Disposals (note 36)	–	(2,607)	(380)	(2,987)
16p73(e)(vii)	Depreciation charge (note 29)	(636)	(4,186)	(4,840)	(9,662)
	Closing net book amount	39,035	49,022	12,176	100,233
16p73(d)	**At 31 December 2008**				
	Cost or valuation	40,232	68,125	20,026	128,383
	Accumulated depreciation	(1,197)	(19,103)	(7,850)	(28,150)
	Net book amount	39,035	49,022	12,176	100,233
	Year ended 31 December 2009				
16p73(e)	Opening net book amount	39,035	49,022	12,176	100,233
16p73(e)(viii)	Exchange differences	1,601	1,280	342	3,223
16p73(e)(iv)	Acquisition of subsidiary (note 39)	49,072	5,513	13,199	67,784
16p73(e)(i)	Additions	7,126	427	2,202	9,755
16p73(e)(ix)	Disposals (note 36)	(2,000)	(3,729)	(608)	(6,337)
16p73(e)(vii)	Depreciation charge (note 29)	(3,545)	(4,768)	(9,441)	(17,754)
IFRS5p38	Transferred to disposal group classified as held for sale	(341)	(1,222)	—	(1,563)
16p73(d)	**Closing net book amount**	**90,948**	**46,523**	**17,870**	**155,341**
16p73(d)	**At 31 December 2009**				
	Cost or valuation	95,129	58,268	26,927	180,324
	Accumulated depreciation	(4,181)	(11,745)	(9,057)	(24,983)
	Net book amount	**90,948**	**46,523**	**17,870**	**155,341**

DV

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

16p77(a-d)
1Rp79(b)

The group's land and buildings were last revalued on 1 January 2008 by independent valuers. Valuations were made on the basis of recent market transactions on arm's length terms. The revaluation surplus net of applicable deferred income taxes was credited to 'other reserves in shareholders' equity (note 20).

DV1Rp104

Depreciation expense of C8,054 (2008: C5,252) has been charged in 'cost of goods sold', C5,568 (2008: C2,410) in 'selling and marketing costs' and C4,132 (2008: C2,000) in 'administrative expenses'.

17p35(c) Lease rentals amounting to C1,172 (2008: C895) and C9,432 (2008: C7,605) relating to the lease of machinery and property, respectively, are included in the income statement (note 29).

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

	2009	2008
Cost	**93,079**	37,684
Accumulated depreciation	**(6,131)**	(2,197)
Net book amount	**86,948**	35,487

16p74(a) Bank borrowings are secured on land and buildings for the value of C37,680 (2008: C51,306) (note 22).

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

	2009	2008
Cost – capitalised finance leases	**13,996**	14,074
Accumulated depreciation	**(5,150)**	(3,926)
Net book amount	**8,846**	10,148

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

7 Intangible assets

	Group	Goodwill	Trademarks and licences	Contractual customer Relationships	Internally generated software development costs	Total
38p118(c)	**At 1 January 2008**					
IFRS3p75(a)	Cost	12,546	8,301	–	1,455	22,302
IFRS3p75(a)	Accumulated amortisation and impairment	–	(330)	–	(510)	(840)
	Net book amount	12,546	7,971	–	945	21,462
38p118(e)	**Year ended 31 December 2008**					
IFRS3p74	Opening net book amount	12,546	7,971	–	945	21,462
IFRS3p75(f)	Exchange differences	(546)	(306)	–	(45)	(897)
38p118(e)(i)	Additions	–	700	–	–	700
IFRS3p75(a)	Amortisation charge (note 29a)	–	(365)	–	(200)	(565)
	Closing net book amount	12,000	8,000	–	700	20,700
	At 31 December 2008					
38p118(c)	Cost	12,000	8,710	–	1,400	22,110
IFRS3p75(a)	Accumulated amortisation and impairment	–	(710)	–	(700)	(1,410)
IFRS3p75(a)	**Net book amount**	12,000	8,000	–	700	20,700
38p118(e)	**Year ended 31 December 2009**					
IFRS3p74	Opening net book amount	12,000	8,000	–	700	20,700
IFRS3p75(f)	Exchange differences	341	96	–	134	571
38p118(e)(i)	Additions	–	684	–	2,366	3,050
IFRS3p75(b)	Acquisition of subsidiary (note 39)	4,501	3,000	1,000	–	8,501
IFRS3p75(e)	Impairment charge (note 29)	(4,650)	–	–	–	(4,650)
IFRS3p75(a)	Amortisation charge (note 29)	–	(402)	(278)	(120)	(800)
IFRS5p38	Transferred to disposal group classified as held for sale		(1,000)	–	(100)	(1,100)
	Closing net book amount	**12,192**	**10,378**	**722**	**2,980**	**26,272**
38p118(c)	**At 31 December 2009**					
IFRS3p75(a)	Cost	16,842	11,480	1,000	3,800	33,122
IFRS3p75(a)	Accumulated amortisation and impairment	(4,650)	(1,102)	(278)	(820)	(6,850)
	Net book amount	**12,192**	**10,378**	**722**	**2,980**	**26,272**

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

38p118(d) Amortisation of C40 (2008: C100) is included in the ‘cost of goods sold’ the income statement; C680 (2008: C365) in ‘distribution costs; and C80 (2008: C100) in ‘administrative expenses’.

Additions of internally generated software development cost includes C75 (2008: nil) of interest capitalised at an average borrowing rate of 8.0%.

(All amounts in C thousands unless otherwise stated)

DV The trademark transferred to the disposal group classified as held for sale relates to the Shoes Limited trademark (part of the wholesale segment), which was previously recognised by the group on the acquisition of the entity in 2005. A further net book amount of C100 transferred to the disposal group relates to software that was specifically developed for Shoes Limited. See note 16 for further details regarding the disposal group held-for-sale.

Impairment tests for goodwill

36p134(d) Goodwill is allocated to the group's cash-generating units (CGUs) identified according to operating segment.

An operating segment-level summary of the goodwill allocation is presented below.

36p134(a)

	2009			2008		
	Wholesale	**Retail**	**Total**	**Wholesale**	**Retail**	**Total**
UK	**6,250**	**1,051**	**7,301**	5,970	120	6,090
US	**325**	**2,501**	**2,826**	125	30	155
Europe	**1,609**	**–**	**1,609**	705	–	705
Russia	**100**	**–**	**100**	4,750	–	4,750
China	**146**	**–**	**146**	100	–	100
All other segments	**210**	**–**	**210**	200	–	200
	8,640	**3,552**	**12,192**	11,850	150	12,000

During 2008, retail did not qualify as a reportable operating segment. However, with the acquisition in 2009 of ABC Group (note 39), retail qualifies as a separate reportable operating segment, and therefore the comparatives have been restated to be consistent.

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

36p134(d)(i) The key assumptions used for value-in-use calculations in 2009 are as follows[1]:

		Wholesale						Retail	
		UK	**US**	**Europe**	**Russia**	**China**	**All Other Segments**	**UK**	**US**
36p134(d)	Gross margin[2]	60.0%	59.0%	60.0%	55.5%	57.0%	56.0%	58.0%	56.0%
36p134(d)(iv)	Growth rate[3]	1.8%	1.8%	1.8%	2.0%	2.0%	1.9%	1.1%	1.3%
36p134(d)(v) 36p130(g)	Discount rate[4]	10.5%	10.0%	10.7%	12.8%	12.0%	12.8%	11.5%	11.0%

[1] Disclosure of long-term growth rates and discount rates is required. Other key assumptions are required to be disclosed and quantified where a reasonably possible change in the key assumption would remove any remaining headroom in the impairment calculation. Otherwise the additional disclosures are encouraged but not required.
[2] Budgeted gross margin.
[3] Weighted average growth rate used to extrapolate cash flows beyond the budget period.
[4] Pre-tax discount rate applied to the cash flow projections.

(All amounts in C thousands unless otherwise stated)

36p134(d)(i) The key assumptions used for value-in-use calculations in 2008 are as follows[1]:

		Wholesale						Retail	
		UK	US	Europe	Russia	China	All Other Segments	UK	US
36p134(d)	Gross margin[2]	62.5%	61.0%	62.5%	58.0%	59.0%	58.0%	60.0%	58.0%
36p134 (d)(iv)	Growth rate[3]	2.0%	2.0%	2.0%	2.5%	2.5%	2.3%	1.3%	1.5%
36p134 (d)(v) 36p130(g)	Discount rate[4]	10.0%	9.5%	10.1%	11.5%	11.0%	11.0%	11.0%	10.4%

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

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

36p130(a) The impairment charge arose in a wholesale CGU in Step-land (included in the Russian operating segment) following a decision in early 2009 to reduce the manufacturing output allocated to these operations (note 25). This was a result of a redefinition of the group's allocation of manufacturing volumes across all CGUs in order to benefit from advantageous market conditions. Following this decision, the group reassessed the depreciation policies of its property, plant and equipment in this country and estimated that their useful lives would not be affected. No other class of asset than goodwill was impaired. The pre-tax discount rate used in the previous years for the wholesale CGU in Step-land was 12.0%.

8 Investments in associates

	Group	2009	2008
	At 1 January	**13,244**	13,008
	Acquisition of subsidiary (note 39)	**389**	—
28p38	Share of (loss)/profit[5]	**(174)**	145
	Exchange differences (note 20)	**(74)**	105
	Other equity movements: available-for-sale reserve (note 20)	**(12)**	(14)
28p38	**At 31 December**	**13,373**	13,244

IFRS3p29, 28p23 Investments in associates at 31 December 2009 include goodwill of C1,020 (2008: C1,020).

[1] Disclosure of long-term growth rates and discount rates is required. Other key assumptions are required to be disclosed and quantified where a reasonably possible change in the key assumption would remove any remaining headroom in the impairment calculation. Otherwise the additional disclosures are encouraged but not required.
[2] Budgeted gross margin.
[3] Weighted average growth rate used to extrapolate cash flows beyond the budget period.
[4] Pre-tax discount rate applied to the cash flow projections.
[5] Share of profit/(loss) is after tax and minority interest in associates (IG14).

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

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit/(Loss)	% interest held
2008						
Alfa Limited	Cyprus	27,345	20,295	35,012	155	25
Beta SA	Greece	9,573	3,379	10,001	(10)	30
		36,918	23,674	45,013	145	
2009						
Alfa Limited	Cyprus	32,381	25,174	31,123	200	25
Beta SA	Greece	12,115	5,949	9,001	15	30
Delta Limited	UK	15,278	15,278	25,741	(389)	42
		59,774	**46,401**	**65,865**	**(174)**	

28p37(g) The group has not recognised losses amounting to C20 (2008: nil) for Delta Limited. The accumulated losses not recognised were C20 (2008: nil).

9a Financial instruments by category

IFRS7p6

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
31 December 2009					
Assets as per balance sheet					
Available-for-sale financial assets	–	–	–	19,370	19,370
Derivative financial instruments	–	361	1,103	–	1,464
Trade and other receivables excluding pre-payments[2]	20,787	–	–	–	20,787
Financial assets at fair value through profit or loss	–	11,820	–	–	11,820
Cash and cash equivalents	17,928	–	–	–	17,928
Total	**38,715**	**12,181**	**1,103**	**19,370**	**71,369**

[1] An alternative method of presentation is to give the gross amounts of assets and liabilities (excluding goodwill) of associates and not of the group's share.
[2] Pre-payments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments

(All amounts in C thousands unless otherwise stated)

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)[2]	–	–	117,839	117,839
Finance lease liabilities[2]			8,998	8,998
Derivative financial instruments	268	327	–	595
Trade and other payables excluding statutory liabilities[3]	–	–	15,668	15,668
Total	**268**	**327**	**142,505**	**143,100**

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for sale	Total
31 December 2008					
Assets as per balance sheet					
Available-for-sale financial assets	–	–	–	14,910	14,910
Derivative financial instruments	–	321	875	–	1,196
Trade and other receivables excluding prepayments[1]	18,536	–	–	–	18,536
Financial assets at fair value through profit or loss	–	7,972	–	–	7,972
Cash and cash equivalents	34,062	–	–	–	34,062
Total	**52,598**	**8,293**	**875**	**14,910**	**76,676**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)[2]	–	–	104,006	104,006
Finance lease liabilities[2]			10,598	10,598
Derivative financial instruments	298	449	–	747
Trade and other payables excluding statutory liabilities[3]	–	–	11,518	11,518
Total	**298**	**449**	**126,122**	**126,869**

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

[2] The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.

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

9b Credit quality of financial assets

IFRS7 p36(c)

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

	2009	2008
Trade receivables		
Counterparties with external credit rating (Moody's)		
A	**5,895**	5,757
BB	**3,200**	3,980
BBB	**1,500**	1,830
	10,595	11,567
Counterparties without external credit rating		
Group 1	**750**	555
Group 2	**4,723**	3,526
Group 3	**1,770**	1,312
	7,470	5,535
Total unimpaired trade receivables	**17,947**	17,030
Cash at bank and short-term bank deposits[1]		
AAA	**8,790**	15,890
AA	**5,300**	7,840
A	**6,789**	11,257
	20,879	34,987
DV **Available-for-sale debt securities**		
AA	**347**	264
	347	264
DV **Derivative financial assets**		
AAA	**1,046**	826
AA	**418**	370
	1,464	1,196
Loans to related parties		
Group 2	**2,501**	1,301
Group 3	**167**	87
	2,668	1,388

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

IFRS7 p36(d)

None of the financial assets that are fully performing has been renegotiated in the last year. None of the loans to related parties is past due but not impaired.

[1] The rest of the balance sheet item 'cash and cash equivalents' is cash in hand.

(All amounts in C thousands unless otherwise stated)

10 Available-for-sale financial assets

		2009	2008
	At 1 January	**14,910**	14,096
	Exchange differences	**646**	(435)
	Acquisition of subsidiary (note 39)	**473**	–
	Additions	**4,037**	1,126
	Disposals	**(1,256)**	–
	Net gains/(losses) transfer from equity (note 20)	**(130)**	(152)
1Rp79(b)	Net gains/(losses) transfer to equity (note 20)	**690**	275
	At 31 December	**19,370**	14,910
1Rp66	Less: non-current portion	**(17,420)**	(14,910)
1Rp66	**Current portion**	**1,950**	–

IFRS7 p20(a)(ii) The group removed profits of C217 (2008: C187) and losses C87 (2008: C35) from equity into the income statement. Losses in the amount of C55 (2008: C20) were due to impairments.

IFRS7 p27(b),31, 34 Available-for-sale financial assets include the following:

	2009	2008
Listed securities:		
– Equity securities – UK	**8,335**	8,300
– Equity securities – Europe	**5,850**	2,086
– Equity securities – US	**4,550**	4,260
– Debentures with fixed interest of 6.5% and maturity date of 27 August 2012	**210**	–
– Non-cumulative 9.0% non-redeemable preference shares	**78**	–
Unlisted securities:		
– Debt securities with fixed interest ranging from 6.3% to 6.5% and maturity dates between July 2011 and May 2013	**347**	264
	19,370	14,910

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

	2009	2008
UK pound	**7,897**	8,121
Euros	**5,850**	2,086
US dollar	**4,550**	4,260
Other currencies	**1,073**	443
	319,370	14,910

IFRS7 p27(a), (b), 1Rp79(b) The fair values of unlisted securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities (2009: 6%; 2008: 5.8%).

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

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

11 Derivative financial instruments

		2009		2008	
		Assets	**Liabilities**	**Assets**	**Liabilities**
IFRS7 p22(a)(b)	Interest rate swaps – cash flow hedges	**351**	**110**	220	121
IFRS7 p22(a)(b)	Interest rate swaps – fair value hedges	**57**	**37**	49	11
IFRS7 p22(a)(b)	Forward foreign exchange contracts – cash flow hedges	**695**	**180**	606	317
	Forward foreign exchange contracts – held-for-trading	**361**	**268**	321	298
	Total	**1,464**	**595**	1,196	747
1Rp66	Less non-current portion:				
	Interest rate swaps – cash flow hedges	**345**	**100**	200	120
	Interest rate swaps – fair value hedges	**50**	**35**	45	9
		395	**135**	245	129
1Rp66	**Current portion**	**1,069**	**460**	951	618

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

IFRS7p24 The ineffective portion recognised in the profit or loss that arises from fair value hedges amounts to a loss of C1 (2008: loss of C1) (note 26). The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to a gain of C17 (2008: a gain of C14) (note 26). There was no ineffectiveness to be recorded from net investment in foreign entity hedges.

(a) Forward foreign exchange contracts

IFRS7p31 The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2009 were C92,370 (2008: C89,689).

IFRS7 p23(a) 39p100, 1Rp79(b) The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity (note 20) on forward foreign exchange contracts as of 31 December 2009 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months from the end of the reporting period unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets, in which case recognition is over the lifetime of the asset (five to 10 years).

(b) Interest rate swaps

IFRS7p31 The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2009 were C4,314 (2008: C3,839).

(All amounts in C thousands unless otherwise stated)

IFRS7 p23(a)

At 31 December 2009, the fixed interest rates vary from 6.9% to 7.4% (2008: 6.7% to 7.2%), and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity (note 20) on interest rate swap contracts as of 31 December 2009 will be continuously released to the income statement until the repayment of the bank borrowings (note 22).

(c) Hedge of net investment in foreign entity

IFRS7p22, 1Rp79(b)

A proportion of the group's US dollar-denominated borrowing amounting to C321 (2008: C321) is designated as a hedge of the net investment in the group's US subsidiary. The fair value of the borrowing at 31 December 2009 was C370 (2008: C279). The foreign exchange loss of C45 (2008: gain of C40) on translation of the borrowing to currency at the end of the reporting period is recognised in other reserves, in shareholders' equity (note 20).

IFRS7 p36(a)

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

12 Trade and other receivables

		2009	2008
IFRS7p36, 1Rp77	Trade receivables	**18,174**	17,172
	Less: provision for impairment of trade receivables	**(109)**	(70)
1Rp78(b)	Trade receivables – net	**18,065**	17,102
1Rp78(b)	Prepayments	**1,300**	1,146
1Rp78(b), 24p17(b)	Receivables from related parties (note 40)	**54**	46
1Rp78(b), 24p17(b)	Loans to related parties (note 40)	**2,668**	1,388
		22,087	19,682
1Rp78(b), 1Rp66	Less non-current portion: loans to related parties	**(2,322)**	(1,352)
1Rp66	**Current portion**	**19,765**	18,330

Group

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

IFRS7p25

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

	2009	2008	2009	2008
Trade receivables	**18,065**	17,172	**–**	–
Receivables from related parties	**54**	46	**41,147**	31,296
Loans to related parties	**2,722**	1,398	**–**	–
	20,841	18,616	**41,147**	31,296

IFRS7 p27(a)

The fair values of loans to related parties are based on cash flows discounted using a rate based on the borrowings rate of 7.5% (2008: 7.2%). The discount rate equals to LIBOR plus appropriate credit rating.

24p17(b)(i) The effective interest rates on non-current receivables were as follows:

	2009	2008
Loans to related parties (note 40)	**6.5-7.0%**	6.5-7.0%

IFRS7p14 Certain European subsidiaries of the group transferred receivable balances amounting to C1,014 to a bank in exchange for cash during the year ended 31 December 2009. The transaction has been accounted for as a collateralised borrowing (note 22). In case the entities default under the loan agreement, the bank has the right to receive the cash flows from the receivables transferred. Without default, the entities will collect the receivables and allocate new receivables as collateral.

DV As of 31 December 2009, trade receivables of C17,670 (2008:C16,595) were fully performing.

IFRS7 p37(a) As of 31 December 2009, trade receivables of C277 (2008: C207) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009	2008
Up to 3 months	**177**	108
3 to 6 months	**100**	99
	277	207

IFRS7 p37(b) As of 31 December 2009, trade receivables of C227 (2008: C142) were impaired and provided for. The amount of the provision was C109 as of 31 December 2009 (2008: C70). The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2009	2008
3 to 6 months	**177**	108
Over 6 months	**50**	34
	227	142

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

	2009	2008
UK pound	**9,846**	8,669
Euros	**5,987**	6,365
US dollar	**6,098**	4,500
Other currencies	**156**	148
	22,087	19,682

(All amounts in C thousands unless otherwise stated)

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

		2009	2008
	At 1 January	**70**	38
IFRS7 p20(e)	Provision for receivables impairment	**74**	61
	Receivables written off during the year as uncollectible	**(28)**	(23)
	Unused amounts reversed	**(10)**	(8)
	Unwind of discount (note 31)	**3**	2
	At 31 December	**109**	70

The creation and release of provision for impaired receivables have been included in 'other expenses' in the income statement (note 29). Unwind of discount is included in 'finance costs' in the income statement (note 31). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

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

13 Inventories

2p36(b), 1Rp78(c)

Group

	2009	2008
Raw materials	**7,622**	7,612
Work in progress	**1,810**	1,796
Finished goods[1]	**15,268**	8,774
	24,700	18,182

2p36(d), 38 The cost of inventories recognised as expense and included in 'cost of sales' amounted to C60,252 (2008: C29,545).

2p36 (f)(g) 36p126(b) 36p130(a) The group reversed C603 of a previous inventory write-down in July 2009. The group has sold all the goods that were written down to an independent retailer in Australia at original cost. The amount reversed has been included in 'cost of sales' in the income statement.

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

(All amounts in C thousands unless otherwise stated)

14 Financial assets at fair value through profit or loss

		2009	2008
IFRS7p8(a), 27(b), 31, 34(c)	Listed securities – held-for-trading		
	– Equity securities – UK	**5,850**	3,560
	– Equity securities – Europe	**4,250**	3,540
	– Equity securities – US	**1,720**	872
		11,820	7,972

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

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other (losses)/gains – net' in the income statement (note 26).

IFRS7 p27(b) The fair value of all equity securities is based on their current bid prices in an active market.

15 Cash and cash equivalents

	2009	2008
Cash at bank and on hand	**8,398**	28,648
Short-term bank deposits	**9,530**	5,414
	17,928	34,062

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

		2009	2008
	Cash and cash equivalents	**17,928**	34,062
7p8	Bank overdrafts (note 22)	**(2,650)**	(6,464)
		15,278	27,598

16 Assets of disposal group classified as held for sale and discontinued operations

IFRS5p41 (a)(b)(d) The assets and liabilities related to company Shoes Limited (part of the wholesale segment) have been presented as held for sale following the approval of the group's management and shareholders on 23 September 2009 to sell company Shoes Limited in the UK. The completion date for the transaction is expected by May 2010.

		2009	2008
IFRS5p33(c)	Operating cash flows[1]	**300**	190
IFRS5p33(c)	Investing cash flows[1]	**(103)**	(20)
IFRS5p33(c)	Financing cash flows[1]	**(295)**	(66)
	Total cash flows	**(98)**	104

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

(All amounts in C thousands unless otherwise stated)

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

	2009	2008
Property, plant and equipment	**1,563**	–
Intangible assets	**1,100**	–
Inventory	**442**	–
Other current assets	**228**	–
Total	**3,333**	–

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

	2009	2008
Trade and other payables	**104**	–
Other current liabilities	**20**	–
Provisions	**96**	–
Total	**220**	–

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

	2009	2008
Foreign exchange translation adjustments[1]	**–**	–
Total	**–**	–

IFRS5p33 (b) Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group, is as follows[2]:

		2009	2008
	Revenue	**1,200**	1,150
	Expenses	**(960)**	(950)
	Profit before tax of discontinued operations	**240**	200
12p81(h)(ii)	Tax	**(96)**	(80)
	Profit after tax of discontinued operations	**144**	120
	Pre-tax gain/(loss) recognised on the re-measurement of assets of disposal group	**(73)**	–
12p81(h)(ii)	Tax	**29**	–
	After tax gain/(loss) recognised on the re-measurement of assets of disposal group	**(44)**	–
	Profit for the year from discontinued operations	**100**	120

[1] IFRS 5 requires the separate presentation of any cumulative income or expense recognised directly in equity relating to a non-current asset (or disposal group) classified as held for sale. There are no items recognised directly in equity relating to the disposal group classified as held for sale, but the line items are shown for illustrative purposes.
[2] These disclosures can also be given on the face of the primary financial statements.

(All amounts in C thousands unless otherwise stated)

17 Share capital and premium

Ref		Number of shares (thousands)	Ordinary shares	Share premium	Total
1Rp79					
	At 1 January 2008	20,000	20,000	10,424	30,424
	Employee share option scheme:				
1Rp106, (d)(iii)	– Proceeds from shares issued	1,000	1,000	70	1,070
	At 31 December 2008	21,000	21,000	10,494	31,494
	Employee share option scheme:				
1Rp106, (d)(iii)	– Proceeds from shares issued	750	750	200	950
IFRS3 p67(d)(ii)	Acquisition of subsidiary (note 39)	3,550	3,550	6,450	10,000
1Rp79(a)	**At 31 December 2009**	**25,300**	**25,300**	**17,144**	**42,444**

1Rp79(a) The total authorised number of ordinary shares is 50 million shares (2008: 50 million shares) with a par value of C1 per share (2008: C1 per share). All issued shares are fully paid.

1Rp79(a) The company acquired 875,000 of its own shares through purchases on the EuroMoney stock exchange on 18 April 2009. The total amount paid to acquire the shares, net of income tax, was C2,564 and has been deducted from retained earnings[1] within shareholders' equity (note 19). The shares are held as 'treasury shares'. The company has the right to re-issue[2] these shares at a later date. All shares issued by the company were fully paid.

The group issued 3,550,000 shares on 1 March 2009 (14.0% of the total ordinary share capital issued) to the shareholders of ABC group as part of the purchase consideration for 70% of its ordinary share capital. The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to C10.05 million (C2.83 per share). The related transaction costs amounting to C50 have been netted off with the deemed proceeds.

The group reissued 500,000 treasury shares for a total consideration of C1,500 on 15 January 2009.

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

[2] Depending on the company law, the company could have the right to resell the treasury shares.

(All amounts in C thousands unless otherwise stated)

18 Share-based payment

IFRS2 p45(a)

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

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

		2009		**2008**	
		Average exercise price in C per share	**Options (thousands)**	Average exercise price in C per share	Options (thousands)
IFRS2 p45(b)(i)	At 1 January	**1.73**	**4,744**	1.29	4,150
IFRS2p45 (b)(ii)	Granted	**2.95**	**964**	2.38	1,827
IFRS2p45 (b)(iii)	Forfeited	**–**	**–**	2.00	(200)
IFRS2p45 (b)(iv)	Exercised	**1.28**	**(750)**	1.08	(1,000)
IFRS2p2 (b)(v)	Expired	**2.30**	**(125)**	0.80	(33)
IFRS2p2 (b)(vi)	**At 31 December**	**2.03**	**4,833**	1.73	4,744

IFRS2 p45(b)(vii), IFRS2 p45(c)

Out of the 4,833 thousand outstanding options (2008: 4,744 thousand options), 400 thousand options (2008: 600 thousand) were exercisable. Options exercised in 2009 resulted in 750 thousand shares (2008: 1,000 thousand shares) being issued at a weighted average price of C1.28 each (2008: C1.08 each). The related weighted average share price at the time of exercise was C2.85 (2008: C2.65) per share. The related transaction costs amounting to C10 (2008: C10) have been netted off with the proceeds received.

IFRS2 p45(d)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date – 1 July	**Exercise price in C per share**	**Shares 2009**	Shares 2008
2009	1.10	**–**	500
2010	1.20	**800**	900
2011	1.35	**1,075**	1,250
2012	2.00	**217**	267
2013	2.38	**1,777**	1,827
2014	2.95	**964**	–
		4,833	4,744

IFRS2p46
IFRS2p47(a) The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was C0.86 per option (2008: C0.66). The significant inputs into the model were weighted average share price of C3.47 (2008: C2.80) at the grant date, exercise price shown above, volatility of 30% (2008: 27%), dividend yield of 4.3% (2008: 3.5%), an expected option life of three years, and an annual risk-free interest rate of 5% (2008: 4%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 30a for the total expense recognised in the income statement for share options granted to directors and employees.

33p71(c)
10p21, 22(f) On 1 January 2010, 1,200 thousand share options were granted to directors and employees with an exercise price set at the market share prices less 15% on that date of C3.20 per share (share price: C3.68) (expiry date: 31 December 2014).

19 Retained earnings

1Rp106(d)	At 1 January 2008	48,470
	Profit for the year	15,512
1Rp106(d)	Dividends paid relating to 2007	(15,736)
IFRS2p50	Value of employee services[1]	822
16p41	Depreciation transfer on land and buildings net of tax	87
12p68C	Tax credit relating to share option scheme	20
19p93A	Actuarial loss on post employment benefit obligations net of tax	(494)
	At 31 December 2008	**48,681**
1Rp106(d)	At 1 January 2009	48,681
	Profit for the year	29,767
1Rp106(d)	Dividends relating to 2008	(10,102)
IFRS2p50	Value of employee services[1]	690
16p41	Depreciation transfer on land and buildings net of tax	100
12p68C	Tax credit relating to share option scheme	30
1p97(a)	Purchase of treasury shares[2]	(2,564)
19p93A	Actuarial loss on post employment benefit obligations net of tax	–
12p80(d)	Impact of change in UK tax rate on deferred tax[3]	(10)
	At 31 December 2009	**66,592**

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

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

[3] Solely for illustrative purposes, a change in tax rates has been assumed to have taken place in 2009. UK companies with 31 December 2009 year ends will have reflected an actual change in tax rates in 2008.

(All amounts in C thousands unless otherwise stated)

20 Other reserves

		Convertible bond	Land and buildings revalu-ation[1]	Hedging reserve	Available-for-sale Invest-ments	Trans-lation	Asset revaluation surplus	Total
	At 1 January 2008	–	1,152	65	1,320	3,827	–	6,364
16p39, IFRS7 p20(a)(ii)	Revaluation – gross (notes 6 and 10)	–	1,133	–	275	–		1,408
	Revaluation transfer – gross				(152)		–	(152)
12p61, 81(a)	Revaluation – tax (note 32)	–	(374)	–	(61)	–	–	(435)
28p39	Revaluation – associates (note 8)	–	–	–	(14)	–	–	(14)
16p41	Depreciation transfer – gross	–	(130)	–	–	–	–	(130)
16p41	Depreciation transfer – tax	–	43	–	–	–	–	43
1p96(b)	Cash flow hedges:							
IFRS7p23(c)	– Fair value gains in year	–	–	300	–	–	–	300
12p61, 81(a)	– Tax on fair value gains (note 32)	–	–	(101)	–	–	–	(101)
IFRS7p23(d)	– Transfers to sales	–	–	(236)	–	–	–	(236)
12p61, 81(a)	– Tax on transfers to sales (note 32)	–	–	79	–	–	–	79
IFRS7p23(e)	– Transfers to inventory	–	–	(67)	–	–	–	(67)
12p61, 81(a)	– Tax on transfers to inventory (note 32)	–	–	22	–	–	–	22
39p102(a)	Net investment hedge (note 11)	–	–	–	–	40	–	40
1Rp106(d)	Currency translation differences:							
21p52(b)	– Group	–	(50)	–	–	(171)	–	(221)
28p39	– Associates	–	–	–	–	105	–	105
	At 31 December 2008	–	1,774	62	1,368	3,801	–	7,005

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

(All amounts in C thousands unless otherwise stated)

		Convertible bond	Land and buildings revaluation[1]	Hedging reserve	Available-for-sale Investments	Translation	Asset revaluation surplus	Total
16p39, IFRS7 p20(a)(ii)	Revaluation – gross (note 10)	–	–	–	690	–	–	690
	Revaluation transfer – gross				(130)		–	(130)
12p61, 81(a)	Revaluation – tax (note 32)	–	–	–	(198)	–	–	(198)
28p39	Revaluation – associates (note 8)	–	–	–	(12)	–	–	(12)
16p41	Depreciation transfer – gross	–	(149)	–	–	–	–	(149)
16p41	Depreciation transfer – tax	–	49	–	–	–	–	49
1p96(b)	Cash flow hedges:							
IFRS7p23(c)	– Fair value gains in year	–	–	368	–	–	–	368
12p61, 81(a)	– Tax on fair value gains (note 32)	–	–	(123)	–	–	–	(123)
IFRS7p23(d)	– Transfers sales	–	–	(120)	–	–	–	(120)
12p61, 81(a)	– Tax on transfers to sales (note 32)	–	–	40	–	–	–	40
IFRS7p23(e)	– Transfers to inventory	–	–	(151)	–	–	–	(151)
12p61, 81(a)	– Tax on transfers to inventory (note 32)	–	–	50	–	–	–	50
39p102(a)	Net investment hedge (note 11)	–	–	–	–	(45)	–	(45)
1Rp106(d),	Currency translation differences:							
21p52(b)	– Group	–	15	–	–	2,051	–	2,066
28p39	– Associates	–	–	–	–	(74)	–	(74)
	Convertible bond – equity component (note 22)	7,761	–	–	–	–	–	7,761
12p61, 81(a)	Tax on equity component on convertible bond (note 32)	(2,328)	–	–	–	–	–	(2,328)
	Increase in fair values of proportionate holding of ABC Group (note 39)	–	–	–	–	–	850	850
	At 31 December 2009	**5,433**	**1,689**	**126**	**1,718**	**5,733**	**850**	**15,549**

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

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

(All amounts in C thousands unless otherwise stated)

21 Trade and other payables

		2009	2008
1Rp77	Trade payables	**10,983**	9,495
24p17	Amounts due to related parties (note 40)	**2,202**	1,195
	Social security and other taxes	**2,002**	960
	Accrued expenses	**1,483**	828
		16,670	12,478

22 Borrowings

Group	2009	2008
Non-current		
Bank borrowings	**32,193**	40,244
Convertible bond	**42,822**	–
Debentures and other loans	**3,300**	18,092
Redeemable preference shares	**30,000**	30,000
Finance lease liabilities	**6,806**	8,010
	115,121	96,346
Current		
Bank overdrafts (note 15)	**2,650**	6,464
Collateralised borrowings (note 12)	**1,014**	–
Bank borrowings	**3,368**	4,598
Debentures and other loans	**2,492**	4,608
Finance lease liabilities	**2,192**	2,588
	11,716	18,258
Total borrowings	**126,837**	114,604

(a) Bank borrowings

IFRS7p31 Bank borrowings mature until 2014 and bear average coupons of 7.5% annually (2008: 7.4% annually).

IFRS7p14 Total borrowings include secured liabilities (bank and collateralised borrowings) of C37,680 (2008: C51,306). Bank borrowings are secured by the land and buildings of the group (note 6). Collateralised borrowings are secured by trade receivables (note 12).

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

	2009	2008
6 months or less	**10,496**	16,748
6-12 months	**36,713**	29,100
1-5 years	**47,722**	38,555
Over 5 years	**31,906**	30,201
	126,837	114,604

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

	Carrying amount		Fair value	
	2009	2008	**2009**	2008
Bank borrowings	**32,193**	40,244	**32,590**	39,960
Redeemable preference shares	**30,000**	30,000	**28,450**	28,850
Debentures and other loans	**3,300**	18,092	**3,240**	17,730
Convertible bond	**42,822**	–	**42,752**	–
Finance lease liabilities	**6,806**	8,010	**6,205**	7,990
	115,121	96,346	**113,237**	94,530

IFRS7 p29(a) The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 7.5% (2008: 7.2%).

IFRS7p25 The carrying amounts of short-term borrowings approximate their fair value.

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

	2009	2008
UK pound	**80,100**	80,200
Euros	**28,353**	16,142
US dollar	**17,998**	17,898
Other currencies	**386**	364
	126,837	114,604

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

	2009	2008
Floating rate:		
– Expiring within one year	**6,150**	4,100
– Expiring beyond one year	**14,000**	8,400
Fixed rate:		
– Expiring within one year	**18,750**	12,500
	38,900	25,000

The facilities expiring within one year are annual facilities subject to review at various dates during 2009. The other facilities have been arranged to help finance the proposed expansion of the group's activities in Europe.

(b) Convertible bond

IFRS7p17, 1Rp79(b) The company issued 500,000 5.0% convertible bonds at a par value of C50 million[1] on 2 January 2009. The bonds mature five years from the issue date at their nominal value of C50 million[1] or can be converted into shares at the holder's option at the maturity date at the rate of 33 shares per C5001. The values of the liability component and the equity conversion component were determined at issuance of the bond.

The bonds mature five years from the issue date at their nominal value of C50 million[1] or can be converted into shares at the holder's option at the rate of 33 shares per C500.

[1] These amounts are not in C thousands.

32p28, 32p31, 1Rp79(b)

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves (note 20), net of income taxes.

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

		2009	2008
	Face value of convertible bond issued on 2 January 2009	**50,000**	–
12AppxB Ex4	Equity component (note 20)	**(7,761)**	–
	Liability component on initial recognition at 2 January 2009	**42,239**	–
	Interest expense (note 31)	**3,083**	–
	Interest paid	**(2,500)**	–
	Liability component at 31 December 2009	**42,822**	–

IFRS7 p27(a)

The fair value of the liability component of the convertible bond at 31 December 2009 amounted to C42,617. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 7.5%.

(c) Redeemable preference shares

32p15, 32p18(a)

The group issued 30 million cumulative redeemable preference shares with a par value of C1 per share on 4 January 2008. The shares are mandatorily redeemable at their par value on 4 January 2013, and pay dividends at 6.5% annually.

10p21

On 1 February 2009, the group issued C6,777 6.5% US dollar bonds to finance its expansion programme and working capital requirements in the US. The bonds are repayable on 31 December 2013.

(d) Finance lease liabilities

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

		2009	2008
17p31(b)	Gross finance lease liabilities – minimum lease payments		
	No later than 1 year	**2,749**	3,203
	Later than 1 year and no later than 5 years	**6,292**	7,160
	Later than 5 years	**2,063**	2,891
		11,104	13,254
	Future finance charges on finance leases	**(2,106)**	(2,656)
	Present value of finance lease liabilities	**8,998**	10,598

17p31(b)

The present value of finance lease liabilities is as follows:

	2009	2008
No later than 1 year	**2,192**	2,588
Later than 1 year and no later than 5 years	**4,900**	5,287
Later than 5 years	**1,906**	2,723
	8,998	10,598

23 Deferred income tax

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

		2009	2008
	Deferred tax assets:		
1Rp61	– Deferred tax asset to be recovered after more than 12 months	**(2,873)**	(3,257)
	– Deferred tax asset to be recovered within 12 months	**(647)**	(64)
		(3,520)	(3,321)
	Deferred tax liabilities:		
	– Deferred tax liability to be recovered after more than 12 months	**10,743**	8,016
	– Deferred tax liability to be recovered within 12 months	**1,627**	1,037
		12,370	9,053
	Deferred tax liabilities (net)	**8,850**	5,732

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

	2009	2008
At 1 January	**5,732**	3,047
Exchange differences	**(1,753)**	(154)
Acquisition of subsidiary (note 39)	**1,953**	–
Income statement charge (note 32)	**379**	2,635
Tax charge/(credit) relating to components of other comprehensive income (note 32)	**241**	224
Tax charged/(credited) directly to equity (note 20)	**2,298**	(20)
At 31 December	**8,850**	5,732

(All amounts in C thousands unless otherwise stated)

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

	Deferred tax liabilities	Accelerated tax depreciation	Fair value gains	Convertible bond	Other	Total
	At 1 January 2008	6,058	272	–	284	6,614
12p81(g)(ii)	Charged/(credited) to the income statement	1,786	–	–	799	2,585
	Charged/(credited) to other comprehensive income	–	435	–	–	435
12p81(a)	Charged directly to equity	–	–	–	–	–
	Exchange differences	241	100	–	–	341
12p81(g)(i)	At 31 December 2008	8,085	807	–	1,083	9,975
12p81(g)(ii)	Charged/(credited) to the income statement	425	–	(193)	138	370
	Charged/(credited) to other comprehensive income	–	231	–	–	231
12p81(a)	Charged directly to equity	–	–	2,328	–	2,328
	Acquisition of subsidiary	553	1,375	–	275	2,203
	Exchange differences	(571)	(263)	–	(123)	(957)
12p81(g)(i)	**At 31 December 2009**	**8,492**	**2,150**	**2,135**	**1,373**	**14,150**

	Deferred tax assets	Retirement benefit obligation	Provisions	Impairment losses	Tax losses	Other	Total
	At 1 January 2008	(428)	(962)	(732)	(1,072)	(373)	(3,567)
12p81(g)(ii)	Charged/(credited) to the income statement	–	181	–	–	(131)	50
	Charged/(credited) to other comprehensive income	(211)	–	–	–		(211)
12p81(a)	Charged/(credited) directly to equity	–	–	–	–	(20)	(20)
	Exchange differences	–	(35)	–	(460)	–	(495)
12p81(g)(i)	At 31 December 2008	(639)	(816)	(732)	(1,532)	(524)	(4,243)
	(Credited)/charged to the income statement	–	(538)	(322)	1,000	(131)	9
	Charged/(credited) to other comprehensive income	10	–	–	–	–	10
12p81(a)	Charged/(credited) directly to equity	–	–	–	–	(30)	(30)
	Acquisition of subsidiary (note 39)	(250)	–	–	–	–	(250)
	Exchange differences	–	(125)	(85)	(350)	(236)	(796)
12p81(g)(i)	**At 31 December 2009**	**(879)**	**(1,479)**	**(1,139)**	**(882)**	**(921)**	**(5,300)**

12p81(e) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of C333 (2008: C1,588) in respect of losses amounting to C1,000 (2008: C5,294) that can be carried forward against future taxable income. Losses amounting to C900 (2008: C5,294) and C100 (2008: nil) expire in 2012 and 2013 respectively.

12p81(f) Deferred income tax liabilities of C3,141 (2008: C2,016) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled C30,671 at 31 December 2009 (2008: C23,294).

(All amounts in C thousands unless otherwise stated)

24 Retirement benefit obligations

Group	2009	2008
Balance sheet obligations for:		
Pension benefits	**3,225**	1,532
Post-employment medical benefits	**1,410**	701
	4,635	2,233
Income statement charge for (note 30):		
Pension benefits	**755**	488
Post-employment medical benefits	**149**	107
	904	595
19p120A(h) Actuarial losses recognised in the statement of other comprehensive income in the period (before tax)	**–**	494
19p120A(i) Cumulative actuarial losses recognised in the statement of other comprehensive income(before tax)	**697**	203

(a) Pension benefits

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

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

	2009	2008
Present value of funded obligations	**6,155**	2,943
Fair value of plan assets	**(5,991)**	(2,797)
	164	146
Present value of unfunded obligations	**3,206**	1,549
Unrecognised past service cost	**(145)**	(163)
Liability in the balance sheet	**3,225**	1,532

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

	2009	2008
At 1 January	**4,492**	3,479
Current service cost	**751**	498
Interest cost	**431**	214
Contributions by plan participants	**55**	30
Actuarial losses/(gains)	**(15)**	495
Exchange differences	**(43)**	(103)
Benefits paid	**(66)**	(121)
Liabilities acquired in a business combination (note 39)	**3,691**	–
Curtailments	**65**	–
Settlements[1]	**–**	–
At 31 December	**9,361**	4,492

19p119 For the purpose of these illustrative financial statements we have assumed that all movements on the defined benefit obligation have been charged to a single line item.

(All amounts in C thousands unless otherwise stated)

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

	2009	2008
At 1 January	**2,797**	2,264
Expected return on plan assets	**510**	240
Actuarial losses/(gains)	**(15)**	1
Exchange differences	**25**	(22)
Employer contributions	**908**	411
Employee contributions	**55**	30
Benefits paid	**(66)**	(127)
Business combinations (note 39)	**1,777**	–
At 31 December	**5,991**	2,797

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

	2009	2008
Current service cost	**751**	498
Interest cost	**431**	214
Expected return on plan assets	**(510)**	(240)
Past service cost	**18**	16
Losses on curtailment	**65**	–
Total, included in staff costs (note 30)	**755**	488

19p120A(g) Of the total charge, C516 (2008: C319) and C239 (2008: C169) were included in 'cost of goods sold' and 'administrative expenses' respectively.

19p120A(m) The actual return on plan assets was C495 (2008: C235).

The principal actuarial assumptions used were as follows:

19p120A(n)

	2009		2008	
	UK	US	UK	US
Discount rate	**6.0%**	**6.1%**	5.5%	5.6%
Inflation rate	**3.6%**	**3.0%**	3.3%	2.7%
Expected return on plan assets	**8.5%**	**8.3%**	8.7%	8.7%
Future salary increases	**5.0%**	**4.5%**	4.5%	4.0%
Future pension increases	**3.6%**	**2.8%**	3.1%	2.7%

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

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

	2009		2008	
	UK	**US**	**UK**	**US**
Retiring at the end of the reporting period:				
– Male	**22**	**20**	22	20
– Female	**25**	**24**	25	24
– Retiring 20 years after the end of the reporting period:				
– Male	**25**	**23**	24	23
– Female	**28**	**26**	27	26

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

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

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

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

19p120A(n) In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of 8.0% a year (2008: 7.6%).

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

	2009	2008
Present value of funded obligations	**705**	340
Fair value of plan assets	**(620)**	(302)
	85	38
Present value of unfunded obligations	**1,325**	663
Liability in the balance sheet	**1,410**	701

(All amounts in C thousands unless otherwise stated)

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

	2009	2008
At 1 January	**1,003**	708
Current service cost	**153**	107
Interest cost	**49**	25
Contributions by plan participants[1]	**—**	—
Actuarial losses/(gains)	**(2)**	204
Exchange differences	**25**	(41)
Benefits paid	**—**	—
Liabilities acquired in a business combination (note 39)	**802**	—
Curtailments[2]	**—**	—
Settlements[2]	**—**	—
At 31 December	**2,030**	1,003

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

	2009	2008
At 1 January	**302**	207
Expected return on plan assets	**53**	25
Actuarial gains/(losses)	**(2)**	(1)
Exchange differences	**5**	(2)
Employer contributions	**185**	73
Employee contributions[1]	**—**	—
Benefits paid[1]	**—**	—
Business combinations (note 39)	**77**	—
At 31 December	**620**	302

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

	2009	2008
Current service cost	**153**	107
Interest cost	**49**	25
Expected return on plan assets	**(53)**	(25)
Total, included in staff costs (note 30)	**149**	107

19p120A(g) Of the total charge, C102 (2008: C71) and C47 (2008: C36) respectively were included in cost of goods sold and administrative expenses.

19p120A(m) The actual return on plan assets was C51 (2008: C24).

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

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

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

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

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

	2009		2008	
Equity instruments	**3,256**	**49%**	1,224	40%
Debt instruments	**1,524**	**23%**	571	18%
Property	**1,047**	**16%**	943	30%
Other	**784**	**12%**	361	12%
	6,611	**100%**	3,099	100%

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

19p120A(k) Pension plan assets include the company's ordinary shares with a fair value of C136 (2008: C126) and a building occupied by the group with a fair value of C612 (2008: C609).

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

19p120(q) Expected contributions to post-employment benefit plans for the year ending 31 December 2009 are C1,150.

DV The group has agreed that it will aim to eliminate the deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed regular contribution rate is 14% of pensionable salaries in the UK and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2010. The group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

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

19p120A(p)

	2009	2008	2007	2006	2005
At 31 December					
Present value of defined benefit obligation	**11,391**	5,495	4,187	3,937	3,823
Fair value of plan assets	**6,611**	3,099	2,471	2,222	2,102
Deficit/(surplus) in the plan	**4,780**	2,396	1,716	1,715	1,721
Experience adjustments on plan liabilities	**(326)**	125	55	–	–
Experience adjustments on plan assets	**(17)**	(6)	(197)	–	–

(All amounts in C thousands unless otherwise stated)

25 Provisions for other liabilities and charges

1p75(d)

		Environmental restoration	Restructuring	Legal claims	Profit-sharing and bonuses	Contingent liability arising on a business combination	Total
37p84(a)	At 1 January 2009	842	–	828	1,000	–	2,670
	Charged/(credited) to the income statement:						
37p84(b)	– Additional provisions/ fair value adjustment on acquisition of ABC Group	316	1,986	2,405	500	1,000	6,207
37p84(d)	– Unused amounts reversed	(15)	–	(15)	(10)	–	(40)
37p84(e)	– Unwinding of discount	40	–	–	–	4	44
37p84(c)	Used during year	(233)	(886)	(3,059)	(990)	–	(5,168)
	Exchange differences	(7)	–	(68)	–	–	(75)
IFRS5p38	Transferred to disposal group/classified as held for sale	(96)	–	–	–	–	(96)
37p84(a)	**At 31 December 2009**	**847**	**1,100**	**91**	**500**	**1,004**	**3,542**

Analysis of total provisions:

		2009	2008
1Rp69	Non-current (environmental restoration)	**1,320**	274
1Rp69	Current	**2,222**	2,396
		3,542	2,670

(a) Environmental restoration

37p85 (a)-(c)

The group uses various chemicals in working with leather. A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that C531 will be used during 2010 and C320 during 2011. Total expected costs to be incurred are C880 (2008: C760).

DV

The provision transferred to the disposal group classified as held for sale amounts to C96 and relates to an environmental restoration provision for Shoes Limited (part of the wholesale segment). See note 16 for further details regarding the disposal group held for sale.

(b) Restructuring

37p85(a)-(c)

The reduction of the volumes assigned to manufacturing operations in Step-land (a subsidiary) will result in the reduction of a total of 155 jobs at two factories. An agreement was reached with the local union representatives that specifies the number of staff involved and the voluntary redundancy compensation package offered by the group, as well as amounts payable to those made redundant, before the financial year-end. The estimated staff restructuring costs to be incurred are C799 at 31 December 2009 (note 30a). Other direct costs attributable to the restructuring, including lease termination, are C1,187. These costs were fully provided for in 2009. The provision of C1,100 at 31 December 2009 is expected to be fully utilised during the first half of 2010.

36p130 A goodwill impairment charge of C4,650 was recognised in the cash-generating unit relating to Step-land as a result of this restructuring (note 7).

(c) Legal claims

37p85(a)-(c) The amounts represent a provision for certain legal claims brought against the group by customers of the wholesale segment. The provision charge is recognised in profit or loss within 'administrative expenses'. The balance at 31 December 2009 is expected to be utilised in the first half of 2010. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2009.

(d) Profit-sharing and bonuses

19p8(c),10 DV, 37p859(a) The provision for profit-sharing and bonuses is payable within three month of finalisation of the audited financial statements.

(e) Contingent liability

A contingent liability of C1,000 has been recognised on the acquisition of ABC Group for a pending lawsuit in which the entity is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by the end of 2011. The potential undiscounted amount of all future payments that the group could be required to make if there was an adverse decision related to the lawsuit is estimated to be between C500 and C1,500. As of 31 December 2009, there has been no change in the amount recognised (except for the unwinding of the discount of C4) for the liability at 31 March 2009, as there has been no change in the probability of the outcome of the lawsuit.

The selling shareholders of ABC Group have contractually agreed to indemnify IFRS GAAP plc for the claim that may become payable in respect of the above-mentioned lawsuit. This possible compensation will not be recognised until virtually certain and will be adjusted against goodwill once received from the vendor.

26 Other (losses)/gains – net

		2009	2008
IFRS7 p20(a)(i)	Financial assets at fair value through profit or loss (note 14):		
	– Fair value losses	**(508)**	(238)
	– Fair value gains	**593**	–
IFRS7 p20(a)(i)	Foreign exchange forward contracts:		
	– Held for trading	**86**	88
21p52(a)	– Net foreign exchange gains/(losses) (note 33)	**(277)**	200
IFRS7 p24(a)	Ineffectiveness on fair value hedges (note 11)	**(1)**	(1)
IFRS7 p24(b)	Ineffectiveness on cash flow hedges (note 11)	**17**	14
		(90)	63

(All amounts in C thousands unless otherwise stated)

27 Other income

	Group	2009	2008
18p35(b)(v)	Dividend income on available-for-sale financial assets	**1,100**	883
18p35(b)(v)	Dividend income on financial assets at fair value through profit or loss	**800**	310
	Investment income	**1,900**	1,193
	Insurance reimbursement	**–**	66
		1,900	1,259

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

28 Loss on expropriated land

During 2009, undeveloped land owned by the group in the UK was expropriated following works for the enlargement of a motorway adjacent to the group's manufacturing facilities. Losses relating to the expropriation are C1,117 as of 31 December 2009 (2008: nil).

29 Expenses by nature

		2009	2008
1R p104	Changes in inventories of finished goods and work in progress	**6,950**	(2,300)
1Rp104	Raw materials and consumables used	**53,302**	31,845
1Rp104	Employee benefit expense (note 30a)	**40,082**	15,492
1Rp104	Depreciation, amortisation and impairment charges (notes 6 and 7)	**23,204**	10,227
1Rp104	Transportation expenses	**8,584**	6,236
1Rp104	Advertising costs	**12,759**	6,662
1Rp104	Operating lease payments (note 6)	**10,604**	8,500
1Rp104	Other expenses	**2,799**	1,659
	Total cost of sales, distribution costs and administrative expenses	**158,284**	78,321

30a Employee benefit expense

		2009	2008
19p142	Wages and salaries, including restructuring costs C799 (2008: nil) (note 25) and other termination benefits C1,600 (2008: nil)	**28,363**	10,041
	Social security costs	**9,369**	3,802
IFRS2 p51(a)	Share options granted to directors and employees	**690**	822
19p46	Pension costs – defined contribution plans	**756**	232
19p120A(g)	Pension costs – defined benefit plans (note 24)	**755**	488
19p120A(g)	Other post-employment benefits (note 24)	**149**	107
		40,082	15,492

(All amounts in C thousands unless otherwise stated)

30b Average number of people employed

		2009	2008
DV	Number of employees	**535**	210

31 Finance income and costs

		2009	2008
IFRS7 p20(b)	Interest expense:		
	– Bank borrowings	**(5,317)**	(10,646)
	– Dividend on redeemable preference shares (note 22)	**(1,950)**	(1,950)
	– Convertible bond (note 22)	**(3,083)**	–
	– Finance lease liabilities	**(550)**	(648)
37p84(e)	– Provisions: unwinding of discount (note 25)	**(44)**	(37)
21p52(a)	Net foreign exchange gains on financing activities (note 33)	**2,594**	996
	Fair value gains on financial instruments:		
IFRS7 p23(d)	– Interest rate swaps: cash flow hedges, transfer from equity	**102**	88
IFRS7 p24(a)(i)	– Interest rate swaps: fair value hedges	**16**	31
IFRS7 p24(a)(ii)	Fair value adjustment of bank borrowings attributable to interest rate risk	**(16)**	(31)
	Finance costs	**(8,248)**	(12,197)
	Less: amounts capitalised on qualifying assets	**75**	—
	Total finance cost	**(8,173)**	—
	Finance income:		
21p52(a)	– Interest income on short-term bank deposits	**550**	489
IFRS7 p20(b)	– Interest income on available-for-sale financial assets	**963**	984
IFRS7 p20(b)	– Interest income on loans to related parties (note 40)	**217**	136
	Finance income	**1,730**	1,609
	Net finance costs	**(6,443)**	(10,588)

32 Income tax expense

	Group	2009	2008
	Current tax:		
12p80(a)	Current tax on profits for the year	**14,082**	6,035
12p80(b)	Adjustments in respect of prior years	**150**	–
	Total current tax	**14,232**	6,035
	Deferred tax (note 23):		
12p80(c)	Origination and reversal of temporary differences	**476**	2,635
12p80(d)	Impact of change in the Euravian tax rate	**(97)**	–
	Total deferred tax	**379**	2,635
	Income tax expense	**14,611**	8,670

(All amounts in C thousands unless otherwise stated)

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

	2009	2008
Profit before tax	**46,826**	24,918
Tax calculated at domestic tax rates applicable to profits in the respective countries	**15,453**	7,475
Tax effects of:		
– Associates' results reported net of tax	**5**	(44)
– Income not subject to tax	**(1,072)**	(212)
– Expenses not deductible for tax purposes	**1,540**	1,104
– Utilisation of previously unrecognised tax losses	**(1,450)**	–
– Tax losses for which no deferred income tax asset was recognised	**30**	347
Re-measurement of deferred tax – change in the Euravian tax rate	**(97)**	–
Adjustment in respect of prior years	**150**	–
Tax charge	**14,611**	8,670

12p81(d) During the year, as a result of the change in the Euravian corporation tax rate from 30% to 28% that was substantively enacted on 26 June 2009 and that will be effective from 1 April 2010, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the year to 31 December 2010 has been measured using the effective rate that will apply in Euravia for the period (28.5%).

12p81(d) The weighted average applicable tax rate was 33% (2008: 30%). The increase is caused by a change in the profitability of the group's subsidiaries in the respective countries partially offset by the impact of the reduction in the Euravian tax rate.

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

12p81(ab)

			2009			2008	
		Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
	Fair value gains:						
1Rp90	– Land and buildings	**–**	**–**	**–**	1,133	(374)	759
1Rp90	– Available-for-sale financial assets	**560**	**(198)**	**362**	123	(61)	62
1Rp90	Share of other comprehensive income of associates	**(12)**	**–**	**(12)**	(14)	–	(14)
1Rp90	Actuarial loss on retirement benefit obligations	**–**	**–**	**–**	(705)	211	(494)
1Rp90	Impact of change in the Euravian tax rate on deferred tax	**–**	**(10)**	**(10)**	–	–	–
1Rp90	Cash flow hedges	**97**	**(33)**	**64**	(3)	–	(3)
1Rp90	Net investment hedge	**(45)**	**–**	**(45)**	40	–	40
1Rp90	Currency translation differences	**2,244**	**–**	**2,244**	(156)	–	(156)
IFRS3p59	Increase in fair values of proportionate holding of ABC Group (note 39)	**850**	**–**	**850**	–	–	–
	Other comprehensive income	3,694	(241)	3,453	418	(224)	194
	Current tax[1]	–	–	–	–	–	–
	Deferred tax (note 23)	–	(241)	–	–	(224)	–
		–	(241)	–	–	(224)	–

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

	2009	2008
Current tax[2]:		
– Share option scheme	**–**	–
Deferred tax:		
– Share option scheme	**30**	20
– Convertible bond – equity component[3] (note 20)	**(2,328)**	–
	(2,298)	20

In addition, deferred income tax of C49 (2008: C43) was transferred from other reserves (note 20) to retained earnings (note 19). This represents deferred tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

[1] There are no current tax items relating to other comprehensive income in these financial statements, but the line item is shown for illustrative purposes.
[2] IAS 12 requires disclosure of current tax charged/credited directly to equity, in addition to deferred tax. There are no current tax items shown directly in equity in these financial statements, but the line item is shown for illustrative purposes.
[3] It is assumed that the tax base on the convertible bond is not split between the debt and equity elements. If the tax base were split, this would impact the deferred tax position.

(All amounts in C thousands unless otherwise stated)

33 Net foreign exchange gains/(losses)

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

Group	2009	2008
Other (losses)/gains – net (note 26)	**(277)**	200
Net finance costs (note 31)	**2,594**	996
	2,317	1,196

34 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares (note 17).

		2009	2008
33p70(a)	Profit attributable to equity holders of the company	**29,767**	15,512
	Profit from discontinued operation attributable to equity holders of the company	**100**	120
		29,867	15,632
33p70(b)	Weighted average number of ordinary shares in issue (thousands)	**23,454**	20,500

(b) Diluted

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

(All amounts in C thousands unless otherwise stated)

		2009	2008
	Earnings		
	Profit attributable to equity holders of the company	**29,767**	15,512
	Interest expense on convertible debt (net of tax)	**2,158**	–
33p70(a)	Profit used to determine diluted earnings per share	**31,925**	15,512
	Profit from discontinued operations attributable to equity holders of the company	**100**	120
		32,025	15,632
	Weighted average number of ordinary shares in issue (thousands)	**23,454**	20,500
	Adjustments for:		
	– Assumed conversion of convertible debt (thousands)	**3,030**	–
	– Share options (thousands)	**1,213**	1,329
33p70(b)	Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,697**	21,829

35 Dividends per share

1Rp107, 1Rp137(a) 10p12

The dividends paid in 2009 and 2008 were C10,102 (C0.48 per share) and C15,736 (C0.78 per share) respectively. A dividend in respect of the year ended 31 December 2009 of C0.51 per share, amounting to a total dividend of C12,945, is to be proposed at the annual general meeting on 30 April 2009. These financial statements do not reflect this dividend payable.

36 Cash generated from operations

		2009	2008
7p18(b), 20	Profit before income tax including discontinued operations	**47,066**	25,118
	Adjustments for:		
	– Depreciation (note 6)	**17,754**	9,662
	– Amortisation (note 7)	**800**	565
	– Goodwill impairment charge (note 7)	**4,650**	–
	– (Profit)/loss on disposal of property, plant and equipment (see below)	**(17)**	8
	– Share-based payment and increase in retirement benefit obligations	**509**	1,470
	– Fair value gains on derivative financial instruments (note 26)	**(86)**	(88)
	– Fair value (gains)/losses on financial assets at fair value through profit or loss (note 26)	**(85)**	238
	– Dividend income on available-for-sale financial assets (note 27)	**(1,100)**	(883)
	– Dividend income on financial assets at fair value through profit or loss (note 27)	**(800)**	(310)
	– Finance costs – net (note 31)	**6,443**	10,588
	– Share of loss/(profit) from associates (note 8)	**174**	(145)
	– Foreign exchange losses/(gains) on operating activities (note 33)	**(277)**	(200)
	Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
	– Inventories	**(6,077)**	(966)
	– Trade and other receivables	**(1,339)**	(2,966)
	– Financial assets at fair value through profit or loss	**(3,747)**	(858)
	– Trade and other payables	**(7,634)**	543
	Cash generated from operations	**56,234**	41,776

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

	2009	2008
Net book amount (note 6)	**6,337**	2,987
Profit/(loss) on disposal of property, plant and equipment	**17**	(8)
Proceeds from disposal of property, plant and equipment	**6,354**	2,979

Non-cash transactions

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

37 Contingencies

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

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (note 25).

In respect of the acquisition of ABC Group on 1 March 2009 (note 39), additional consideration of 5% of the profit of ABC Group may be payable in cash if the acquired operations achieve sales in excess of C7,500 for 2010, up to a maximum undiscounted amount of C2,500. At the date of acquisition, it was not considered probable that these monies would be payable. They were, therefore, not included as consideration for the business combination. There is no change in this assessment at the year end.

37p89 The group entered into an 'earn-out' agreement in connection with the disposal on 30 December 2006 of Leather Goods Limited. Additional cash consideration will be payable to the group if the future performance of Leather Goods Limited reaches a certain level. No gain has been recognised in the financial statements, as the amount of the earn-out is dependent on the aggregate result of Leather Goods Limited for the 39-month period ending 31 March 2011.

38 Commitments

(a) Capital commitments

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

		2009	2008
16p74(c)	Property, plant and equipment	**3,593**	3,667
38p122(e)	Intangible assets	**460**	474
		4,053	4,141

(b) Operating lease commitments – group company as lessee

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

17p35(d) The group also leases various plant and machinery under cancellable operating lease agreements. The group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 29.

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

	2009	2008
No later than 1 year	**11,664**	10,604
Later than 1 year and no later than 5 years	**45,651**	45,651
Later than 5 years	**15,710**	27,374
	73,025	83,629

39 Business combinations

IFRS3 p66(a) IFRS3p67 (a-c) IFRS3 p70(a) IFRS3 p67(i) IFRS3 p70(b) On 30 June 2008, the group acquired 15% of the share capital of ABC Group for C1,126 (note 10). At that date, the fair value of the net assets and liabilities in ABC Group equalled C1,126 and consequently there is no goodwill on the initial 15% investment. On 1 March 2009, the group acquired a further 55% of the share capital and obtained the control of ABC group, a shoe and leather goods retailer operating in the US and most western European countries. The acquired business contributed revenues of C44,709 and net profit of C2,762 to the group for the period from1 March 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009, group revenue would have been C220,345, and profit before allocations would have been C33,126. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2009, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

IFRS3p67(d) Purchase consideration:

		2009
7p40(b)	– Cash paid	**4,050**
	– Direct costs relating to the acquisition	**200**
IFRS3 p67(d)(i)	– Fair value of shares issued, net of issuance costs of C50 (note 17)	**10,000**
7p40(a)	**Total purchase consideration**	**14,250**

IFRS3p67(h) The goodwill is attributable to the acquired customer base and economies of scale expected from combining the operations of the group and ABC Group.

IFRS3 p67(d)(ii) The fair value of the shares issued was based on the published share price (1 March 2009).

(All amounts in C thousands unless otherwise stated)

IFRS3p67(f) The assets and liabilities as of 1 March 2009 arising from the acquisition are as follows:

		Fair value	Acquiree's carrying amount
	Cash and cash equivalents	300	300
	Property, plant and equipment (note 6)	67,784	63,562
	Trademarks (included in intangibles) (note 7)	2,000	–
	Licences (included in intangibles) (note 7)	1,000	–
	Contractual customer relationship (included in intangibles) (note 7)	1,000	
	Investment in associates (note 8)	389	329
	Available-for-sale financial assets (note 10)	473	473
	Inventories	1,122	672
	Trade and other receivables	585	585
	Trade and other payables	(12,461)	(12,461)
	Retirement benefit obligations:		
	– Pensions (note 24)	(1,914)	(1,901)
	– Other post-retirement obligations (note 24)	(725)	(725)
	Borrowings	(41,459)	(41,459)
	Contingent liability	(1,000)	—
	Deferred tax liabilities (note 23)	(1,953)	(410)
	Fair value of net assets	**15,141**	**8,965**
	Minority interests (30%)	(4,542)	
	Asset revaluation surplus (note 20)	(850)	
	Goodwill (note 7)	4,501	
	Total purchase consideration	**14,250**	
	Purchase consideration settled in cash		4,250
7p40(c)	Cash and cash equivalents in subsidiary acquired		(300)
	Cash outflow on acquisition		**3,950**

There were no acquisitions in the year ended 31 December 2008.

IFRS3 The fair value of the acquired identifiable intangible assets of C4,000 (including trademarks and licences) is provisional pending receipt of the final valuations for those assets.

See note 41 for disclosures regarding the business combination that took place after the end of the reporting period but before the approval of these financial statements.

40 Related-party transactions

1Rp138(c) 24p12 The group is controlled by M Limited (incorporated in the UK), which owns 57% of the company's shares. The remaining 43% of the shares are widely held. The ultimate parent of the group is G Limited (incorporated in the UK). The ultimate controlling party of the group is Mr Power.

24p17, 18, 22 The following transactions were carried out with related parties:

24p17(a) *(a) Sales of goods and services*

Sales of goods:	**2009**	2008
– Associates	**1,123**	291
Sales of services:		
– The ultimate parent (legal and administration services)	**67**	127
– Close family members of the ultimate controlling party (design services)	**100**	104
	1,290	522

Goods are sold based on the price lists in force and terms that would be available to third parties[1]. Sales of services are negotiated with related parties on a cost-plus basis, allowing a margin ranging from 15% to 30% (2008: 10% to 18%).

24p17(a) *(b) Purchases of goods and services*

	2009	2008
Purchases of goods:		
– Associates	**3,054**	3,058
Purchases of services:		
– An entity controlled by key management personnel	**83**	70
– The immediate parent (management services)	**295**	268
	3,432	3,396

24p21 Goods and services are bought from associates and an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by key management personnel is a firm belonging to Mr Chamois, a non-executive director of the company. Management services are bought from the immediate parent on a cost-plus basis, allowing a margin ranging from 15% to 30% (2008: 10%).

24p16 *(c) Key management compensation*

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

		2009	2008
24p16(a)	Salaries and other short-term employee benefits	**2,200**	1,890
24p16(d)	Termination benefits	**1,600**	–
24p16(b)	Post-employment benefits	**123**	85
24p16(c)	Other long-term benefits	**26**	22
24p16(e)	Share-based payments	**150**	107
		4,099	2,104

[1] Management should disclose that related-party transactions were made on an arm's length basis only when such terms can be substantiated (IAS24p21).

(All amounts in C thousands unless otherwise stated)

24p17(b), 1Rp77

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

	2009	2008
Receivables from related parties (note 12):		
– Ultimate parent	**50**	40
– Close family members of key management personnel	**4**	6
Payables to related parties (note 21):		
– Immediate parent	**200**	190
– Associates	**1,902**	1, 005
– Entity controlled by key management personnel	**100**	–

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties (2008: nil).

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

24p17, 1Rp77

(e) Loans to related parties

	2009	2008
Loans to key management of the company (and their families)[1]:		
At 1 January	**196**	168
Loans advanced during year	**343**	62
Loan repayments received	**(49)**	(34)
Interest charged	**30**	16
Interest received	**(30)**	(16)
At 31 December	**490**	196
Loans to associates:		
At 1 January	**1,192**	1,206
Loans advanced during year	**1,000**	50
Loan repayments received	**(14)**	(64)
Interest charged	**187**	120
Interest received	**(187)**	(120)
At 31 December	**2,178**	1,192
Total loans to related parties:		
At 1 January	**1,388**	1,374
Loans advanced during year	**1,343**	112
Loan repayments received	**(63)**	(98)
Interest charged	**217**	136
Interest received (note 31)	**(217)**	(136)
At 31 December (note 12)	**2,668**	1,388

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

24p17(b)(i) The loans advanced to key management have the following terms and conditions:

Name of key management	Amount of loan	Term	Interest rate
2009			
Mr Brown	173	Repayable monthly over 2 years	6.3%
Mr White	170	Repayable monthly over 2 years	6.3%
2008			
Mr Black	20	Repayable monthly over 2 years	6.5%
Mr White	42	Repayable monthly over 1 year	6.5%

IFRS7p15 Certain loans advanced to associates during the year amounting to C1,500 (2008: C500) are collateralised by shares in listed companies. The fair value of these shares was C65 at the end of the reporting period (2008: C590).

The loans to associates are due on 1 January 2010 and carry interest at 7.0% (2008:8%). The fair values and the effective interest rates of loans to associates are disclosed in note 12.

24p17(c) No provision has been required in 2009 and 2008 for the loans made to key management personnel and associates.

41 Events after the reporting period

(a) Business combinations

10p21, IFRS3 p66(b), IFRS3p67 (a-c) The group acquired 100% of the share capital of K&Co, a group of companies specialising in the manufacture of shoes for extreme sports, for a cash consideration of C5, 950 on 1 February 2010.

Details of net assets acquired and goodwill are as follows:

		2009
IFRS3 p67(d)	Purchase consideration:	
	– Cash paid	**5,950**
	– Direct cost relating to the acquisition	**150**
7p40(a)	Total purchase consideration	**6,100**
	Fair value of assets acquired (see below)	**(5,145)**
	Goodwill	**955**

IFRS3 p67(h) IFRS3 p67(f) The above goodwill is attributable to K&Co's strong position and profitability in trading in the niche market for extreme-sports equipment.

(All amounts in C thousands unless otherwise stated)

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

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	195	195
Property, plant and equipment	29,056	28,234
Trademarks	1,000	—
Licences	700	—
Customer relationships	1,850	—
Favourable lease agreements	800	—
Inventories	995	495
Trade and other receivables	855	855
Trade and other payables	(9,646)	(9,646)
Retirement benefit obligations	(1,425)	(1,300)
Borrowings	(19,259)	(19,259)
Deferred tax assets	24	519
Net assets acquired	**5,145**	**93**

(b) Associates

10p21 The group acquired 40% of the share capital of L&Co, a group of companies specialising in the manufacture of leisure shoes, for a cash consideration of C2, 050 on 25 January 2010.

Details of net assets acquired and goodwill are as follows:

	2009
Purchase consideration:	
– Cash paid	2,050
– Direct cost relating to the acquisition	70
Total purchase consideration	2,120
Share of fair value of net assets acquired (see below)	(2,000)
Goodwill	**120**

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

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

	Fair value	Acquiree's carrying amount
Contractual customer relationships	380	–
Property, plant and equipment	3,200	2,400
Inventory	500	500
Cash	220	220
Trade creditors	(420)	(350)
Borrowings	(1,880)	(1,420)
Net assets acquired	**2,000**	**1,350**

(c) Equity transactions

10p21
33p71(c)
10p21, 22(f)

On 1 January 2010, 1,200 thousand share options were granted to directors and employees with an exercise price set at the market share prices less 15% on that date of C3.13 per share (share price: C3.68) (expiry date: 31 December 2014).

The company re-issued 500,000 treasury shares for a total consideration of C1, 500 on 15 January 2010.

(d) Borrowings

10p21

On 1 February 2010, the group issued C6,777 6.5% US dollar bonds to finance its expansion programme and working capital requirements in the US. The bonds are repayable on 31 December 2014.

(All amounts in C thousands unless otherwise stated)

Independent auditors' report to the members of IFRS GAAP plc[1]

To the shareholders of IFRS GAAP Plc

Report on the financial statements

We have audited the consolidated financial statements of IFRS GAAP plc which comprise the consolidated balance sheet as of 31 December 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view[2] of the financial position of the group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

[1] The format of the audit report will need to be tailored to reflect the legal framework of particular countries. In certain countries, the audit report covers both the current year and the comparative year.
[2] The term 'give a true and fair view' can be changed to 'present fairly, in all material respects'.

(All amounts in C thousands unless otherwise stated)

Report on other legal and regulatory requirements

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

Signature
Date
Address

(All amounts in C thousands unless otherwise stated)

Appendices

Appendix I – Operating and financial review

International Organization of Securities Commissions

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

Standard

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(All amounts in C thousands unless otherwise stated)

IASB's exposure draft on management commentary

The IASB published an exposure draft on management commentary (MC) in June 2009. The exposure draft sets out a non-binding framework for preparing and presenting management commentary. MC provides an opportunity for management to outline how an entity's financial position, financial performance and cash flows relate to management's objectives and its strategies for achieving those objectives. The exposure draft is open for comment until 1 March 2010.

The exposure draft follows the IASB's consideration of its discussion paper, 'Management commentary', issued in October 2005, responses to that discussion paper, developments in narrative reporting in a variety of jurisdictions and other recent work by the IASB on the objective and qualitative characteristics of financial reporting (the exposure draft issued in May 2008, 'An improved conceptual framework for financial reporting: Chapter 1: The objective of financial reporting, and Chapter 2: Qualitative characteristics and constraints of decision-useful financial reporting information').

The proposed standard states that a decision-useful MC includes information that is essential to an understanding of:

- The nature of the business.
- Management's objectives and strategies for meeting those objectives.
- The entity's most significant resources, risks and relationships.
- Results of operations and prospects.
- Critical performance measures and indicators that management uses to evaluate the entity's performance against stated objectives.

The exposure draft acknowledges that management commentary is already an important part of communication with the market. The proposals present a broad framework for MC reporting, and management will need to decide how best to apply this reporting framework to the particular circumstances of the business.

Appendix II – Alternative presentation of primary statements

IAS 19 – Employee benefits

Included below is the illustrative disclosure for post-employment benefits using the option in IAS 19 to recognise actuarial gains and losses using the corridor approach.

Note – Accounting policies

Employee benefits

1Rp119

(a) Pension obligations

19p27
19p25
19p7
19p120A(b)

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

19p79
19p80
19p64

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

19p92
19p93
19p120A(a)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

19p96

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

19p44

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

(All amounts in C thousands unless otherwise stated)

1Rp119 *(b) Other post-employment obligations*

19p120A(a)
19p120A(b)
Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

1Rp119 *(c) Share-based compensation*

IFRS2
p15(b)
IFRS2p19
The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount to be expensed is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

1Rp119 *(d) Termination benefits*

19p133
19p134
19p139
Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

1Rp119 *(e) Profit-sharing and bonus plans*

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

(All amounts in C thousands unless otherwise stated)

Note – Retirement benefit obligation

	2009	2008
Balance sheet obligations for:		
Pension benefits	**3,138**	1,438
Post-employment medical benefits	**1,402**	692
	4,540	2,130
Income statement charge for (note 30):		
Pension benefits	**762**	496
Post-employment medical benefits	**150**	107
	912	603

(a) Pension benefits

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

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

	2009	2008
Present value of funded obligations	**6,155**	2,943
Fair value of plan assets	**(5,991)**	(2,797)
	164	146
Present value of unfunded obligations	**3,206**	1,549
Unrecognised actuarial losses	**(87)**	(94)
Unrecognised past service cost	**(145)**	(163)
Liability in the balance sheet	**3,138**	1,438

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

	2009	2008
At 1 January	**4,492**	3,479
Current service cost	**751**	498
Interest cost	**431**	214
Contributions by plan participants	**55**	30
Actuarial losses/(gains)	**(15)**	495
Exchange differences	**(43)**	(103)
Benefits paid	**(66)**	(121)
Liabilities acquired in a business combination (note 39)	**3,691**	–
Curtailments	**65**	–
Settlements[1]	**–**	–
At 31 December	**9,361**	4,492

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

(All amounts in C thousands unless otherwise stated)

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

	2009	2008
At 1 January	**2,797**	2,264
Expected return on plan assets	**510**	240
Actuarial gains/(losses)	**(15)**	(5)
Exchange differences	**25**	(22)
Employer contributions	**908**	411
Employee contributions	**55**	30
Benefits paid	**(66)**	(121)
Business combinations (note 39)	**1,777**	–
At 31 December	**5,991**	2,797

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

	2009	2008
Current service cost	**751**	498
Interest cost	**431**	214
Expected return on plan assets	**(510)**	(240)
Net actuarial losses recognised during the year	**7**	8
Past service cost	**18**	16
Losses on curtailment	**65**	–
Total, included in staff costs (note 30a)	**762**	496

19p120A(g) Of the total charge, C521 (2008: C324) and C241 (2008: C172) were included in cost of goods sold and administrative expenses respectively.

19p120A(m) The actual return on plan assets was C495 (2008: C235).

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

19p120A(n)	**2009**		2008	
	UK	**US**	**UK**	**US**
Discount rate	**6.0%**	**6.1%**	5.5%	5.6%
Inflation rate	**3.6%**	**3.0%**	3.3%	2.7%
Expected return on plan assets	**8.5%**	**8.3%**	8.7%	8.7%
Future salary increases	**5.0%**	**4.5%**	4.5%	4.0%
Future pension increases	**3.6%**	**2.8%**	3.1%	2.7%

19p120A (n)(vi) Assumptions regarding future mortality experience are set based on actuarial advice, published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following post-retirement mortality tables: (i) UK: PNMA 00 and PNFA 00 with medium cohort adjustment subject to a minimum annual improvement of 1% and scaling factors of 110% for current male pensioners, 125% for current female pensioners and 105% for future male and female pensioners; and (ii) US: RP2000 with a projection period of 10-15 years.

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

19p120A(n)

	2009		2008	
	UK	**US**	**UK**	**US**
Retiring at the end of the reporting period:				
– Male	**22**	**20**	22	20
– Female	**25**	**24**	25	24
– Retiring 20 years after the end of the reporting period:				
– Male	**25**	**23**	24	23
– Female	**28**	**26**	27	26

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

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

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

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

19p120A(n) In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of 8.0% a year (2008: 7.6%).

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

19p120A(f)

	2009	2008
Present value of funded obligations	**705**	340
Fair value of plan assets	**(620)**	(302)
	85	38
Present value of unfunded obligations	**1,325**	663
Unrecognised actuarial losses	**(8)**	(9)
Liability in the balance sheet	**1,402**	692

(All amounts in C thousands unless otherwise stated)

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

	2009	2008
Beginning of the year	**1,003**	708
Current service cost	**153**	107
Interest cost	**49**	25
Contributions by plan participants[1]	**–**	–
Actuarial losses/(gains)[1]	**(2)**	204
Exchange differences	**25**	(41)
Benefits paid[1]	**–**	–
Liabilities acquired in a business combination (note 39)	**802**	–
Curtailments[1]	**–**	–
Settlements[1]	**–**	–
At 31 December	**2,030**	1,003

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

	2009	2008
At 1 January	**302**	207
Expected return on plan assets	**53**	25
Actuarial gains/(losses)	**(2)**	(1)
Exchange differences	**5**	(2)
Employer contributions	**185**	73
Employee contributions[2]	**–**	–
Benefits paid[2]	**–**	–
Business combinations (note 39)	**77**	–
At 31 December	**620**	302

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

	2009	2008
Current service cost	**153**	107
Interest cost	**49**	25
Expected return on plan assets	**(53)**	(25)
Net actuarial losses recognised in year	**1**	–
Total, included in employee benefits expense (note 30a)	**150**	107

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

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

19p120A(g) Of the total charge, C102 (2007: C71) and C48 (2008: C36) respectively were included in cost of goods sold and administrative expenses.

19p120A(m) The actual return on plan assets was C51 (2008: C24).

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

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

(All amounts in C thousands unless otherwise stated)

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

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

	2009		2008	
Equity instruments	**3,256**	**49%**	1,224	40%
Debt instruments	**1,524**	**23%**	571	18%
Property	**1,047**	**16%**	943	30%
Other	**784**	**12%**	361	12%
	6,611	**100%**	3,099	100%

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

19p120A(k) Pension plan assets include the company's ordinary shares with a fair value of C136 (2008: C126) and a building occupied by the group with a fair value of C612 (2008: C609).

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

19p120(q) Expected contributions to post-employment benefit plans for the year ending 31 December 2009 are C1,150.

DV The group has agreed that it will aim to eliminate the deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed regular contribution rate is 14% of pensionable salaries in the UK and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2010. The group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

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

(All amounts in C thousands unless otherwise stated)

19p120A(p)

	2009	2008	2007	2006	2005[1]
At 31 December					
Present value of defined benefit obligation	**11,391**	5,495	4,187	3,937	3,823
Fair value of plan assets	**6,611**	3,099	2,471	2,222	2,102
Deficit/(surplus) in the plan	**4,780**	2,396	1,716	1,715	1,721
Experience adjustments on plan liabilities	**(326)**	125	55	–	–
Experience adjustments on plan assets	**(17)**	(6)	(197)	–	–

[1] IAS 19 requires a five-year record, but this does not have to be applied retrospectively [IAS 19 para 160].

(All amounts in C thousands unless otherwise stated)

Consolidated statement of cash flows – direct method

IAS 7 encourages the use of the 'direct method' for the presentation of cash flows from operating activities. The presentation of cash flows from operating activities using the direct method in accordance with IAS 7 (revised 1994), paragraph 18, is as follows:

Consolidated statement of cash flows

1Rp113, 7p10		Note	Year ended 31 December 2009	2008
7p18(a)	**Cash flows from operating activities**			
	Cash receipts from customers		**212,847**	114,451
	Cash paid to suppliers and employees		**(156,613)**	(72,675)
	Cash generated from operations		**56,234**	41,776
	Interest paid		**(7,835)**	(14,773)
	Income taxes paid		**(14,317)**	(10,526)
	Net cash flows from operating activities		**34,082**	16,477
7p21	**Cash flows from investing activities**			
7p39	Acquisition of subsidiary, net of cash acquired	39	**(3,950)**	–
7p16(a)	Purchases of property, plant and equipment (PPE)	6	**(9,755)**	(6,042)
7p16(b)	Proceeds from sale of PPE	36	**6,354**	2,979
7p16(a)	Purchases of intangible assets	7	**(3,050)**	(700)
7p16(c)	Purchases of available-for-sale financial assets	10	**(2,781)**	(1,126)
7p16(e)	Loans granted to associates	40	**(1,000)**	(50)
7p16(f)	Loan repayments received from associates	40	**14**	64
7p31	Interest received		**1,254**	1,193
7p31	Dividends received		**1,180**	1,120
	Net cash used in investing activities		**(11,734)**	(2,562)
7p21	**Cash flows from financing activities**			
7p17(a)	Proceeds from issuance of ordinary shares	17	**950**	1,070
7p17(b)	Purchase of treasury shares	17	**(2,564)**	–
7p17(c)	Proceeds from issuance of convertible bond		**50,000**	–
7p17(c)	Proceeds from issuance of redeemable preference shares		**–**	30,000
7p17(c)	Proceeds from borrowings		**8,500**	18,000
7p17(d)	Repayments of borrowings		**(78,117)**	(34,674)
7p31	Dividends paid to group shareholders		**(10,102)**	(15,736)
7p31	Dividends paid to holders of redeemable preference shares		**(1,950)**	(1,950)
7p31	Dividends paid to non-controlling interests		**(1,920)**	(550)
	Net cash used in financing activities		**(35,203)**	(3,840)
	Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(12,855)**	10,075
	Cash, cash equivalents and bank overdrafts at beginning of the year		**27,598**	17,587
	Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		**535**	(64)
	Cash, cash equivalents and bank overdrafts at end of the year	15	**15,278**	27,598

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

(All amounts in C thousands unless otherwise stated)

Consolidated statement of comprehensive income – single statement, by function of expense

			Year ended 31 December	
1Rp81-83, 1Rp103, 1Rp38, 1Rp113		**Note**	**2009**	**2008**
	Continuing operations			
1Rp82(a), 103	Revenue	5	**211,034**	112,360
1Rp99,103	Cost of sales		**(77,366)**	(46,682)
1Rp99,103	**Gross profit**		**133,668**	65,678
1Rp99, 103	Distribution costs		**(52,140)**	(21,213)
1Rp99,103	Administrative expenses		**(28,778)**	(10,426)
1Rp99,103	Other income	27	**1,900**	1,259
1Rp85	Other (losses)/gains – net	26	**(90)**	63
1Rp85	Loss on expropriated land	28	**(1,117)**	–
1Rp85	**Operating profit**		**53,443**	35,361
1Rp85	Finance income	31	**1,730**	1,609
1Rp82(b)	Finance costs	31	**(8,173)**	(12,197)
1Rp85	Finance costs – net	31	**(6,443)**	(10,558)
1Rp82(c)	Share of (loss)/profit of associates	8	**(174)**	145
1Rp85	**Profit before income tax**		**46,826**	24,918
1Rp82(d), 12p77	Income tax expense	32	**(14,611)**	(8,670)
1Rp85	Profit for the year from continuing operations	16	**32,215**	16,248
IFRS5p34, 12p81(b)	**Discontinued operations:**			
	Profit for the year from discontinued operations		**100**	120
1Rp82(f)	**Profit for the year**		**32,315**	16,368
1Rp82(g),	**Other comprehensive income:**			
1Rp82(g), 16p77(f)	Gains on revaluation of land and buildings	20	–	1,133
1Rp82(g), IFRS7 p20(a)(ii)	Available-for-sale financial assets	20	**560**	123
IAS28p39, 1Rp82(h)	Share of other comprehensive income of associates	20	**(12)**	(14)
1Rp82(g), 19p93A	Actuarial loss on retirement benefit obligations		–	(705)
12p80(d)	Impact of change in the Euravaian tax rate on deferred tax	23	**(10)**	
1Rp82(g), IFRS7p23(c)	Cash flow hedges	20	**97**	(3)
1Rp82(g)	Net investment hedge	20	**(45)**	40
1Rp82(g)	Currency translation differences	20	**2,244**	(156)
IFRS3p59	Increase in fair values of proportionate holding of ABC Group	20	**850**	–
1Rp91(b)	Income tax relating to components of other comprehensive income		**(231)**	(224)
	Other comprehensive income for the year		**3,453**	194
1Rp82(i)	**Total comprehensive income for the year**		**35,768**	16,562

(All amounts in C thousands unless otherwise stated)

			Year ended 31 December	
1Rp83(a)	**Profit attributable to:**			
1Rp83(a)(ii)	Owners of the parent		**29,767**	15,512
1Rp83(a)(i)	Minority interest		**2,548**	856
			32,315	16,368
1Rp83(b)	**Total comprehensive income attributable to:**			
1Rp83(b)(ii)	Owners of the parent		**32,968**	15,746
1Rp83(b)(i)	Minority interest		**2,800**	816
			35,768	16,562

Earnings per share from continuing and discontinued operations to the equity holders of the company during the year (expressed in C per share)

			2009	**2008**
	Basic earnings per share			
33p66	From continuing operations	34	**1.26**	0.75
33p68	From discontinued operations		**0.01**	0.01
			1.27	0.76
	Diluted earnings per share[1]			
33p66	From continuing operations	34	**1.15**	0.71
33p68	From discontinued operations		**0.01**	0.01
			1.16	0.72

The income tax effect has been presented on an aggregate basis; therefore an additional note disclosure resents the income tax effect of each component. Alternatively, this information could be presented within the statement of comprehensive income.

The notes on pages 23 to 114 are an integral part of these consolidated financial statements.

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

(All amounts in C thousands unless otherwise stated)

Note – Income tax expense

Tax effects of components of other comprehensive income

		Year ended 31 December					
1Rp90			**2009**			**2008**	
		Before tax	**Tax (charge) credit**	**After tax**	**Before tax**	**Tax (charge) credit**	**After tax**
1Rp90	Fair value gains:						
1Rp90	– Land and buildings	**–**	**–**	**–**	1,133	(374)	759
1Rp90	– Available-for-sale financial assets	**560**	**(198)**	**362**	123	(61)	62
1Rp90	Share of other comprehensive income of associates	**(12)**	**–**	**(12)**	(14)	–	(14)
1Rp90	Actuarial loss on retirement benefit obligations	**–**	**–**	**–**	(705)	211	(494)
1Rp90	Impact of change in the Euravaian tax rate on deferred tax	**–**	**(10)**	**(10)**	–	–	–
1Rp90	Cash flow hedges	**97**	**(33)**	**64**	(3)	–	(3)
1Rp90	Net investment hedge	**(45)**	**–**	**(45)**	40	–	40
1Rp90	Currency translation differences	**2,244**	**–**	**2,244**	(156)	–	(156)
IFRS3p59	Increase in fair values of proportionate holding of ABC Group (note 39)	**850**	**–**	**850**	–	–	–
	Other comprehensive income	**3,694**	**(241)**	**3,453**	418	(224)	194

Appendix III – Policies and disclosures for areas not relevant to IFRS GAAP plc

Construction contracts

Note – Accounting policies

11p3 A construction contract is defined by IAS 11 as a contract specifically negotiated for the construction of an asset.

11p39(b)(c) Contract costs are recognised as expenses in the period in which they are incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

11p31 When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting periodas a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(All amounts in C thousands unless otherwise stated)

Consolidated balance sheet (extracts)

		Note	2009	2008
1Rp60	**Current assets**			
1Rp54(h)	Trade and other receivables	12	**23,303**	20,374
1Rp54(g)	Inventories	13	**24,885**	18,481
1Rp60	**Current liabilities**			
1Rp54(k)	Trade and other payables	21	**17,667**	13,733

Consolidated income statement (extracts)

1R54		Note	2009	2008
11p39(a)	Contract revenue		**58,115**	39,212
11p16	Contract costs		**(54,729)**	(37,084)
1Rp103	Gross profit		**3,386**	2,128
1Rp103	Selling and marketing costs		**(386)**	(128)
1Rp103	Administrative expenses		**(500)**	(400)

Note – Trade and other receivables (extracts)

		2009	2008
IFRS7p36, 1Rp78(b)	Trade receivables	**18,174**	16,944
	Less: Provision for impairment of receivables	**(109)**	(70)
	Trade receivables – net	**18,065**	16,874
11p42(a)	Amounts due from customers for contract work	**984**	788
11p40(c)	Retentions	**232**	132
	Prepayments	**1,300**	1,146
1Rp77, 24p17	Receivables from related parties (note 40)	**54**	46
1Rp77, 24p17	Loans to related parties (note 40)	**2,668**	
	Total	**23,303**	20,374

Note – Trade and other payables (extracts)

		2009	2008
1Rp77	Trade payables	**10,983**	9,495
24p17	Amounts due to related parties (note 40)	**2,202**	1,195
11p42(b)	Amounts due to customers for contract work	**855**	900
11p40(b)	Advances received for contract work	**142**	355
	Social security and other taxes	**2,002**	960
	Accrued expenses	**1,483**	828
		17,667	13,733

Note – Inventories (extract)

		2009	2008
1Rp78(c)	Raw materials	**7,622**	7,612
	Work in progress (not related to construction contracts)	**1,810**	1,796
	Finished goods	**15,268**	8,774
	Costs capitalised in relation to construction contracts	**185**	299
		24,885	18,481

Note – Construction contracts

		2009	2008
11p40(a)	The aggregate costs incurred and recognised profits (less recognised losses) to date	**69,804**	56,028
	Less: Progress billings	**(69,585)**	(56,383)
	Net balance sheet position for ongoing contracts	**219**	(355)

Leases: Accounting by lessor

17p4 A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Note – Accounting policies

1Rp119 When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

17p49 When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

17p50 Lease income is recognised over the term of the lease on a straight-line basis.

Note – Property, plant and equipment

The category of vehicles and equipment includes vehicles leased by the group to third parties under operating leases with the following carrying amounts:

17p57		2009	2008
	Cost	**70,234**	–
	Accumulated depreciation at 1 January	**(14,818)**	–
	Depreciation charge for the year	**(5,058)**	–
	Net book amount	**50,358**	–

(All amounts in C thousands unless otherwise stated)

Note – Trade and other receivables

Ref		2009	2008
1Rp78(b)	**Non-current receivables**		
17p47(a)	Finance leases – gross receivables	**1,810**	630
17p47(b)	Unearned finance income	**(222)**	(98)
		1,588	532
1Rp78(b)	**Current receivables**		
17p47(a)	Finance leases – gross receivables	**1,336**	316
17p47(b)	Unearned finance income	**(300)**	(98)
		1,036	218
1Rp78(b)	Gross receivables from finance leases:		
17p47(a)	No later than 1 year	**1,336**	316
	Later than 1 year and no later than 5 years	**1,810**	630
	Later than 5 years	**–**	-
		3,146	946
1Rp78(b), 17p47(b)	Unearned future finance income on finance leases	**(522)**	(196)
	Net investment in finance leases	**2,624**	750
1Rp78(b)	The net investment in finance leases may be analysed as follows:		
17p47(a)	– No later than 1 year	**1,036**	218
	– Later than 1 year and no later than 5 years	**1,588**	532
	– Later than 5 years	**–**	–
		2,624	750

Note – Operating leases

17p56(a)

Operating leases commitments – group company as lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2009	2008
No later than 1 year	**12,920**	12,920
Later than 1 year and no later than 5 years	**41,800**	41,800
Later than 5 years	**840**	10,840
	55,560	65,560

17p56(b) Contingent-based rents recognised in the income statement were C235 (2008: C40).

17p56(c) The company lease vehicles under various agreements which terminate between 2010 and 2015. The agreements do not include an extension option.

(All amounts in C thousands unless otherwise stated)

Investments: held-to-maturity financial assets

Note – Accounting policies

Investments

Held-to-maturity financial assets

1Rp119, 39p9

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Consolidated balance sheet

		2009	2008
1Rp60	**Non-current assets**		
1Rp54(d)	Held-to-maturity financial assets	**3,999**	1,099

Note – Held-to-maturity financial assets

IFRS7 p27(b)

Held-to-maturity financial assets

		2009	2008
39AG71-73	**Listed securities:**		
	– Debentures with fixed interest of 5% and maturity date of 15 June 2014 – UK	**4,018**	984
	– Debentures with fixed interest of 5.5% and maturity date of 15 June 2010 – US	**–**	160
	Allowance for impairment	**(19)**	(45)
		3,999	1,099

The movement in held to maturity of financial assets may be summarised as follows:

		2009	2008
	At 1 January	**1,009**	390
	Exchange differences	**81**	56
	Additions	**3,093**	888
	Disposals	**(165)**	(280)
	Provision for impairment	**(19)**	(45)
	At 31 December	**3,999**	1,009
1Rp66	Less: non-current portion	**(3,999)**	(1,009)
1Rp66	**Current portion**	**–**	–

(All amounts in C thousands unless otherwise stated)

IFRS7p16 Movements on the provision for impairment of held-to-maturity financial assets are as follows:

		2009	2008
	At 1 January	**45**	30
IFRS7 p20(e)	Provision for impairment	–	16
	Unused amounts reversed	**(26)**	(3)
	Unwind of discount (note 31)	–	2
	At 31 December	**19**	45

IFRS7 p12(b) The group has not reclassified any financial assets measured amortised cost rather than fair value during the year (2008: nil).

IFRS7 p20(a)(iii) There were no gains or losses realised on the disposal of held to maturity financial assets in 2009 and 2008, as all the financial assets were disposed of at their redemption date.

IFRS7p25 The fair value of held to maturity financial assets is based on quoted market bid prices (2009: C3,901; 2008: C976).

IFRS7 p34(c) Held-to-maturity financial assets are denominated in the following currencies:

	2009	2008
UK pound	**2,190**	990
US dollar	**1,809**	109
Total	**3,999**	1,099

IFRS7p36(a) The maximum exposure to credit risk at the reporting date is the carrying amount of held to maturity financial assets.

Government grants[1]

Note – Accounting policies

Government grants

20p39(a) 20p12 Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

[1] There are two approaches to accounting for government grants namely the capital approach, under which a grant is credited directly to shareholder's interest and the income approach, under which a grant is taken to income over one or more periods. The accounting policy and disclosure below reflects the income approach.

(All amounts in C thousands unless otherwise stated)

Note – Other (losses)/gains

20p39(b) 20p39(c) The group obtained and recognised as income a government grant of C100 (2008: nil) to compensate for losses caused by flooding incurred in the previous year. The group is obliged not to reduce its average number of employees over the next three years under the terms of this government grant.

The group benefits from government assistance for promoting in international markets products made in the UK; such assistance includes marketing research and similar services provided by various UK government agencies free of charge.

Joint ventures

Note – Accounting policies

1Rp119 **Consolidation**

(c) Joint ventures

31p57 The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Note – Interest in joint venture

31p56 The group has a 50% interest in a joint venture, JV&Co, which provides products and services to the automotive industry. The following amounts represent the group's 50% share of the assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	2009	2008
Assets:		
Long-term assets	**2,730**	2,124
Current assets	**803**	717
	3,533	2,841
Liabilities:		
Long-term liabilities	**1,114**	1,104
Current liabilities	**355**	375
	1,469	1,479
Net assets	**2,064**	1,362
Income	**5,276**	5,618
Expenses	**(3,754)**	(4,009)
Profit after income tax	**1,522**	1,609
31p55(b) **Proportionate interest in joint venture's commitments**	**90**	92

31p54 There are no contingent liabilities relating to the group's interest in the joint venture, and no contingent liabilities of the venture itself.

Transactions with minority shareholders – 'economic entity approach'

Note – Accounting policies

IFRS3 The group applies a policy of treating transactions with minority interests as transactions with equity owners of the group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity.

Oil and gas exploration assets

Note – Accounting policies

IFRS6p24 Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

(a) Development tangible and intangible assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific field, it is transferred to production or intangible assets. No depreciation or amortisation is charged during the exploration and evaluation phase.

(b) Oil and gas production assets

Oil and gas production properties are aggregated exploration and evaluation tangible assets, and development expenditures associated with the production of proved reserves.

(c) Depreciation/amortisation

Oil and gas properties intangible assets are depreciated or amortised using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(d) Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

(e) Impairment – proved oil and gas production properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Property, plant and equipment[1]

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Subtotal – assets under construction	Production assets	Other businesses and corporate assets	Total
At 1 January 2009						
Cost	218	12,450	12,668	58,720	3,951	75,339
Accumulated amortisation and impairment	(33)	–	(33)	(5,100)	(77)	(5,210)
Net book amount	185	12,450	12,635	53,620	3,874	70,129
Year ended 31 December 2009						
Opening net book amount	185	12,450	12,635	53,620	3,874	70,129
Exchange differences	17	346	363	1,182	325	1,870
Acquisitions	–	386	386	125	4	515
Additions	45	1,526	1,571	5,530	95	7,196
Transfers	(9)	(958)	(967)	1,712	–	745
Disposals	(12)	(1,687)	(1,699)	–	–	(1,699)
Depreciation charge	–	–	–	(725)	(42)	(767)
Impairment charge	(7)	(36)	(43)	(250)	(3)	(296)
Closing net book amount	**219**	**12,027**	**12,246**	**61,194**	**4,253**	**77,693**
At 31 December 2009						
Cost	264	12,027	12,291	67,019	4,330	83,640
Accumulated amortisation and impairment	(45)	–	(45)	(5,825)	(77)	(5,947)
Net book amount	**219**	**12,027**	**12,246**	**61,194**	**4,253**	**77,693**

[1] For the purpose of this illustrative appendix, comparatives for the year ended 31 December 2008 are not disclosed, although they are required by IAS 1.

(All amounts in C thousands unless otherwise stated)

Intangible assets[1]

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Subtotal – intangible assets in progress expenditure	Production assets	Goodwill	Other	Total
At 1 January 2009							
Cost	5,192	750	5,942	3,412	9,475	545	19,374
Accumulated amortisation and impairment	(924)	–	(924)	(852)	(75)	(19)	(1,870)
Net book amount	4,268	750	5,018	2,560	9,400	526	17,504
Year ended 31 December 2009							
Opening net book amount	4,268	750	5,018	2,560	9,400	526	17,504
Exchange differences	152	8	160	195	423	28	806
Acquisitions	26	32	58	5	–	5	68
Additions	381	8	389	15	–	86	490
Transfers	(548)	548	–	–	–	–	-
Transfers to production	–	(850)	(850)	105	–	–	(745)
Disposals	–	(28)	(28)	(15)	–	–	(43)
Amortisation charge	–	–	–	(98)	–	(42)	(140)
Impairment charge	(45)	–	(45)	–	(175)	(5)	(225)
Closing net book amount	**4,234**	**468**	**4,702**	**2,767**	**9,648**	**598**	**17,715**
At 31 December 2009							
Cost	5,203	468	5,671	3,717	9,898	659	19,945
Accumulated amortisation and impairment	(969)	–	(969)	(950)	(250)	(61)	(2,230)
Net book amount	**4,234**	**468**	**4,702**	**2,767**	**9,648**	**598**	**17,715**

Assets and liabilities related to the exploration and evaluation of mineral resources other than those presented above are as follows:

	2009	2008
Receivables from joint venture partners	**25**	22
Payable to subcontractors and operators	**32**	34

Exploration and evaluation activities have led to total expenses of C59,000 (2008: C57,000), of which C52,000 (2008: C43,000) are impairment charges.

In 2009, the disposal of a 16.67% interest in an offshore exploration stage 'Field X' resulted in post-tax profits on sale of C3 million (2008: nil).

Cash payments of C415,000 (2008: C395,000) have been incurred related to exploration and evaluation activities. The cash proceeds due to the disposal of the interest in Field X were C8,000 (2008: nil).

[1] For the purpose of this illustrative appendix, comparatives for the year ended 31 December 2008 are not disclosed, although they are required by IAS 1.

(All amounts in C thousands unless otherwise stated)

Revenue recognition: multiple-element arrangements

Note – Accounting policies

The group offers certain arrangements whereby a customer can purchase a personal computer together with a two-year servicing agreement. When such multiple-element arrangements exist, the amount recognised as revenue upon the sale of the personal computer is the fair value of the computer in relation to the fair value of the arrangement taken as a whole. The revenue relating to the service element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement, is recognised over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

Where the group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the group determines the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration.

To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

Defaults and breaches of loans payable[1]

Borrowings (extract)

IFRS7p18 The company was overdue paying interest on bank borrowings with a carrying amount of C10,000. The company experienced a temporary shortage of currencies because cash outflows in the second and third quarters for business expansions in the UK were higher than anticipated. As a result, interest payables of C700 due by 30 September 2010 remained unpaid.

The company has paid all outstanding amounts (including additional interests and penalties for the late payment) during the fourth quarter.

Management expects that the company will be able to meet all contractual obligations from borrowings on a timely basis going forward.

IFRS7p19 *Covenants*

Some of the company's credit contracts are subject to covenant clauses, whereby the company is required to meet certain key performance indicators. The company did not fulfil the debt/equity ratio as required in the contract for a credit line of C30,000, of which the company has currently drawn an amount of C15,000.

[1] These events or conditions may cast significant doubt about company's ability to continue as a going concern. When events or conditions have been identified that may cast significant doubt on a company's ability to continue as a going concern, the auditor should: (1) Review management's plans for future actions based on its going concern assessment; (2) Gather sufficient appropriate audit evidence to confirm or dispel whether or not a material uncertainty exists through carrying out audit procedures considered necessary, including considering the effect of any plans of management and other mitigating factors; (3) Seek written representations from management regarding its plans for future action. If a material uncertainty related to events or conditions that may cast significant doubt on a company's ability to continue as a going concern exists, disclosure is required in the auditor's report. ISA 570, 'Going concern', establishes standards and provides guidance on the auditor's responsibility in the audit of financial statements with respect to the going concern assumption used in the preparation of the financial statements, including considering management's assessment of the entity's ability to continue as a going concern.

(All amounts in C thousands unless otherwise stated)

Due to this breach of the covenant clause, the bank is contractually entitled to request early repayment of the outstanding amount of C15,000. The outstanding balance was reclassified as a current liability[1]. Management started renegotiating the terms of the loan agreement when it became likely that the covenant clause may be breached.

The bank has not requested early repayment of the loan as of the date when these financial statements were approved by the board of directors. Management expects that a revised loan agreement will be in place during the first quarter of 2010.

[1] The reclassification of non-current debt to current liabilities would still be required if the terms of the loan were successfully renegotiated after the end of the reporting period.

Appendix IV – Critical accounting estimates and judgements not relevant to IFRS GAAP plc

Critical accounting estimates

1Rp125 The following critical accounting estimates may be applicable, among many other possible areas not presented in IFRS GAAP plc's consolidated financial statements.

(a) Useful lives of technology division's plant and equipment

The group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projected product lifecycles for its high-tech segment. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Were the actual useful lives of the technology division plant and equipment to differ by 10% from management's estimates, the carrying amount of the plant and equipment would be an estimated C1,000 higher or C970 lower.

(b) Warranty claims

The group generally offers three-year warranties for its personal computer products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the group's productivity and quality initiatives, as well as parts and labour costs.

Were claims costs to differ by 10% from management's estimates, the warranty provisions would be an estimated C2,000 higher or C1,875 lower.

Critical accounting judgements

1Rp122 The following critical accounting judgements may be applicable, among many other possible areas not presented in IFRS GAAP plc's consolidated financial statements.

(a) Held-to-maturity investments

The group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the group evaluates its intention and ability to hold such investments to maturity.

If the group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would, therefore, be measured at fair value not amortised cost.

If the class of held-to-maturity investments is tainted, the fair value would increase by C2,300, with a corresponding entry in the fair value reserve in shareholders' equity.

Appendix V – Business combinations disclosure under IFRS 3 (revised)

Appendix V presents the acquisition in note 39 in accordance with IFRS 3 (revised) and follows the illustrative example on disclosure provided in IFRS 3 (revised). IFRS 3 (revised) allows for early adoption but generally is prospectively applicable for annual periods beginning on or after 1 July 2009.

Note – Basis of preparation

Standards early adopted by the group

IAS8p28 IFRS 3 (revised), 'Business combinations' was early adopted by the group in 2009 and applied prospectively from 1 January 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The revised standard was applied to the acquisition of the controlling interest in ABC group on 1 March 2009. This acquisition has occurred in stages. The revised standard requires that goodwill is determined only at the acquisition date rather than at the previous stages. The determination of goodwill includes the previously held equity interest to be adjusted to fair value with any gain or loss recorded in the income statement. Contingent consideration of C1,000 has been recognised at fair value at 1 March 2009. The contingent consideration would not have previously been recorded at the date of acquisition, as the payment to the former owners of ABC Group was not probable. Acquisition-related costs of C200 have been recognised in the consolidated income statement, which previously would have been included in the consideration for the business combination. An indemnification asset of C1,000 has been recognised by the group at an amount equivalent to the fair value of the indemnified liability. The indemnification asset is deducted from consideration transferred for the business combination. This possible compensation from the selling shareholders of ABC group would not have previously been recognised as an indemnification asset of the acquirer and would have been adjusted against goodwill once received from the vendor. Subsequent measurement of the indemnification asset and contingent liability will have no net impact on future earnings, unless the indemnification asset becomes impaired. The group have chosen to recognise the non-controlling interest at fair value of C6,451 for this acquisition rather than the proportionate share of net assets of ABC group of C4,542 which is also allowed. Previously there was no choice and the non-controlling interest would have been recognised at the proportionate share (30%) of the net assets of ABC group of C4,542. See note 39 for further details of the business combination which occurred in 2009.

As the group has early adopted IFRS 3 (revised) in 2009, it is required to early adopt IAS 27 (revised), 'Consolidated and separate financial statements' at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of IAS 27 (revised) on the

current period as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity and there have been no transactions with non-controlling interests.

Note – Accounting policies

1p119 **Consolidation**

27p12 *(a) Subsidiaries*

27p14
27p30

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

IFRS3Rp5
IFRS3Rp37
IFRS3Rp39
IFRS3Rp53
IFRS3Rp18
IFRS3Rp19

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

IFRS3Rp32
IFRS3Rp34

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (note 2.6).

27p20,21

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions and non-controlling interests

27p30,31

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

IFRS3R
pB64(a-d)

On 30 June 2008 the group acquired 15% of the share capital of ABC Group for C1,126. On 1 March 2009, the group acquired a further 55% of the share capital and obtained the control of ABC group, a shoe and leather goods retailer operating in the US and most western European countries. As a result of the acquisition, the group is expected to

increase its presence in these markets. It also expects to reduce costs through economies of scale.

IFRS3R pB64(e) The goodwill of C7,360 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the group and ABC group.

IFRS3R pB64(k) None of the goodwill recognised is expected to be deductible for income tax purposes. The following table summarises the consideration paid for ABC group and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in ABC group.

Reference	Consideration	
	At 1 March 2009	
IFRS3 RpB64(f)(i)	Cash	4,050
B64(f)(iv) IFRS3 RpB64(f)(iii)	Equity instruments (3,550 ordinary shares)	10,000
IFRS3 RpB64(g)(i)	Contingent consideration	1,000
B64(f)	**Total consideration transferred**	**15,050**
	Indemnification asset	(1,000)
IFRS3 RpB64(p)(i)	Fair value of equity interest in ABC Group held before the business combination	2,000
	Total consideration	**16,050**
IFRS3 RpB64(m)	**Acquisition-related costs** (included in administrative expenses in the consolidated income statement for the year ended 31 December 2009)	200
IFRS3 RpB64(i)	**Recognised amounts of identifiable assets acquired and liabilities assumed**	
	Cash and cash equivalents	300
	Property, plant and equipment (note 6)	67,784
	Trademarks (included in intangibles) (note 7)	2,000
	Licences (included in intangibles) (note 7)	1,000
	Contractual customer relationship (included in intangibles) (note 7)	1,000
	Investment in associates (note 8)	389
	Available-for-sale financial assets (note 10)	473
	Inventories	1,122
	Trade and other receivables	585
	Trade and other payables	(12,461)
	Retirement benefit obligations:	
	– Pensions (note 24)	(1,914)
	– Other post-retirement obligations (note 24)	(725)
	Borrowings	(41,459)
	Contingent liability	(1,000)
	Deferred tax liabilities (note 23)	(1,953)
	Total identifiable net assets	**15,141**
IFRS3R pB64(o)(i)	**Non-controlling interest**	(6,451)
	Goodwill (note 7)	7,360
		16,050

(All amounts in C thousands unless otherwise stated)

IFRS3Rp B64(f)(iv) IFRS3R pB64(m)

The fair value of the 3,550 ordinary shares issued as part of the consideration paid for ABC group (C10,050) was based on the published share price on 1 March 2009. Issuance costs totaling C50 have been netted against the deemed proceeds.

IFRS3R pB64(f)(iii) IFRS3R pB64(g) IFRS3R B67(b)

The contingent consideration arrangement requires the group to pay the former owners of ABC group 5% of the profit of ABC group, in excess of C7,500 for 2010, up to a maximum undiscounted amount of C2,500.

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

The fair value of the contingent consideration arrangement of C1,000 was estimated by applying the income approach. The fair value estimates are based on a discount rate of 8% and assumed probability-adjusted profit in ABC group of C20,000 to C40,000. As of 31 December 2009, there was an increase of C1,000 recognised in the income statement for the contingent consideration arrangement as the assumed probability-adjusted profit in ABC group was recalculated to be in the region of C30,000-50,000.

IFRS3Rp B64(h)

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

IFRS3Rp B67(a)

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

IFRS3 RpB64(j) B67(c) IAS 37 p84, 85

A contingent liability of C1,000 has been recognised for a pending lawsuit in which ABC group is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by the end of 2011. The potential undiscounted amount of all future payments that the group could be required to make if there was an adverse decision related to the lawsuit is estimated to be between C500 and C1,500. As of 31 December 2009, there has been no change in the amount recognised (except for unwinding of the discount C4) for the liability at 31 March 2009, as there has been no change in the range of outcomes or assumptions used to develop the estimates.

IFRS3 RpB64(g), p57

The selling shareholders of ABC group have contractually agreed to indemnify IFRS GAAP plc for the claim that may become payable in respect of the above-mentioned lawsuit. An indemnification asset of C1,000, equivalent to the fair value of the indemnified liability, has been recognised by the group. The indemnification asset is deducted from consideration transferred for the business combination. As is the case with the indemnified liability, there has been no change in the amount recognised for the indemnification asset as at 31 December 2009, as there has been no change in the range of outcomes or assumptions used to develop the estimate of the liability.

IFRS3 RpB64(o)

The fair value of the non-controlling interest in ABC group, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:

(a) an assumed discount rate of 8%;

(b) an assumed terminal value based on a range of terminal EBITDA multiples between three and five times;

(c) long-term sustainable growth rate of 2%;

(All amounts in C thousands unless otherwise stated)

(d) assumed financial multiples of companies deemed to be similar to ABC group; and

(e) assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interest in ABC group.

IFRS3Rp B64(p)(ii) The group recognised a gain of C500 as a result of measuring at fair value its 15% equity interest in ABC group held before the business combination. The gain is included in other income in the group's statement of comprehensive income for the year ending 31 December 2009.

IFRS3Rp B64(q)(i) The revenue included in the consolidated statement of comprehensive income since 1 March 2009 contributed by ABC group was C44,709. ABC group also contributed profit of C12,762 over the same period.

IFRS3Rp B64(q)(ii) Had ABC group been consolidated from 1 January 2009 the consolidated statement of comprehensive income would show revenue of C220,345 and profit of C33,126.

Appendix VI – Forthcoming requirements

Below is a list of standards/interpretations that have been issued and are effective for periods after1 January or later periods.

Standard	Topic	Key requirements	Effective date	Transition
IFRIC 9	Reassessment of embedded derivatives and IAS 39, 'Financial instruments: Recognition and measurement – embedded derivatives (amendments).	An entity should assess whether an embedded derivative is to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The assessment is made on the basis of the circumstances that existed at the later of: (a) the date when the entity first became a party to the contract; and (b) the date of a change in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract.	Effective for periods ending on or after 30 June 2009	If changes in accounting policies are required, they are applied in accordance with IAS 8, 'Accounting policies, changes in accounting estimates and errors'.
IFRIC 17	Distribution of non-cash assets to owners.	This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.	Effective for periods beginning on or after 1 July 2009.	This interpretation is to be applied prospectively. Earlier application is permitted; however, IFRS 3 (revised 2008), IAS 27 (amended May 2008); and IFRS 5 (amended by this interpretation) should be applied from the same date.

(All amounts in C thousands unless otherwise stated)

Standard	Topic	Key requirements	Effective date	Transition
IFRIC 18	Transfers of assets from customers.	This interpretation provides guidance on how to account for items of property, plant and equipment received from customers, or cash that is received and used to acquire or construct specific assets. This interpretation is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both.	Effective for periods beginning on or after 1 July 2009.	IFRIC 18 is applied prospectively. Earlier application is permitted provided the valuations and other information needed to apply the interpretation were obtained at the time the transfer occurred.
IFRS 2	Scope of IFRS 2 and IFRS 3 (revised).	Amendment to confirm that, in addition to business combinations as defined by IFRS 3 (revised), 'Business combinations', contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2, 'Share-based payment'.	Effective for periods beginning on or after 1 July 2009. Linked to application of IFRS 3 (revised).	Applicable to annual period's beginning on or after 1 July 2009. To be applied retrospectively. Earlier application is permitted. If an entity applies IFRS 3 (revised) for an earlier period, the amendment also applies for that earlier period.
IFRS 5	Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.	Amendment to clarify that IFRS 5, 'Non-current assets held for sale and discontinued operations', specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair	Effective for periods beginning on or after 1 January 2010.	To be applied prospectively. Earlier application is permitted.

(All amounts in C thousands unless otherwise stated)

Standard	Topic	Key requirements	Effective date	Transition
IFRS 5 (continued)		presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.		
IFRS 8	Disclosure of information about segment assets.	Minor textual amendment to the standard and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker.	Effective for periods beginning on or after 1 January 2010.	To be applied retrospectively. Earlier application is permitted.
IAS 1	Current/non-current classification of convertible instruments.	Clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.	Effective for periods beginning on or after 1 January 2010.	To be applied retrospectively. Earlier application is permitted.

(All amounts in C thousands unless otherwise stated)

Standard	Topic	Key requirements	Effective date	Transition
IAS 7	Classification of expenditures on unrecognised assets.	Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.	Effective for periods beginning on or after 1 January 2010.	To be applied retrospectively. Earlier application is permitted.
IAS 17	Classification of leases of land and buildings.	Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the general principles of IAS 17.	Effective for periods beginning on or after 1 January 2010.	Note: To be applied retrospectively to existing leases if the necessary information is available at the inception of the lease. Otherwise, land leases should be reassessed on the date of adoption of the amendment.
IAS 18	Determining whether an entity is acting as a principal or as an agent.	Additional guidance added to the appendix to IAS 18, 'Revenue', regarding the determination as to whether an entity is acting as a principal or an agent.	N/A. Appendix is not part of the standard.	The amendment is to the appendix to IAS 18; no transition provisions are specified.
IAS 36	Unit of accounting for goodwill impairment test.	Amendment to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of IFRS 8).	Effective for periods beginning on or after 1 January 2010.	To be applied prospectively. Earlier application is permitted.

Appendix VI – Forthcoming requirements

(All amounts in C thousands unless otherwise stated)

Standard	Topic	Key requirements	Effective date	Transition
IAS 38	Additional consequential amendments arising from IFRS 3 (revised).	Amendments to paragraphs 36 and 37 of IAS 38, 'Intangible assets', to clarify the requirements under IFRS 3 (revised) regarding accounting for intangible assets acquired in a business combination.	Effective for periods beginning on or after 1 January 2010. Linked to application of IFRS 3 (revised)	To be applied prospectively. Earlier application is permitted. If an entity applies IFRS 3 (revised) for an earlier period, the amendment also applies for that earlier period.
IAS 38	Measuring the fair value of an intangible asset acquired in a business combination.	Amendments to paragraphs 40 and 41 of IAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.	Effective for periods beginning on or after 1 January 2010.	To be applied prospectively. Earlier application is permitted.
IAS 39	Treating loan pre-payment penalties as closely related derivatives.	Clarification that pre-payment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract.	Effective for periods beginning on or after 1 January 2010.	To be applied retrospectively. Earlier application is permitted.
IAS 39	Scope exemption for business combination contracts	Amendments to the scope exemption in paragraph 2(g) of IAS 39 to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required	Effective for periods beginning on or after 1 January 2010.	To be applied prospectively to all unexpired contracts. Earlier application permitted.

(All amounts in C thousands unless otherwise stated)

Standard	Topic	Key requirements	Effective date	Transition
IAS 39 (continued)		approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.		
IAS 39	Cash flow hedge accounting.	Amendment to clarify when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss.	Effective for periods beginning on or after 1 January 2010.	To be applied prospectively to all unexpired contracts. Earlier application permitted.
IAS 39	Hedging using internal contracts.	Amendment to clarify that entities should no longer use hedge accounting for transactions between segments in their separate financial statements. This amendment was originally made as part of the 2007/08 improvements project, but the IASB has taken the opportunity to make further textual amendments in this regard in paragraph 80 of IAS 39.	Effective for periods beginning on or after 1 January 2009.	N/A

Appendix VI – Forthcoming requirements

(All amounts in C thousands unless otherwise stated)

Standard	Topic	Key requirements	Effective date	Transition
IFRIC 9 and IFRS 3 (revised)	Scope of IFRIC 9 and IFRS 3 (revised)	The IASB amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.	Effective for periods beginning on or after 1 July 2009.	To be applied prospectively. If an entity applies IFRS 3 (revised) for an earlier period, the amendment also applies for that earlier period.
IFRIC 16	Hedges of a net investment in a foreign operation.	The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.	Effective for periods beginning on or after 1 July 2009.	To be applied retrospectively. Earlier application permitted.

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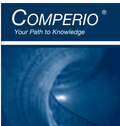

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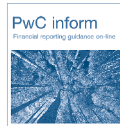

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Illustrative IFRS corporate consolidated financial statements for 2009 year ends

This publication provides an illustrative set of consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), for a fictional manufacturing, wholesale and retail group (IFRS GAAP plc). IFRS GAAP plc is an existing preparer of IFRS consolidated financial statements. This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2009. It includes an appendix showing example disclosures under IFRS 3 (revised).

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