
VALUE IFRS Plc

*Illustrative IFRS consolidated
financial statements
December 2017*



This publication presents the sample annual financial reports of a fictional listed company, VALUE IFRS Plc. It illustrates the financial reporting requirements that would apply to such a company under International Financial Reporting Standards as issued 31 May 2017. Supporting commentary is also provided. For the purposes of this publication, VALUE IFRS Plc is listed on a fictive Stock Exchange and is the parent entity in a consolidated entity.

VALUE IFRS Plc 2017 is for illustrative purposes only and should be used in conjunction with the relevant financial reporting standards and any other reporting pronouncements and legislation applicable in specific jurisdictions.

Global Accounting Consulting Services
PricewaterhouseCoopers LLP

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

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VALUE IFRS Plc

Illustrative IFRS consolidated financial statements December 2017

Financial statements	6
Statement of profit or loss	9
Statement of comprehensive income	10
Balance sheet	16
Statement of changes in equity	19
Statement of cash flows	21

Notes to the financial statements	23
Significant changes in the current reporting period	25

How numbers are calculated	26
Segment information	27
Profit and loss	32
Balance sheet	44
Cash flows	95

Risk	98
Critical estimates, judgements and errors	99
Financial risk management	103
Capital management	116

Group structure	119
Business combinations	120
Discontinued operation	123
Interests in other entities	126

Unrecognised items	133
Contingent liabilities and contingent assets	134
Commitments	135
Events occurring after the reporting period	136

Other information	139
Related party transactions	140
Share-based payments	144
Earnings per share	149
Offsetting financial assets and financial liabilities	152
Assets pledged as security	154
Accounting policies	155

Independent auditor's report	177
-------------------------------------	------------

Appendices	178
-------------------	------------

Introduction

This publication presents illustrative consolidated financial statements for a fictitious listed company, VALUE IFRS Plc. The financial statements comply with International Financial Reporting Standards (IFRS) as issued at 31 May 2017 and that apply to financial years commencing on or after 1 January 2017.

We have attempted to create a realistic set of financial statements for VALUE IFRS Plc, a corporate entity that manufactures goods, provides services and holds investment property. However, as this publication is a reference tool, we have not removed any disclosures based on materiality. Instead, we have included illustrative disclosures for as many common scenarios as possible. Please note that the amounts disclosed in this publication are purely for illustrative purposes and may not be consistent throughout the publication.

New disclosure requirements

The only new disclosure that you will need to be aware of this year is the requirement to provide information about changes in liabilities arising from financing activities ('debt reconciliation'). This is illustrated in [note 10\(c\)](#). None of the other standards that apply for the first time in 2017 required changes to the disclosures in this publication.

However, preparers of financial reports will be expected to provide fairly specific comments about the estimated impact from the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* in their December 2017 financial reports, being the last reporting date before the mandatory adoption of these standards. [Note 25\(a\)\(iv\)](#) illustrates what type of information entities could disclose in this context.

We have also made a number of minor changes to better align the 'story' of our VALUE IFRS Plc group with that used in the IFRS 9 Appendix ([Appendix E](#)). The Appendix now shows how VALUE IFRS Plc's financial statements would look if the group had adopted IFRS 9 from 1 January 2017. This will allow you to directly compare the two disclosures and identify differences. While each entity will be affected differently by the adoption, we hope that you will find this useful and help with your own transition to the new rules.

Disclosure examples that were not relevant to a group such as VALUE IFRS Plc have been moved to the commentary in the Appendix. This includes the detailed credit risk disclosures that apply where an entity has adopted the general expected credit loss model and the disclosures required for financial liabilities designated at fair value through profit or loss. There is also a new publication *IFRS 9 for banks*, which provides illustrative disclosures for a medium-sized bank that has adopted IFRS 9.

The new leasing disclosures, applicable when an entity has adopted IFRS 16 *Leases* as a lessee, are illustrated in [Appendix G](#).

Changes in accounting policies

There was no need to change any of the accounting policies applied by VALUE IFRS Plc this year. Disclosures for changes in accounting policies are illustrated in [Appendix E](#) for the adoption of IFRS 9, and [Appendix F](#) for the adoption of IFRS 15. [Appendix G](#) shows the disclosures that apply on transition to IFRS 16.

However, readers should consider whether any of the standards that are mandatory for the first time for financial years beginning 1 January 2017 could affect their own accounting policies. [Appendix D](#) contains a full list of these standards (including those that have only a disclosure impact) as well as a summary of their key requirements.

Early adoption of standards

VALUE IFRS Plc generally adopts standards early if they clarify existing practice but do not introduce substantive changes. These include standards issued by the IASB as part of the improvements program such as the *Annual Improvements to IFRSs – 2014-2016 Cycle* and amendments made to IAS 40 in relation to the *Transfer of Investment Property*.

In addition, the group has also elected to adopt the amendments made to IFRS 2 *Share-based Payment* early, to illustrate the impact of these amendments on share-based payment plans with withholding tax obligations (see [note 21\(b\)](#)).

As required under IFRS, the impacts of standards and interpretations that have not been early adopted and that are expected to have a material effect on the entity are disclosed in accounting policy note [25\(a\)](#). A summary of all pronouncements relevant for annual reporting periods ending on or after 31 December 2017 is included in [Appendix D](#). For updates after the cut-off date for our publication please see www.pwc.com/ifrs.

Using this publication

The source for each disclosure requirement is given in the reference column. Shading in this column indicates revised requirements that become applicable for the first time this year. There is also commentary that (i) explains some of the more challenging areas, (ii) lists disclosures that have not been included because they are not relevant to VALUE IFRS Plc, and (iii) provides additional disclosure examples.

The appendices give further information about the operating and financial review (management commentary), alternative formats for the statement of profit or loss and other comprehensive income and the statement of cash flows, and industry-specific disclosures. A summary of all standards that apply for the first time to annual reports beginning on or after 1 January 2017 is included in [Appendix D](#) and abbreviations used in this publication are listed in [Appendix H](#).

As VALUE IFRS Plc is an existing preparer of IFRS consolidated financial statements, IFRS 1 *First-time Adoption of International Financial Reporting Standards* does not apply. Guidance on financial statements for first-time adopters of IFRS is available in [Chapter 2 of our Manual of Accounting](#).

The example disclosures are not the only acceptable form of presenting financial statements. Alternative presentations may be acceptable if they comply with the specific disclosure requirements prescribed in IFRS. Readers may find our *IFRS disclosure checklist 2017* useful to identify other disclosures that may be relevant under the circumstances but are not illustrated in this publication.

Some of the disclosures in this publication would likely be immaterial if VALUE IFRS Limited was a ‘real life’ company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are for illustration purposes only. Disclosures should not be included where they are not relevant or not material in specific circumstances.

Preparers of financial reports should also consider local legal and regulatory requirements which may stipulate additional disclosures that are not illustrated in this publication.

Format

There is a general view that financial reports have become too complex and difficult to read and that financial reporting tends to focus more on compliance than communication. At the same time, users’ tolerance for sifting through information to find what they need continues to decline. This has implications for the reputation of companies who fail to keep pace. A global study confirmed this trend, with the majority of analysts stating that the quality of reporting directly influenced their opinion of the quality of management.

To demonstrate what companies could do to make their financial report more relevant, we have ‘streamlined’ the financial report to reflect some of the best practices that have been emerging globally over the past few years. In particular:

- Information is organised to clearly tell the story of financial performance and make critical information more prominent and easier to find.
- Additional information is included where it is important for an understanding of the performance of the company. For example, we have included a summary of significant transactions and events as the first note to the financial statements and a net debt reconciliation, even though neither of these disclosures are currently required.

Accounting policies that are significant and specific to the entity are disclosed along with other relevant information, generally in the section ‘How the numbers are calculated’. While we have still listed other accounting policies in [note 25](#), this is for completeness purposes. Entities should consider their own individual circumstances and only include policies that are relevant to their financial statements.

The structure of financial reports should reflect the particular circumstances of the company and the likely priorities of its report readers. There is no “one size fits all” approach and companies should engage with their investors to determine what would be most relevant to them. The structure used in this publication is not meant to be used as a template, but to provide you with possible ideas. It will not necessarily be suitable for all companies.

Specialised companies and industry-specific requirements

VALUE IFRS Plc does not illustrate the disclosures specifically relevant to specialised industries. However, [Appendix C](#) provides an illustration and explanation of the disclosure requirements of IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IAS 11 *Construction Contracts* and IAS 41 *Agriculture*. Further examples of industry-specific accounting policies and other relevant disclosures can be found in the following PwC publications:

- *Illustrative IFRS financial statements – Investment funds*
- *Illustrative IFRS consolidated financial statements – Investment property*
- *Illustrative IFRS financial statements – Private equity funds*
- *IFRS 9 for banks – Illustrative disclosures.*

PwC Manual of Accounting – IFRS

For further insights on the application of the IFRS please refer to the [PwC Manual of Accounting](#) which can be accessed through our [Inform web site](#) (link will only work for registered users). Each chapter has a series of frequently asked questions which provide useful guidance on particular aspects of each accounting standard.

IAS1(49),(51)(a)

VALUE IFRS Plc

Annual financial report – 31 December 2017¹⁻¹¹

IAS1(49)

Financial statements

Consolidated statement of profit or loss	9
Consolidated statement of comprehensive income	10
Consolidated balance sheet	16
Consolidated statement of changes in equity	19
Consolidated statement of cash flows	21
Notes to the consolidated financial statements	23

IAS1(51)(b),(d)

These financial statements are consolidated financial statements for the group consisting of VALUE IFRS Plc and its subsidiaries. A list of major subsidiaries is included in [note 16](#).

The financial statements are presented in the Oneland currency (CU).

IAS1(138)(a)

VALUE IFRS Plc is a company limited by shares, incorporated and domiciled in Oneland. Its registered office and principal place of business is:

VALUE IFRS Plc
350 Harbour Street
1234 Nice Town

IAS10(17)

The financial statements were authorised for issue by the directors on 23 February 2018. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.valueifrspc.com

Financial statements

Accounting standard for financial statements presentation and disclosures

IAS1(10)

1. According to IAS 1 *Presentation of Financial Statements*, a 'complete set of financial statements' comprises:
 - (a) a statement of financial position as at the end of the period
 - (b) a statement of profit or loss and other comprehensive income for the period
 - (c) a statement of changes in equity for the period
 - (d) a statement of cash flow for the period
 - (e) notes, comprising a summary of significant accounting policies and other explanatory notes, and
 - (f) if the entity has applied an accounting policy retrospectively, made a retrospective restatement of items or has reclassified items in its financial statements: a statement of financial position as at the beginning of the earliest comparative period.

IAS1(10)

2. The titles of the individual statements are not mandatory and an entity can, for example continue to refer to the statement of financial position as 'balance sheet' and to the statement of profit or loss as 'income statement'.

Comparative information

IAS1(38)

3. Except when an IFRS permits or requires otherwise, comparative information shall be disclosed in respect of the preceding period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

IAS1(38B)

4. In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, details of a legal dispute, the outcome of which was uncertain at the end of the immediately preceding reporting period and that is yet to be resolved, are disclosed in the current period. Users benefit from information that the uncertainty existed at the end of the immediately preceding reporting period, and about the steps that have been taken during the period to resolve the uncertainty.

Three balance sheets required in certain circumstances

IAS1(40A),(40B)

5. If an entity has
 - (a) applied an accounting policy retrospectively, restated items retrospectively, or reclassified items in its financial statements, and
 - (b) the retrospective application, restatement or reclassification has a material effect on the information presented in the balance sheet at the beginning of the preceding period,
 it must present a third balance sheet (statement of financial position) as at the beginning of the preceding period (eg 1 January 2016 for 31 December 2017 reporters).

IAS1(40D)

6. The date of the third balance sheet must be the beginning of the preceding period, regardless of whether the entity presents additional comparative information for earlier periods.

IAS1(40C)
IAS8
IAS1(41)

7. Where the entity is required to include a third balance sheet, it must provide appropriate explanations about the changes in accounting policies, other restatements or reclassifications, as required under IAS 1 paragraph 41 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, the entity does not need to include the additional comparatives in the related notes. This contrasts with the position where an entity chooses to present additional comparative information as permitted by IAS 1 paragraphs 38C and 38D.

Consistency

IAS1(45)

8. The presentation and classification of items in the financial statements must be retained from one period to the next unless:
 - (a) it is apparent that another presentation or classification would be more appropriate based on the criteria for the selection and application of accounting policies in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (eg following a significant change in the nature of the entity's operations or a review of its financial statements), or
 - (b) IFRS requires a change in presentation.

Financial statements

Materiality

IAS1(7),(BC30F)

9. Whether individual items or groups of items need to be disclosed separately in the primary financial statements or in the notes depends on their materiality. Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. In particular circumstances either the nature or the amount of an item or an aggregate of items could be the determining factor. Preparers generally tend to err on the side of caution and disclose rather too much than too little. However, the IASB has emphasised that too much immaterial information could obscure useful information and hence should be avoided.

Primary financial statements should be read in conjunction with accompanying notes

10. VALUE IFRS Plc reminds readers by way of a footnote that the primary financial statements should be read in conjunction with the accompanying notes. However, this is not mandatory and we note that there is mixed practice in this regard.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

11. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

IAS1(38C),(38D)

IAS27(17)

IAS27(16)(a)

IAS21(51),(53)-(57)

IAS1(36)

Item	Nature of disclosure
Additional comparative information (eg third statement of profit or loss and other comprehensive income)	Include the additional comparative information also in the relevant notes
Separate financial statements	Disclose why they are prepared, a list of significant investments and the policies applied in accounting for these investments
Exemption from preparing consolidated financial statements	Disclose the fact that the exemption has been used and details about the entity that produces consolidated financial statements which include the reporting entity in question
Foreign currency translation	Disclose if the presentation currency is different to the functional currency, if there have been changes in the functional currency and clearly identify supplementary information that is presented in a currency other than the entity's functional or presentation currency
Reporting period is shorter or longer than one year	Disclose the period covered, the reason for different period and the fact that the amounts are not entirely comparable

IAS1(10)(b),(10A)

Consolidated statement of profit or loss 1-8,10,11,21-24,27-36IAS1(51)(c),(e)
IAS1(113)

	Notes	2017 CU'000	2016 Restated * CU'000
Continuing operations			
IAS1(82)(a)	3	197,650	161,610
IAS1(99), IAS2(36)(d)		(49,156)	(47,580)
		(53,286)	(36,428)
Gross profit		95,208	77,602
IAS1(99)		(35,679)	(29,373)
IAS1(99)		(17,839)	(14,686)
	5(a)	11,344	12,033
	5(b)	5,545	(125)
Operating profit ⁹		58,579	45,451
	5(d)	1,616	905
IAS1(82)(b)	5(d)	(7,213)	(6,272)
		(5,597)	(5,367)
IAS1(82)(c)		340	355
	16(e)	53,322	40,439
Profit before income tax		53,322	40,439
IAS1(82)(d) IAS12(77)	6	(16,786)	(11,824)
Profit from continuing operations		36,536	28,615
IFRS5(33)(a) IAS1(82)(ea) IAS1(81A)(a)	15	755	399
Profit for the period		37,291	29,014
IAS1(81B)(a)		34,286	26,695
		3,005	2,319
		37,291	29,014
		Cents	Cents
IAS33(66)		Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company: ^{15,16}	
	22	55.2	44.5
	22	54.2	44.3
IAS33(66)		Earnings per share for profit attributable to the ordinary equity holders of the company:	
	22	56.4	45.2
	22	55.4	45.0
Not mandatory	<i>The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.</i>		

IAS1(10)(b),(10A)

Consolidated statement of comprehensive income

IAS1(113)

	Notes	2017 CU'000	2016 Restated * CU'000
IAS1(81A)(a)	Profit for the period	37,291	29,014
	Other comprehensive income ^{17-19,25-26}		
IAS1(82A)(a)(ii)	<i>Items that may be reclassified to profit or loss</i>		
IAS1(82A),(7)(d) IAS39(55)(b)	Changes in the fair value of available-for-sale financial assets	9(c) 274	(830)
IAS1(82A),(7)(e) IAS39(95)(a)	Cash flow hedges	9(c) (387)	516
IAS1(82A)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method ¹⁸	9(c) 20	15
IAS1(82A),(7)(c) IAS21(32)	Exchange differences on translation of foreign operations	9(c) (617)	185
IFRS5(38)	Other comprehensive income arising from discontinued operation ²⁰	15 130	58
IAS1(82A),(7)(c) IAS39(100)	Net investment hedge	9(c) 190	-
IAS1(91)	Income tax relating to these items	9(c) 40	89
IAS1(82A)(a)(i)	<i>Items that will not be reclassified to profit or loss</i>		
IAS1(82A),(7)(a)	Gain on revaluation of land and buildings	9(c) 7,243	5,840
IAS1(82A)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method ¹⁸	9(c) 300	100
IAS1(82A),(7)(b) IAS19(120)(c)	Remeasurements of post-employment benefit obligations	9(c) 119	(910)
IAS1(91)	Income tax relating to these items	9(c) (2,298)	(1,509)
IAS1(81A)(b)	Other comprehensive income for the period, net of tax	5,014	3,554
IAS1(81A)(c)	Total comprehensive income for the period	42,305	32,568
IAS1(81B)(b)	Total comprehensive income for the period is attributable to:		
	Owners of VALUE IFRS Plc	39,399	29,992
	Non-controlling interests	2,906	2,576
		42,305	32,568
	Total comprehensive income for the period attributable to owners of VALUE IFRS Plc arises from:		
	Continuing operations	38,514	29,535
IFRS5(33)(d)	Discontinued operations	885	457
		39,399	29,992

* See note 11(b) for details regarding the restatement as a result of an error.

Not mandatory

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of profit or loss and statement of comprehensive income

Additional line items

IAS1(85)

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

Framework(QC4),(QC12)

2. Having said that, additional sub-headings should be used with care. The *Conceptual Framework for Financial Reporting* states that to be useful, information must be relevant and faithfully represent what it purports to represent. That is, it must be complete, neutral and free from error. The apparent flexibility in IAS 1 can, therefore, only be used to enhance users' understanding of the company's financial performance. It cannot be used to detract from the amounts that must be disclosed under IFRS (statutory measures).

IAS1(85A)

3. IAS 1 specifically provides that additional subtotals must:
 - (a) be comprised of items that are recognised and measured in accordance with IFRS
 - (b) be presented and labelled such that they are clear and understandable
 - (c) be consistent from period to period
 - (d) not be displayed with more prominence than the mandatory subtotals and totals.
 The amendments apply to annual reporting periods commencing on or after 1 January 2016.
4. In addition, we recommend that entities consider the following principles:
 - (a) The subtotals should not introduce bias or overcrowd the statement of profit or loss.
 - (a) It is generally not permissible to mix natural and functional classifications of expenses where these categories of expenses overlap (see paragraph 30 below).
 - (b) Additional line items or columns should contain only contain revenue or expenses of the entity itself.
 - (c) Additional line items, columns and subtotals should only be presented when they are used internally to manage the business.
 - (d) The overall message of the statement of profit or loss should not be distorted or confused.
5. Earnings before interest and tax (EBIT) may be an appropriate sub-heading to show in the statement of profit or loss, as it usually distinguishes between the pre-tax profits arising from operating and from financing activities. In contrast, a subtotal for earnings before interest, tax, depreciation and amortisation (EBITDA) can only be included where the entity presents its expenses by nature and the subtotal does not detract from the GAAP numbers, either by implying that EBITDA is the 'real' profit or by overcrowding the statement of profit or loss so that the reader cannot determine easily the entity's GAAP performance.
6. Where an entity presents its expenses by function, it will not be possible to show depreciation and amortisation as separate line items in arriving at operating profit, because depreciation and amortisation are types of expense, not functions of the business. In this case, EBITDA can only be disclosed by way of supplemental information in a box, in a footnote, in the notes or in the review of operations.
7. Where an entity discloses alternative performance measures, these should not be given greater prominence than the IFRS measure of performance. This might be achieved by including the alternative performance measure in the notes to the financial statements or as a footnote to the primary financial statement. Where an entity presents such a measure on the face of the primary statement, it should be clearly identified. Management should determine the overall adequacy of the disclosures and whether a specific presentation is misleading in the context of the financial statements as a whole. This judgement might be disclosed as a significant judgement in accordance with paragraph 122 of IAS 1.
8. Preparers of financial reports should also consider the view of their local regulator regarding the use of subtotals and disclosure of non-GAAP measures in the financial report where applicable. [Appendix A](#) provides guidance on the use non-GAAP measures in the management commentary.

Statement of profit or loss and statement of comprehensive income

Operating profit

IAS1(BC56)

9. An entity may elect to include a sub-total for its result from operating activities. While this is permitted, care must 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 or relocation expenses, must not be excluded simply because they occur infrequently or are unusual in amount. Similarly, expenses cannot be excluded on the grounds that they do not involve cash flows (eg depreciation or amortisation). As a general rule, operating profit would be the subtotal after 'other expenses', ie excluding finance costs and the share of profits of equity-accounted investments.

Re-ordering of line items

IAS1(86)

10. 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 overall requirement for a 'fair presentation' and should not make any changes unless there is a good reason to do so. For example, it will generally be acceptable to present finance cost as the last item before pre-tax profit, thereby separating financing activities from the activities that are being financed.
11. Another example is the share of profit of associates. Normally, this would be shown after finance cost. However, there may be circumstances when the line item showing the investor's share of the associate's result is included before finance cost. Where the entity presents a subtotal for operating profit, it could be included in operating profit or presented immediately below operating profit. This might apply where the associate (or joint venture) is an integral vehicle through which the group conducts its operations and its strategy.

IAS1(82)(c), IAS18(7)
Framework(4.29)

12. However, the share of the profit or loss of associates and joint ventures accounted for using the equity method should not be included as part of the entity's revenue. The share of an associate's or joint venture's profit is in the nature of a net gain. It does not represent a gross inflow of economic benefits and hence does not satisfy the definition of revenue in IAS 18 *Revenue*. Combining the entity's share of the associate's revenue with its own revenue would be inconsistent with the balance sheet treatment where the entity's investment is presented as a separate line item. This is different to the accounting for joint operations where the entity combines its share of the joint operation's revenue with its own. Where a group conducts a significant proportion of its business through equity-accounted investments and wishes to highlight that fact to the reader of the statement of comprehensive income, it may choose to give additional financial information by way of a footnote and cross-reference to the notes.

Finance income and finance cost

13. IAS 1 requires an entity to present finance costs on the face of the statement of profit or loss, but it does not require the separate presentation of finance income. The classification of finance income will depend on an entity's accounting policy for such items. Refer to the commentary to [note 5](#) for details.

Discontinued operations

IFRS5(33)(a),(b)
IAS1(82)(ea)

14. Entities shall disclose a single amount in the statement of comprehensive income (or separate statement of profit or loss) 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. An analysis of this single amount is also required by paragraph 33 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This analysis may be presented in the notes or in the statement of comprehensive income (separate statement of profit or loss). In the case of VALUE IFRS Plc it is presented in [note 15](#). If it is presented in the statement of profit or loss it must be presented in a section identified as relating to discontinued operations; that is, separately 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 (refer to paragraph 11 of IFRS 5).

Statement of profit or loss and statement of comprehensive income

Earnings per share

IAS33(73)

15. While entities are permitted to disclose earnings per share based on alternative measures of earnings, these must be presented in the notes to the financial statements only (see [note 22](#)).

IAS33(68)

16. An entity that reports a discontinued operation must disclose 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. VALUE IFRS Plc provides this information in [note 22](#).

Components of other comprehensive income

IAS1(7)

17. Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments, see paragraph 26 below) that are specifically required or permitted by other IFRS to be included in other comprehensive income and are not recognised in profit or loss. They currently include:

- (a) revaluation gains and losses relating to property, plant and equipment or intangible assets
- (b) remeasurements of defined benefit obligations
- (c) gains and losses arising from translating the financial statements of a foreign operation
- (d) gains and losses on remeasuring available-for-sale financial assets
- (e) the effective portion of gains and losses on hedging instruments in a cash flow hedge
- (f) the investor's share of the other comprehensive income of equity-accounted investments, and
- (g) current and deferred tax credits and charges in respect of items recognised in other comprehensive income.

IAS1(82A),(139P)

18. Items of OCI arising from equity accounted investments must be presented in total for items which will and will not be reclassified to profit or loss.

Summary

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

Item	Reference	Requirement in standard	Presentation in VALUE
Each component of OCI recognised during the period, classified by nature	IAS 1(82A)	Statement of comprehensive income	Statement of comprehensive income
Reclassification adjustments during the period relating to components of OCI (see paragraph 26 below)	IAS 1(92)	Statement of comprehensive income or notes	Note 9
Tax relating to each component of OCI, including reclassification adjustments	IAS 1(90)	Statement of comprehensive income or notes	Note 9
Reconciliation for each component of equity, showing separately <ul style="list-style-type: none"> • profit/loss • OCI • transactions with owners See commentary 1 to 3 on page 19.	IAS 1(106)(d)	Statement of changes in equity and notes, see related commentary	Statement of changes in equity and note 9

Statement of profit or loss and statement of comprehensive income

Discontinued operations

- IFRS5(38) 20. IFRS 5 is unclear as to whether entities need to separate out items of other comprehensive income between continuing and discontinued operations. We believe that it would be consistent with the principles of IFRS 5 to do so, as it would provide a useful base for predicting the future results of the continuing operations. We also note that entities must present separately any cumulative income or expense recognised in other comprehensive income that relates to a non-current asset or disposal group classified as held for sale.

Information to be presented either in the statement of comprehensive income or in the notes

Material items of income and expense

- IAS1(97) 21. When items of income and expense are material, their nature and amount must be disclosed separately either in the statement of comprehensive income (statement of profit or loss) or in the notes. In the case of VALUE IFRS Plc these disclosures are made in [note 4](#).
- IAS1(86),(97) 22. IAS 1 does not provide a specific name for the types of items that should be separately disclosed. Where an entity discloses a separate category of 'exceptional', 'significant' or 'unusual' items either in their statement of comprehensive income or in the notes, the accounting policy note should include a definition of the chosen term. The presentation and definition of these items must be applied consistently from year to year.
23. Where an entity classifies its expenses by nature, it must take care to ensure that each class of expenses includes all items related to that class. Material restructuring cost may, for example, include redundancy payments (ie 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.
24. 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 footnote or in the notes to the financial statements.

Reclassification adjustments

- IAS1(92),(94) 25. An entity shall also disclose separately any reclassification adjustments relating to components of other comprehensive income either in the statement of comprehensive income or in the notes. VALUE IFRS Plc provides this information in [note 9\(c\)](#).
- IAS1(7),(95) 26. 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 or impairment of an available-for-sale financial asset and when a hedged forecast transaction affects profit or loss. They do not arise on changes in a revaluation surplus of property, plant and equipment or remeasurements on defined benefit pension schemes. While these components are also recognised in OCI, they are not reclassified to profit or loss in subsequent periods.

Dividends: statement of changes in equity or notes only

- IAS1(107) 27. The amount of dividends recognised as distributions to owners during the period, and the related amount per share must be presented either in the statement of changes in equity or in the notes. In the case of VALUE IFRS Plc these disclosures are made in [note 13\(b\)](#).

Classification of expenses

By nature or function

- IAS1(99),(100) 28. An analysis of expenses shall be presented using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant. Entities are encouraged, but not required, to present the analysis of expenses in the statement of comprehensive income (or statement of profit or loss, where applicable).

Statement of profit or loss and statement of comprehensive income

IAS1(105)

29. The choice of classification between nature and function will depend on historical and industry factors and the nature of the entity. The entity should choose the classification that provides the most relevant and reliable information about its financial performance.
30. Within a functional statement of comprehensive income (statement of profit or loss), costs directly associated with generating revenues should be included in cost of sales. Cost of sales should include direct material and labour costs but also indirect costs that can be directly attributed to generating revenue; for example, depreciation of assets used in the production. Impairment charges should be classified according to how the depreciation or amortisation of the particular asset is classified. Entities should not mix functional and natural classifications of expenses by excluding certain expenses such as inventory write-downs, employee termination benefits and impairment charges from the functional classifications to which they relate.

IAS1(104),(105)

31. Entities classifying expenses by function shall disclose additional information about the nature of their expenses in the notes to the financial statements, see [note 5\(c\)](#). According to IAS 1 this includes disclosure of depreciation, amortisation and employee benefits expense. Other classes of expenses should also be disclosed where they are material, as this information assists users in predicting future cash flows.
32. We have illustrated a classification of expenses by nature on the face of the statement of profit or loss in [Appendix C](#).

Materiality

IAS1(29)

33. Regardless of whether expenses are classified by nature or by function, materiality applies to the classification of expenses. Each material class should be separately disclosed, and unclassified expenses (shown as 'other expenses' in VALUE IFRS Plc) should be immaterial both individually and in aggregate.
34. The classification of expenses may vary with the type of expense. For example, where expenses are classified by nature, wages and salaries paid to employees involved in research and development (R&D) activities would be classified as employee benefits expense, while amounts paid to external organisations for R&D would be classified as external R&D expense. However, where expenses are classified by function, both the wages and salaries and external payments should be classified as R&D expense.

Offsetting

IAS1(32)

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

IAS1(34)(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

IAS1(34)(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 (eg a supplier's warranty agreement) may be netted against the related reimbursement

IAS1(35)

- (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.
36. Income which falls under the scope of IAS 18 *Revenue* cannot be netted off against related expenses. However, this does not preclude an entity from presenting interest income followed by interest expense and a sub-total such as 'net interest expense' on the face of the statement of profit or loss as we have done in this publication.

IAS1(10)(a),(54)

Consolidated balance sheet ¹⁻⁵IAS1(51)(c),(e)
IAS1(113)

IAS1(60),(66)

IAS1(54)(a)

IAS1(54)(b)

IAS1(54)(c)

IAS1(54)(o),(56)

IAS1(54)(e)

IAS1(54)(d)

IFRS7(8)(b)

IAS1(54)(d)

IFRS7(8)(d)

IAS1(54)(d)

IFRS7(8)(a)

IAS1(54)(h)

IFRS7(8)(c)

IAS1(60),(66)

IAS1(54)(g)

IAS1(54)(h)

IFRS7(8)(c)

IAS1(54)(d)

IFRS7(8)(a)

IAS1(54)(d)

IFRS7(8)(a)

IAS1(54)(i)

IAS1(54)(j)

IFRS5(38)

Notes	2017 CU'000	2016 Restated * CU'000	1 January 2016 Restated *6 CU'000
ASSETS			
Non-current assets			
Property, plant and equipment	8(a) 131,410	105,080	93,145
Investment properties	8(b) 13,300	10,050	8,205
Intangible assets	8(c) 24,550	20,945	20,910
Deferred tax assets	8(d) 7,323	4,979	3,681
Investments accounted for using the equity method	16(e) 3,775	3,275	3,025
Held-to-maturity investments	7(b) 1,210	1,175	-
Available-for-sale financial assets	7(c) 9,322	8,228	8,397
Derivative financial instruments	12(a) 308	712	-
Receivables	7(a) 2,226	1,380	6,011
Total non-current assets	193,424	155,824	143,374
Current assets			
Inventories	8(e) 22,153	19,672	18,616
Trade and other receivables	7(a) 18,935	12,184	8,243
Derivative financial instruments	12(a) 1,854	1,417	156
Financial assets at fair value through profit or loss	7(d) 11,300	10,915	10,370
Cash and cash equivalents (excluding bank overdrafts)	7(e) 57,098	31,268	25,193
	111,340	75,456	62,578
Assets classified as held for sale	8(f), 15 250	4,955	-
Total current assets	111,590	80,411	62,578
Total assets	305,014	236,235	205,952

* See note 11(b) for details regarding the restatement as a result of an error.

			2017	2016	1 January 2016
	Notes		CU'000	Restated * CU'000	Restated * ⁶ CU'000
LIABILITIES					
IAS1(60),(69)		Non-current liabilities			
IAS1(54)(m) IFRS7(8)(f)		Borrowings	7(g) 91,289	79,330	76,250
IAS1(54)(o),(56)		Deferred tax liabilities	8(d) 12,360	6,660	4,356
		Employee benefit obligations ⁷	8(g) 6,749	4,881	4,032
IAS1(54)(l)		Provisions	8(h) 1,573	1,382	1,304
		Total non-current liabilities	111,971	92,253	85,942
IAS1(60),(69)		Current liabilities			
IAS1(54)(k)		Trade and other payables	7(f) 16,700	12,477	12,930
IAS1(54)(n)		Current tax liabilities	1,700	1,138	989
IAS1(54)(m), IFRS7(8)(f)		Borrowings	7(g) 9,155	8,750	7,869
IAS1(54)(m) IFRS7(8)(e)		Derivative financial instruments	12(a) 1,376	1,398	445
		Employee benefit obligations ⁷	8(g) 690	470	440
IAS1(54)(l)		Provisions	8(h) 3,111	1,437	930
		Deferred revenue	3 595	570	490
			33,327	26,240	24,093
IAS1(54)(p) IFRS5(38)		Liabilities directly associated with assets classified as held for sale	15 -	500	-
		Total current liabilities	33,327	26,740	24,093
		Total liabilities	145,298	118,993	110,055
		Net assets	159,716	117,242	95,917
EQUITY					
IAS1(54)(r)		Share capital and share premium	9(a) 83,054	63,976	62,619
		Other equity	9(b) 1,774	(550)	(251)
IAS1(54)(r)		Other reserves	9(c) 16,966	11,566	7,311
		Retained earnings	9(d) 48,460	36,561	21,298
IAS1(54)(r)		Capital and reserves attributable to owners of VALUE IFRS Plc	150,254	111,553	90,977
IAS1(54)(q)		Non-controlling interests	16(b) 9,462	5,689	4,940
		Total equity	159,716	117,242	95,917

* See note 11(b) for details regarding the restatement as a result of an error.

Not mandatory

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Balance sheet

Accounting standard for the balance sheet (statement of financial position)

- IAS1(10) 1. IAS 1 *Presentation of Financial Statements* refers to the balance sheet as 'statement of financial position'. However, since this title is not mandatory, VALUE IFRS Plc has elected to retain the better known name of 'balance sheet'.

Current/non-current distinction

- IAS1(60) 2. 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.
- IAS1(61) 3. Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled: (a) no more than twelve months after the reporting period, and (b) more than twelve months after the reporting period.
- IAS1(66)-(70) 4. 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.
- IAS1(68) 5. 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.

Three balance sheets required in certain circumstances

- IAS1(40A),(40B) 6. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements, it must provide a third balance sheet (statement of financial position) as at the beginning of the preceding comparative period. However, where the retrospective change in policy or the restatement has no effect on the preceding period's opening balance sheet, we believe that it would be sufficient for the entity merely to disclose that fact.

Separate line item for employee benefit obligations

- IAS1(54) 7. Paragraph 54 of IAS 1 sets out the line items that are, as a minimum, required to be presented in the balance sheet. Additional line items, heading and subtotals should be added when they are relevant to an understanding of the entity's financial position. For example, IAS 1 does not prescribe where employee benefit obligations should be presented in the balance sheet. VALUE IFRS Plc has elected to present all employee benefit obligations together as separate current and non-current line items, as this provides more relevant information to users.

IAS1(10)(c),(106)

Consolidated statement of changes in equity ¹⁻³

		Attributable to owners of VALUE IFRS Plc						
		Share capital and premium CU'000	Other equity CU'000	Other reserves CU'000	Retained earnings CU'000	Total CU'000	Non-controlling interests CU'000	Total equity CU'000
Notes								
IAS1(106)(d)	Balance at 1 January 2016	62,619	(251)	7,311	21,218	90,897	4,940	95,837
IAS1(106)(b)	Correction of error (net of tax)	11(b) -	-	-	80	80	-	80
	Restated total equity at the beginning of the financial year	62,619	(251)	7,311	21,298	90,977	4,940	95,917
IAS1(106)(d)(i)	Profit for the period	-	-	-	26,695	26,695	2,319	29,014
IAS1(106)(d)(ii)	Other comprehensive income	-	-	3,700	(403)	3,297	257	3,554
	Total comprehensive income for the period	-	-	3,700	26,292	29,992	2,576	32,568
IAS1(106)(d)(iii)	Transactions with owners in their capacity as owners:							
IAS32(22),(35)	Contributions of equity net of transaction costs	9(a) 1,357	-	-	-	1,357	-	1,357
IAS32(33)	Acquisition of treasury shares	9(b) -	(299)	-	-	(299)	-	(299)
IFRS2(50)	Dividends provided for or paid	13(b) -	-	-	(11,029)	(11,029)	(1,827)	(12,856)
	Employee share schemes – value of employee services	9(c) -	-	555	-	555	-	555
		1,357	(299)	555	(11,029)	(9,416)	(1,827)	(11,243)
IAS1(106)(d)	Balance at 31 December 2016	63,976	(550)	11,566	36,561	111,553	5,689	117,242
IAS1(106)(d)(i)	Profit for the period	-	-	-	34,286	34,286	3,005	37,291
IAS1(106)(d)(ii)	Other comprehensive income	-	-	4,806	307	5,113	(99)	5,014
IAS1(106)(a)	Total comprehensive income for the period	-	-	4,806	34,593	39,399	2,906	42,305
IAS1(106)(d)(iii)	Transactions with owners in their capacity as owners:							
IAS32(22),(35)	Contributions of equity, net of transaction costs and tax	9(a) 10,871	-	-	-	10,871	-	10,871
	Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	14 9,730	-	-	-	9,730	-	9,730
IAS32(33)	Acquisition of treasury shares	9(b) -	(1,217)	-	-	(1,217)	-	(1,217)
IAS32(35)	Buy-back of preference shares, net of tax	9(a) (1,523)	-	-	143	(1,380)	-	(1,380)
	Value of conversion rights on convertible notes	9(b) -	2,450	-	-	2,450	-	2,450
	Non-controlling interests on acquisition of subsidiary	14 -	-	-	-	-	5,051	5,051
IFRS10(23)	Transactions with non-controlling interests	16(c) -	-	(333)	-	(333)	(1,167)	(1,500)
	Dividends provided for or paid	13(b) -	-	-	(22,837)	(22,837)	(3,017)	(25,854)
	Employee share schemes – value of employee services	9(c) -	-	2,018	-	2,018	-	2,018
IFRS2(50)	Issue of treasury shares to employees	9(b) -	1,091	(1,091)	-	-	-	-
		19,078	2,324	594	(22,694)	(698)	867	169
IAS1(106)(d)	Balance at 31 December 2017	83,054	1,774	16,966	48,460	150,254	9,462	159,716

Not mandatory

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of changes in equity

Accounting standard for the statement of changes in equity

IAS1(106)

1. The statement of changes in equity shall include:

- (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests
- (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8

IAS1(106)(d)

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

IAS1(108)

2. Components of equity include each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings. We believe that individual reserves can be disclosed as a single column 'other reserves' if they are similar in nature and can be regarded as a component of equity. The reserves grouped together in VALUE IFRS Plc's statement of changes in equity are all accounting reserves which have arisen as a result of specific requirements in the accounting standards. This distinguishes them from other reserves that are the result of discretionary transfers within equity, for example capital realisation reserves. Disclosing the individual reserves in the notes rather than on the face of the statement of changes in equity reduces clutter and makes the statement more readable.

IAS1(106A)

3. The reconciliation of changes in each component of equity shall also show separately each item of comprehensive income. However, this information may be presented either in the notes or in the statement of changes in equity. VALUE IFRS Plc has elected to provide the detailed information in [note 9\(c\)](#) and [\(d\)](#).

IAS1(10)(d)
IAS7(1),(10)
IAS1(113)

Consolidated statement of cash flows ¹⁻³

	Notes	2017 CU'000	2016 CU'000
IAS7(10),(18)(a)			
Cash flows from operating activities			
IAS7(14)(a)	10(a)	65,353	49,670
IAS7(31)-(33)		1,261	905
IAS7(31)-(33)		(6,617)	(4,044)
IAS7(14)(f),(35),(36)		(16,443)	(12,264)
Net cash inflow from operating activities		43,554	34,267
IAS7(10),(21)			
Cash flows from investing activities			
IAS7(39)	14	(2,600)	-
IAS7(16)(a)	8(a)	(25,387)	(17,602)
IAS7(16)(a)	8(b)	(1,900)	-
IAS7(16)(c)		(259)	(2,029)
IAS7(16)(c)		-	(1,175)
IAS7(16)(a)	8(c)	(880)	(720)
IAS7(16)(e)		(1,180)	(730)
IAS7(39)	15	3,110	-
IAS7(16)(b)		9,585	639
IAS7(16)(d),(14)		1,375	820
IAS7(16)(f)		469	626
IAS7(38)	16(e)	160	220
IAS7(31),(33)		3,300	4,300
IAS7(31),(33)		254	249
Net cash (outflow) from investing activities		(13,953)	(15,402)
IAS7(10),(21)			
Cash flows from financing activities			
IAS7(17)(a)	9(a)	12,413	-
	9(a)	1,500	-
IAS7(17)(c)	10(c)	45,903	25,796
IAS7(17)(b)	9(a)	(1,350)	-
IAS7(17)(b)		(1,217)	(299)
	9(a)	(245)	-
IAS7(17)(d)	10(c)	(33,334)	(24,835)
IAS7(17)(e)	10(c)	(805)	-
IAS7(42A),(42B)	16(c)	(1,500)	-
IAS7(31),(34)	13(b)	(22,271)	(10,470)
IAS7(31),(34)	16(b)	(3,017)	(1,828)
Net cash (outflow) from financing activities		(3,923)	(11,636)
Net increase in cash and cash equivalents		25,678	7,229
		29,018	21,573
IAS7(28)		(248)	216
	7(e)	54,448	29,018
IAS7(43) IFRS5(33)(c)	10(b) 15		
Non-cash financing and investing activities			
Cash flows of discontinued operation ⁶			

Not mandatory

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Statement of cash flows

Definition of cash and cash equivalents

IAS7(6),(7)

1. Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition. Financial instruments can only be included if they are in substance cash equivalents, eg debt investments with fixed redemption dates that are acquired within a short period of their maturity.

Reporting cash flows

Expenditure on unrecognised assets to be classified as operating cash flows

IAS7(16)

2. Cash flows can only be classified as arising from investing activities if they result in the recognition of an asset in the balance sheet. Examples of expenditure that should be classified as operating cash flows on this basis are:
 - (a) expenditures on exploration or evaluation activities, unless the entity has a policy of capitalising these expenditures as permitted under IFRS 6 *Exploration for and Evaluation of Mineral Resources*
 - (b) expenditures on advertising or promotional activities, staff training and research and development, and
 - (c) transaction costs related to a business combination.

Disclosing cash flows on a gross or net basis

IAS7(22)-(24)

3. Cash inflows and outflows must generally be reported gross unless they relate to
 - (a) cash receipts and payments on behalf of customers which reflect the activities of the customer rather than the entity, or
 - (b) items in which the turnover is quick, the amounts are large, and the maturities are short. Financial institutions may also report certain cash flows on a net basis.

Interest, dividends and taxes

IAS7(31)-(34)

4. IAS 7 does not specify how to classify cash flows from interest paid and interest and dividends received. VALUE IFRS Plc has chosen to present interest paid and interest received on financial assets held for cash management purposes as operating cash flows, but dividends and interest received on other financial assets as investing cash flows because they are returns on the group's investments. Dividends paid are classified in this publication as financing cash flows because they are a cost of obtaining financial resources. However, they could also be classified as operating cash flows to assist users in determining the ability of an entity to pay dividends out of operating cash flows.

IAS7(35)

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

Discontinued operations

IFRS5(33)(c)

6. Entities must disclose separately the net cash flows attributable to each of operating, investing and financing activities of discontinued operations. There are different ways of presenting this information, but the underlying principle is that the cash flow statement must give the cash flows for the total entity including both continuing and discontinued operations. The additional information in relation to the discontinued operations can be disclosed either on the face of the cash flow statement or in the notes. VALUE IFRS Plc is providing the information in [note 15](#).

Contents of the notes to the consolidated financial statements ¹⁻⁸

1	Significant changes in the current reporting period	25
	How numbers are calculated	26
2	Segment information	27
3	Revenue	32
4	Material profit or loss items	35
5	Other income and expense items	36
6	Income tax expense	40
7	Financial assets and financial liabilities	44
8	Non-financial assets and liabilities	60
9	Equity	88
10	Cash flow information	95
	Risk	98
11	Critical estimates, judgements and errors	99
12	Financial risk management	103
13	Capital management	116
	Group structure	119
14	Business combinations	120
15	Discontinued operation	123
16	Interests in other entities	126
	Unrecognised items	133
17	Contingent liabilities and contingent assets	134
18	Commitments	135
19	Events occurring after the reporting period	136
	Other information	139
20	Related party transactions	140
21	Share-based payments	144
22	Earnings per share	149
23	Offsetting financial assets and financial liabilities	152
24	Assets pledged as security	154
25	Summary of significant accounting policies	155
26	Changes in accounting policies	176

Contents of the notes to the financial statements

Structure of the notes

IAS1(113)

1. Notes shall, as far as practicable, be presented in a systematic manner, keeping in mind the understandability and comparability of the financial statements. Each item in the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows shall be cross referenced to any related information in the notes.

IAS1(114)

2. Examples of systematic ordering of notes include:
 - (a) giving prominence to the areas of the entity's activities that are most relevant to an understanding of the financial performance and financial position, for example by grouping together information about particular operating activities
 - (b) grouping together information about items that are measured similarly, for example assets measured at fair value, or
 - (c) following the order of the line items in the financial statements, by disclosing
 - (i) a statement of compliance with IFRS (refer to paragraph 16 of IAS 1)
 - (ii) a summary of significant accounting policies applied (refer to paragraph 117 of IAS 1)
 - (iii) supporting information for items presented in the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows, in the order in which each statement and each line item is presented, and
 - (iv) other disclosures, including:
 - contingent liabilities (refer to IAS 37) and unrecognised contractual commitments, and
 - non-financial disclosures; for example, the entity's financial risk management objectives and policies (refer to IFRS 7).

IAS1(114)

3. Traditionally, most financial reports have used the structure suggested in (c) above. However, financial report preparers increasingly consider annual reports to be an important tool in the communication with stakeholders and not just a mere compliance exercise. As a consequence, there is a growing interest in alternative formats of the financial statements.
4. This trend is supported by the IASB's Disclosure Initiative. As part of this project, the IASB made amendments to IAS 1 *Presentation of Financial Statements* which have provided preparers with more flexibility in presenting the information in their financial reports.
5. This VALUE IFRS publication demonstrates one possible way of how financial reports could be improved if the existing information was presented in a more user-friendly order. To do so, we have presented information about specific aspects of the entity's financial position and performance together. For example, the entity's exposure and management of financial risks is dealt with in **notes 11 to 13** while information about the group structure and interests in other entities is presented in **notes 14 to 16**. Colour coding helps to find relevant information quickly.
6. In addition, the notes relating to individual line items in the financial statements disclose the relevant accounting policies as well as information about significant estimates or judgements. Accounting policies that merely summarise mandatory requirements are disclosed at the end of the financial report, as they are not relevant for the majority of users. This structure makes the information in the financial report more accessible for users and provides a basis for considering the most useful structure for your entity's report.
7. However, it is important to note that the structure used in this publication is not mandatory and is only one possible example of improved readability. In fact, our experience has shown that there is not one structure that is suitable for all entities. Rather, the appropriate structure depends on the entity's business and each entity should consider what would be most useful and relevant for their stakeholders based on their individual circumstances.

Materiality matters

IAS1(30A)

8. When drafting the disclosures in the notes to the financial statements, also remember that too much immaterial information could obscure the information that is actually useful to readers. Some of the disclosures in this publication would likely be immaterial if VALUE IFRS Plc was a 'real life' company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are not always realistic. Disclosures should not be included where they are not relevant or not material in specific circumstances.

Notes to the financial statements

1 Significant changes in the current reporting period

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

- The acquisition of VALUE IFRS Electronics Group in April 2017 (see [note 14](#)) which resulted in an increase in property, plant and equipment ([note 8\(a\)](#)) and the recognition of goodwill and other intangible assets ([note 8\(c\)](#)).
- The sale of the engineering subsidiary in February 2017 (see [note 15](#)).
- The sale of surplus land by VALUE IFRS Consulting Inc (see [note 4](#)).
- A fire in Springfield in March 2017 which resulted in the impairment of a number of assets (see [note 4](#)).
- A review of the furniture manufacturing operations which led to redundancies and a goodwill impairment charge (see [notes 8\(h\)](#) and [8\(c\)](#)).

For a detailed discussion about the group's performance and financial position please refer to our operating and financial review on pages [x] to [y].

Some of the amounts reported for the previous period have been restated to correct an error. Detailed information about these adjustments can be found in [note 11\(b\)](#).

Significant changes in the current reporting period

1. There is no requirement to disclose a summary of significant events and transactions that have affected the company's financial position and performance during the period under review. We believe that information such as this would help readers understand the entity's performance and any changes to the entity's financial position during the year and make it easier finding the relevant information. However, information such as this could also be provided in the (unaudited) operating and financial review rather than the (audited) notes to the financial statements.

Disclosures not illustrated: going concern disclosures

2. When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.
3. Where there are material uncertainties about the entity's ability to continue as a going concern, this fact should be disclosed upfront, for example in a note such as this.
4. A disclosure of material uncertainties about the entity's ability to continue as a going concern should:
 - (a) adequately describe the principal events and conditions that give rise to the significant doubt on the entity's ability to continue as a going concern
 - (b) explain management's plans to deal with these events or conditions, and
 - (c) state clearly that:
 - (i) there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, and
 - (ii) the entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

How the numbers are calculated

Not mandatory

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

- (a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction
- (b) analysis and sub-totals, including segment information
- (c) information about estimates and judgements made in relation to particular items.

2	Segment information	27
3	Revenue	32
4	Material profit or loss items	35
5	Other income and expense items	36
6	Income tax expense	40
7	Financial assets and financial liabilities	44
8	Non-financial assets and liabilities	60
9	Equity	88
10	Cash flow information	95

2 Segment information ^{6,7}

2(a) Description of segments and principal activities ¹

IFRS8(22)
IAS1(138)(b)

The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, examines the group's performance both from a product and geographic perspective and has identified six reportable segments of its business:

1,2: Furniture manufacturing – Oneland and China: this part of the business manufactures and sells commercial office furniture, hardwood side boards, chairs and tables in Oneland and China. The committee monitors the performance in those two regions separately.

IFRS8(22)(aa)

3: Furniture retail – since January 2015, the manufacturing business has been supplemented by a chain of retail stores in Oneland. While the committee receives separate reports for each region, the stores have been aggregated into one reportable segment as they have similar average gross margins and similar expected growth rates. ¹

4,5: IT consulting – business IT management, design, implementation and support services are provided in the US and in a number of European countries. Performance is monitored separately for those two regions.

6: Electronic equipment – Although this part of the business is not large enough to be required to be reported under the accounting standards, it has been included here as it is seen as a potential growth segment which is expected to materially contribute to group revenue in the future. This segment was established following the acquisition of VALUE IFRS Electronics Group in April 2017.

IFRS8(16),(22)

All other segments – The development of residential land, currently in the Someland Canal Estate in Nicetown and the Mountain Top Estate in Alpvile, the purchase and resale of commercial properties, principally in Nicetown and Harbournity and the management of investment properties are not reportable operating segments, as they are not separately included in the reports provided to the strategic steering committee. The results of these operations are included in the 'all other segments' column. The column also includes head office and group services.

The engineering subsidiary was sold effective from 1 March 2017. Information about this discontinued segment is provided in [note 15](#).

The steering committee primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA, see below) to assess the performance of the operating segments. However, the steering committee also receives information about the segments' revenue and assets on a monthly basis. Information about segment revenue is disclosed in [note 3](#).

IFRS8(23)

2(b) Adjusted EBITDA ²

IFRS8(27)(b),(28)

Adjusted EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as restructuring costs, legal expenses, and impairments when the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments and unrealised gains or losses on financial instruments.

Interest income and finance cost 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.

IFRS8(23)

	2017 CU'000	2016 Restated CU'000
Furniture manufacture		
Oneland	14,280	16,310
China	12,900	6,090
Furniture retail – Oneland	16,400	5,204
IT Consulting		
US	16,500	13,480
Europe	8,002	9,880
Electronic equipment - Oneland	3,400	-
All other segments	4,626	5,096
Total adjusted EBITDA	76,108	56,960

IFRS8(23)

2(b) Adjusted EBITDA

IFRS8(28)(b)

Adjusted EBITDA reconciles to operating profit before income tax as follows:

IFRS8(23)

	Notes	2017 CU'000	2016 Restated CU'000
Total adjusted EBITDA		76,108	56,960
Intersegment eliminations		(390)	(360)
Finance costs – net	5(d)	(5,597)	(5,367)
Interest income on financial assets held as investments	5(a)	254	249
Depreciation and amortisation	5(c)	(10,985)	(8,880)
Litigation settlement	4	-	(370)
Goodwill impairment	4	(2,410)	-
Restructuring costs	4	(1,377)	-
Fair value gains/(losses) on financial assets at FVPL	5(b)	835	(690)
Share options and rights granted to directors and employees	21(e)	(2,156)	(1,353)
Impairment of other assets	4	(1,210)	-
Other		250	250
Profit before income tax from continuing operations		53,323	40,439

2(c) Other profit and loss disclosures ³

IFRS8(23)(e),(f),(g),(h)

2017	Material items CU'000	Depreciation and amortisation CU'000	Income tax expense CU'000	Share of profit from associates and joint ventures CU'000
Furniture manufacture				
Oneland	(910)	(4,250)	(4,317)	48
China	(3,787)	(2,161)	(3,650)	-
Furniture retail – Oneland	-	(2,274)	(3,965)	-
IT Consulting				
US	1,270	(700)	(2,164)	250
Europe	-	(430)	(750)	-
Electronic equipment -				
Oneland	-	(275)	(800)	-
All other segments	-	(895)	(556)	42
Unallocated items	-	-	(584)	-
Total	(3,427)	(10,985)	(16,786)	340
2016	Material items CU'000	Depreciation and amortisation CU'000	Income tax expense CU'000	Share of profit from associates and joint ventures CU'000
Furniture manufacture				
Oneland	715	(3,190)	(3,805)	60
China	-	(2,068)	(2,506)	-
Furniture retail – Oneland	-	(1,800)	(793)	-
IT Consulting				
US	-	(543)	(2,724)	220
Europe	-	(447)	(727)	-
All other segments	(370)	(832)	(760)	75
Unallocated items	-	-	(509)	-
Total	345	(8,880)	(11,824)	355

There was no impairment charge or other significant non-cash item recognised in 2016. For details about the material items refer to [note 4](#) below.

2(d) Segment assets

IFRS8(27)(c)

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

IFRS8(23),(24)

	Year ended 31 December 2017			Year ended 31 December 2016		
	Seg- ment assets	Invest- ments in associ- ates and joint ventures	Additions to non- current assets *	Seg- ment assets	Invest- ments in associ- ates and joint ventures	Additions to non- current assets *
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Furniture manufacture						
Oneland	61,830	550	8,947	61,900	490	5,970
China	45,500	-	5,685	45,700	-	4,370
Furniture retail – Oneland	51,600	-	3,725	18,000	-	-
IT Consulting						
US	31,640	2,250	2,600	30,523	1,900	3,887
Europe	23,510	-	11,350	23,325	-	1,695
Electronic equipment - Oneland	32,305	-	1,300	-	-	-
All other segments	28,612	975	1,580	25,676	885	1,115
Total segment assets	274,997	3,775	35,187	205,124	3,275	17,037
Intersegment eliminations	(1,300)			(1,270)		
Discontinued operation (Engineering – see note 15)	-			4,955		
Unallocated:						
Deferred tax assets	7,323			4,979		
Available-for-sale financial assets	9,322			8,228		
Held-to-maturity investments	1,210			1,175		
Financial assets at fair value through profit or loss	11,300			10,915		
Derivative financial instruments	2,162			2,129		
Total assets as per the balance sheet	305,014			236,235		

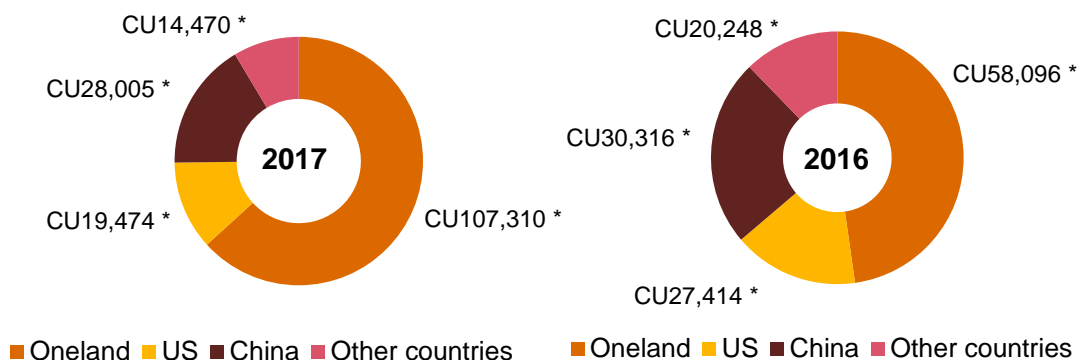
* Other than financial assets and deferred tax

IFRS8(27)(c)

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

IFRS8(33)(b)

The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown in the following graphs: ⁴



* Amounts are in CU'000

2(e) Segment liabilities

IFRS8(27)(d)

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

IFRS8(27)(d)

The group's borrowings and derivative financial instruments are not considered to be segment liabilities, but are managed by the treasury function.

IFRS8(23)

	2017 CU'000	2016 CU'000
Furniture manufacture		
Oneland	7,005	7,290
China	4,800	2,150
Furniture retail – Oneland	5,950	2,779
IT Consulting		
US	3,900	5,079
Europe	2,600	2,270
Electronic equipment - Oneland	5,259	-
All other segments	1,079	2,769
Total segment liabilities	30,593	22,337
Intersegment eliminations	(1,175)	(1,120)
Discontinued operation (Engineering – see note 15)	-	500
Unallocated:		
Deferred tax liabilities	12,360	6,660
Current tax liabilities	1,700	1,138
Current borrowings	8,980	8,555
Non-current borrowings	91,464	79,525
Derivative financial instruments	1,376	1,398
Total liabilities as per the balance sheet	145,298	118,993

IFRS8(28)(d)

2(f) Error in the accounting for a leasing contract in the Oneland Furniture manufacture segment ⁵

Due to a misinterpretation of the terms and conditions of a major leasing contract, segment assets of the Oneland Furniture manufacture segment for the year ended 31 December 2016 were overstated by CU1,300,000. The error also had the effect of overstating adjusted EBITDA for the year ended 31 December 2016 for that segment by CU275,000.

The error has been corrected by restating each of the affected segment information line items for the prior year, as described above.

Further information on the error is set out in note 11(b).

Segment information**Description of segments**

IFRS8(22)

1. Entities shall disclose factors used to identify its reportable segments, including the basis of organisation, and types of products and services from which each reportable segment derives its revenues. They must also disclose the judgements made by management in applying the aggregation criteria of the standard, including a description of the aggregated segments and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics.

Segment information

Non-GAAP segment measures

IFRS8(25),(27)

2. The measure of profit or loss that must be disclosed is the measure that is reported to the chief operating decision maker (CODM). The standard is not prescriptive as to how this measure should be calculated and a non-GAAP or non-IFRS measure is acceptable, as long as it is clear from the disclosures how the measure is calculated and there is a detailed reconciliation of the disclosed measure to the respective IFRS amount. Having said that, entities will also need to consider the view of their local regulator on the use of non-GAAP segment measures in the financial report (see [Appendix A](#) for further guidance).

Other profit and loss disclosures

IFRS8(23)

3. The disclosure of other profit and loss items such as depreciation, amortisation and income tax by segment is only required where these amounts are reviewed by, or are otherwise regularly provided to the CODM.

Using graphs to disclose quantitative information

4. There is nothing in the segment standard or any other IFRS that would appear to prohibit the use of graphics for disclosing quantitative information. However, entities will need to confirm whether this is acceptable under their own local regulatory requirements.

Errors

5. There are no specific requirements relating to disclosure of the impact of errors on segment information. However, the impact of a material error on segment information is likely to be relevant to the understanding of segment information, and disclosure along the lines of that shown in the illustrative note may be necessary to adequately explain the information presented.

Discontinued operations

6. IFRS 8 does not provide guidance as to whether segment disclosures apply to discontinued operations. VALUE IFRS Plc has not disclosed the results of the discontinued operation within the segment disclosures. This decision was based on the fact that the CODM did not separately review the results of this division since the decision to dispose of it. A discontinued operation should be presented within the segment note if it meets the quantitative threshold for disclosure and if the CODM reviews the results of the division.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

7. The following disclosures are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

IFRS8(23)(c),(d)

- (a) information about interest revenue and interest expense for each reportable segment (if provided to the CODM)

IFRS8(27)(f)

- (b) the nature and effect of asymmetrical allocations to reportable segments

IFRS8(28)(e)

- (c) reconciliations for other material amounts disclosed in the segment note

IFRS8(29),(30)

- (d) explanations regarding restatements of previously reported information following an internal reorganisation

IAS36(129)(b)

- (e) reversal of impairment losses by reportable segment

IAS7(50)(d)

- (f) cash flows by reportable segment (encouraged but not mandatory), and

IFRS8(27)(e)

- (g) changes in measurement methods (explain impact on reported segment profit or loss).

3 Revenue 3.4

The group derives the following types of revenue:

		2017 CU'000	2016 CU'000
IAS18(35)(b)(i)	Sale of goods	117,200	100,710
IAS18(35)(b)(ii)	Services	80,450	60,900
	Total revenue from continuing operations	197,650	161,610

3(a) Segment revenue

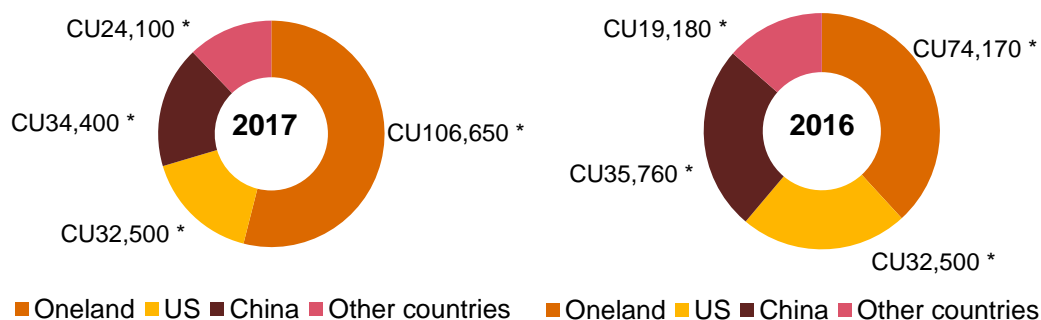
Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the statement of profit or loss.

	Year ended 31 December 2017			Year ended 31 December 2016		
	Total segment revenue	Inter- segment revenue	Revenue from external customers	Total segment revenue	Inter- segment revenue	Revenue from external customers
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Furniture manufacture						
Oneland	55,100	(1,200)	53,900	60,350	(1,150)	59,200
China	35,100	(700)	34,400	36,860	(1,100)	35,760
Furniture retail – Oneland	31,600	(900)	30,700	20,371	-	20,371
IT Consulting						
US	33,300	(800)	32,500	22,600	(600)	22,000
Europe	16,900	(300)	16,600	14,790	(610)	14,180
Electronic equipment -						
Oneland	13,850	(500)	13,350	-	-	-
All other segments	16,600	(400)	16,200	10,199	(100)	10,099
Total segment revenue	202,450	(4,800)	197,650	165,170	(3,560)	161,610

IFRS8(32) Revenues from external customers come from the sale of furniture on a wholesale and retail basis, from the provision of IT consulting services and from the sale of electronic equipment. The revenue from wholesale sales of furniture relates only to the group's own brand, Pina Colada Furniture. The retail sales relate to the group's own brand as well as other major retail brands.

IFRS8(34) Revenues of approximately CU26,320,000 (2016 – CU24,280,000) are derived from a single external customer. These revenues are attributed to the Oneland furniture manufacturing segment.

IFRS8(33)(a) The entity is domiciled in Oneland. The amount of its revenue from external customers broken down by location of the customers is shown in the graphs below.



* Amounts are in CU'000

3(b) Recognising revenue from major business activities ^{1,2}

IAS1(117),(119)

Revenue is recognised for the major business activities using the methods outlined below.

IAS1(119)

Sale of goods – wholesale

IAS18(35)(a)

Timing of recognition: the group manufactures and sells a range of furniture in the wholesale market. Sales are recognised when products are delivered 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 occurs when 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.

Measurement of revenue: The furniture is often sold with volume discounts and customers have a right to return faulty products in the wholesale market. Revenue from sales is 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 30 days, which is consistent with market practice.

IAS1(119)

Sale of goods – retail

IAS18(35)(a)

Timing of recognition: The group operates a chain of retail stores selling household furniture. Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

Measurement of revenue: It is the group's policy to sell its products to the end customer with a right of return within 28 days. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Sale of goods – customer loyalty programme (deferred revenue)

IFRIC13(5),(7)

Timing of recognition: The group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. Revenue from the award points is recognised when the points are redeemed.

Measurement of revenue: The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed. Award points expire 12 months after the initial sale.

IAS1(119)

Sale of goods – Land development and resale

IAS18(35)(a)

Timing of recognition: Revenue is recognised when the risks and rewards have been transferred and the entity does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the units sold. Due to the nature of the agreements entered into by the group, this occurs on settlement.

Measurement of revenue: The revenue is measured at the amount receivable under the contract. It is discounted to present value if deferred payments have been agreed and the impact of discounting is material.

IAS1(119)

Revenue from services – Consulting

IAS18(35)(a)

Timing of recognition: Revenue from consulting services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method).

Measurement of revenue: Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

IFRS8(23)

IAS1(122)

3(b) Recognising revenue from major business activities**(i) Critical judgements in calculating amounts ^{1,2}**

The group has recognised revenue amounting to CU2,950,000 for the sale of furniture to a wholesale customer during 2017. The buyer has the right to return the goods within 90 days 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 CU78,000 and post-tax profit reduced/increased by CU53,000. The right of return expires on 3 March 2018.

Revenue**Accounting policies and significant judgements**

1. As explained on [page 24](#), it is helpful for readers of the financial report if the notes for specific line items in the financial statements also set out:
 - (a) information about accounting policies that are specific to the entity, and that explain how the line items are determined, and
 - (b) information about significant judgements and estimates applied in relation to line items. However, this format is not mandatory.
2. A full list of all accounting policies is provided in [note 25](#) together with relevant commentary. Detailed commentary regarding the disclosure of significant judgements and estimates is provided in [note 11](#).

Disclosures not illustrated: not applicable to VALUE IFRS Plc

3. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:
 - (a) Revenue from exchanges of goods or services must be separately identified.
 - (b) Revenue from the construction of real estate: entities must explain how they determine which agreements meet the criteria for the sale of goods continuously as construction progresses and disclose other details such as the amount of revenue arising from such agreements, aggregate costs incurred and recognised profits plus the amount of advances received.

Multiple-element arrangements

4. An accounting policy for multiple-element arrangements could read as follows:

The group offers certain arrangements whereby a customer can purchase a personal computer together with a two-year servicing agreement. Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately. The revenue relating to the computer is recognised when risks and rewards of the computer are transferred to the customer which occurs on delivery. Revenue relating to the service element is recognised on a straight-line basis over the service period.

IAS18(35)(c)

IFRIC15(20),(21)

4 Material profit or loss items ^{1.2}

IAS1(119),(97)

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group.

	Notes	2017 CU'000	2016 CU'000
IAS1(97),(98)(c)	(a)	1,270	-
IAS1(97),(98)(b)	8(h)	(1,377)	-
IAS1(97)	8(c)	(2,410)	-
IAS36(126)(a)	(b)		
IAS36(130)(b)		(465)	-
		(210)	-
		(535)	-
IAS1(97)		(1,210)	-
	(b)	300	-
IAS1(97),(98)(c)	(c)	-	(230)
IAS1(97),(98)(f)	(d)	-	(370)
	(e)	-	945
IAS1(97)		(3,427)	345
	15	481	-

4(a) Sale of freehold land

Following the rezoning of land held by VALUE IFRS Consulting Inc, the entity sold a large parcel of freehold land at a significant profit and realised a gain of CU1,270,000 (included in the IT consulting – US segment).

4(b) Impairment of other assets

IAS36(129)(a),
(130)(a),(c)

A fire in Springfield in March 2017 damaged a major office and warehouse building owned by a subsidiary that is part of the Oneland furniture manufacturing segment. The fire also destroyed equipment and inventories stored in the warehouse.

IAS36(130)(e),(f)

The office and warehouse was written down to its recoverable amount of CU1,220,000, which was determined by reference to the building's fair value less costs of disposal. The main valuation inputs used were a market value of CU105 per square meter (determined by an independent valuer) and costs of repair, estimated by management to be approximately CU430,000. Since the estimated costs of repair are a significant unobservable input, the fair value of the office and warehouse is classified as a level 3 fair value.

As the inventory and equipment were destroyed beyond repair, their fair value less cost of disposal was nil.

IAS36(126)(a)

The impairment loss is included in other expenses in the statement of profit or loss.

IAS16(74)(d)

An insurance recovery of CU300,000 has been received and recognised as other income.

4(c) Disposal of plant and equipment

VALUE IFRS Manufacturing upgraded its plant and equipment by installing a large new production line in its Springfield factory in the previous financial year. There were several items of old equipment that had to be removed to make place for the new plant. Since the items were using superseded technology, the entity was not able to sell them at their carrying amounts but incurred a loss of CU230,000 on disposal (included in the Furniture manufacture – Oneland segment).

4(d) Litigation settlement

In January 2016, VALUE IFRS Development Limited paid CU370,000 as settlement for a claim lodged against the company following the termination of the Pinetree development in Alpville (included in 'other segments' in the segment note).

4(e) Recognition of tax losses

Following a significant improvement in trading conditions in the Oneland furniture manufacturing segment in 2016, the group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which the tax losses can be utilised. As a consequence, a deferred tax asset of CU945,000 was recognised for these losses in 2016.

Material profit or loss items

IAS1(97),(98)

1. When items of income and expense are material, their nature and amount shall be disclosed separately either in the statement of comprehensive income, the statement of profit or loss where applicable, or in the notes. Circumstances that would give rise to the separate disclosure of items of income and expense include:
 - (a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs
 - (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring
 - (c) disposals of items of property, plant and equipment
 - (d) disposals of investments
 - (e) discontinued operations (refer to [note 15](#))
 - (f) litigation settlements
 - (g) other reversals of provisions, and
 - (h) gains or losses recognised in relation to a business combination.
2. Material items do not need to be presented in a separate note. However, in our view it will be easier for users to assess the impact of such items on the entity's performance, if this information is presented together.

5 Other income and expense items ^{1,7}

This note provides a breakdown of the items included in 'other income', 'other gains/(losses)', 'finance income and costs' and an analysis of expenses by nature. Information about specific profit and loss items (such as gains and losses in relation to financial instruments) is disclosed in the related balance sheet notes.

IAS1(112)(c)

5(a) Other income

IAS18(35)(b)(v)

IAS18(35)(b)(iii)

Not mandatory

	Notes	2017 CU'000	2016 CU'000
Rental and sub-lease rental income		7,240	7,240
Dividends		3,300	4,300
Interest on financial assets held as investments (i)		254	249
Other items (ii)		550	244
		11,344	12,033

(i) Interest income ⁶

IAS1(117)
IFRS7(20)(b)
New illustration

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see [note 5\(d\)](#) below. Any other interest income is included in other income above. Total interest income on financial assets that are not measured at fair value through profit or loss for the year was CU1,870,000 (2016 – CU1,154,000).

(ii) *Government grants*

Export market development grants of CU250,000 (2016 – CU244,000) are included in the 'other items' line item. There are no unfulfilled conditions or other contingencies attaching to these grants. The group did not benefit directly from any other forms of government assistance.

Deferral and presentation of government grants

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. See [note 25\(f\)](#) for further details.

		2017	2016
	Notes	CU'000	CU'000
Net gain/(loss) on disposal of property, plant and equipment (excluding property, plant and equipment sold as part of the engineering division)	8(a)	1,620	(530)
Fair value adjustment to investment property	8(b)	1,350	1,397
Fair value gains/(losses) on financial assets at fair value through profit or loss	7(d)	835	(690)
Net gain/(loss) on sale of available-for-sale financial assets	7(c)	646	(548)
Net foreign exchange gains/(losses)	12(b)	518	(259)
Net gains on derivatives held for trading	12(a)	400	543
Other items		176	(38)
		5,545	(125)

		2017	2016
	Notes	CU'000	Restated CU'000
Changes in inventories of finished goods and work in progress	8(e)	(6,681)	(5,255)
Raw materials and consumables used	8(e)	62,221	54,669
Employee benefits expenses ²		56,594	52,075
Depreciation	8(a)	8,950	8,150
Amortisation	8(c)	2,035	730
Impairment of goodwill	8(c)	2,410	-
Impairment of assets damaged by fire	4(b)	1,210	-
Other expenses		29,221	17,698
Total cost of sales, distribution cost and administrative expenses		155,960	128,067

5(d) Finance income and costs

	Notes	2017 CU'000	2016 Restated CU'000
<i>Finance income</i> ⁶			
Interest from financial assets held for cash management purposes	(a)(i)	1,261	905
Net gain on settlement of debt	7(g)	355	-
Finance income		1,616	905
<i>Finance costs</i> ³⁻⁵			
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss		(6,678)	(5,904)
Provisions: unwinding of discount	8(h)	(93)	(78)
Fair value gain on interest rate swaps designated as cash flow hedges – transfer from OCI	12(b)	155	195
Net exchange losses on foreign currency borrowings	12(b)	(1,122)	(810)
		(7,738)	(6,597)
Amount capitalised	(i)	525	325
Finance costs expensed		(7,213)	(6,272)
Net finance costs		(5,597)	(5,367)

(i) Capitalised borrowing costs

IAS23(26)(b)	The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 7.02% (2016 – 7.45%).
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Other income and expense items

1. This note provides a breakdown of other income, other gains/losses and an analysis of expenses by nature, but it does not show all of the profit and loss amounts that must be disclosed under various accounting standards. Instead, individual profit and loss items are now disclosed together with the relevant information to which they belong. For example, gains or losses related to various financial instruments held by the group are disclosed together with the balance sheet amounts. We believe that this presentation is more useful for users of the financial statements.

Employee benefits expenses

2. Although IAS 19 *Employee Benefits* does not require specific disclosures about employee benefits other than post-employment benefits, other standards may require disclosures, for example, where the expense resulting from such benefits is material and so would require disclosure under paragraph 97 of IAS 1 *Presentation of Financial Statements*. Similarly, termination benefits may result in an expense needing disclosure in order to comply with paragraph 97 of IAS 1.

Finance costs

3. Finance costs will normally include:

(a) costs that are borrowing costs for the purposes of IAS 23 *Borrowing Costs*:

- (i) interest expense calculated using the effective interest rate method as described in IAS 39 *Financial Instruments: Recognition and Measurement*
- (ii) finance charges in respect of finance leases (refer to [note 25\(h\)](#)), and
- (iii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs

Other income and expense items

IAS37(60)

(b) the unwinding of the effect of discounting provisions

IAS32(35),(40)

(c) dividends on preference shares that are classified as debt

IAS39(47),(AG6)

(d) the amortisation of discounts and premiums on debt instruments that are liabilities

(e) interest on tax payable where the interest element can be identified separately

IFRS5(17)

(f) the increase in the present value of the costs to sell in relation to assets that are held for sale, where the sale is expected to occur beyond one year.

IAS21(52)(a)

4. Amounts disclosed under paragraph 3(a)(iii) above shall also be included in the net foreign exchange gain or loss disclosed under IAS 21 *The Effects of Changes in Foreign Exchange Rates* paragraph (52)(a). VALUE IFRS Plc discloses this amount in [note 12\(b\)](#).

5. Costs which may also be classified as finance cost include other costs associated with the entity's management of cash, cash equivalents and debt; for example, fair value changes on interest rate hedges, the ineffective portion of cash flow interest rate hedges or a loss on the extinguishment of a liability.

Finance income

IAS18(7)

Framework(74)

6. The classification of finance income depends on the entity's accounting policy for such items. Where earning interest income is part of the entity's main business objectives rather than an incidental benefit, the interest income should be included within the main 'revenue' heading. In other cases, entities may take the view that finance income is most appropriately included as 'other operating income' or as a separate line item in arriving at operating profit (if disclosed). VALUE IFRS Plc includes finance income that arises from treasury activity (for example, income on surplus funds invested for the short term) outside operating profit whilst including other types of finance income as operating items. Although entities have some discretion in the way in which finance income is included in the statement of comprehensive income, the presentation policy adopted should be applied consistently and disclosed if material.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

7. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

IFRS7(20)(c),(d)

(a) Where material, entities must separately disclose any interest income accrued on impaired financial assets and fee income arising from financial assets not at fair value through profit or loss and from trust and other fiduciary activities.

6 Income tax expense ^{7,8}

This note provides an analysis of the group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the group's tax position.

		2017 CU'000	2016 Restated CU'000
IAS12(79),(81)(g)(ii)	6(a) Income tax expense		
	<i>Current tax</i>		
IAS12(80)(a)	Current tax on profits for the year	17,389	12,274
IAS12(80)(b)	Adjustments for current tax of prior periods	(369)	135
	Total current tax expense	17,020	12,409
IAS12(80)(c)	<i>Deferred income tax</i>		
	Decrease/(increase) in deferred tax assets (note 8(d))	(18)	(1,415)
	(Decrease)/increase in deferred tax liabilities (note 8(d))	180	1,001
	Total deferred tax expense/(benefit)	162	(414)
	Income tax expense	17,182	11,995
	Income tax expense is attributable to:		
	Profit from continuing operations	16,786	11,824
	Profit from discontinued operation	396	171
		17,182	11,995

6(b) Significant estimates

IAS1(125)	In calculating the tax expense for the current period, the group has treated expenditures of CU1,933,000 associated with the establishment of the retail division in 2014 as being deductible for tax purposes in that financial year. However, the tax legislation in relation to these expenditures is not clear and the group has applied for a private ruling to confirm their interpretation. If the ruling should not be favourable, this would increase the group's current tax payable and current tax expense by CU580,000 respectively. The group expects to get a response, and therefore certainty about the tax position, before the next interim reporting date.
IAS1(38)	

6(c) Numerical reconciliation of income tax expense to prima facie tax payable ¹

		2017 CU'000	2016 Restated CU'000
	Profit from continuing operations before income tax expense	53,322	40,439
	Profit from discontinuing operation before income tax expense	1,151	570
		54,473	41,009
IAS12(81)(d),(85)	Tax at the Oneland tax rate of 30% (2016 – 30%)	16,342	12,303
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Goodwill impairment	723	-
	Amortisation of intangibles ²	92	158
	Research and development expenditure	365	303
	Entertainment	82	79
	Employee option plan ³	277	99
	Dividends paid to preference shareholders	378	378
	Recycling of foreign currency translation reserve on sale of subsidiary, see note 15	(51)	-
	Sundry items	122	16
	Subtotal	18,330	13,336

IAS12(81)(c)(i),
(84),(85)**6(c) Numerical reconciliation of income tax expense to prima facie tax payable**

		2017 CU'000	2016 CU'000
	Subtotal	18,330	13,336
IAS12(85)	Difference in overseas tax rates	(248)	(127)
IAS12(80)(b)	Adjustments for current tax of prior periods	(369)	135
	Research and development tax credit	(486)	(404)
IAS12(80)(f)	Previously unrecognised tax losses used to reduce deferred tax expense (refer note 4(e))	-	(945)
IAS12(80)(e)	Previously unrecognised tax losses now recouped to reduce current tax expense	(45)	-
	Income tax expense	17,182	11,995

Notes 2017
CU'000 2016
CU'000

6(d) Amounts recognised directly in equity 4.5

IAS12(81)(a),(62A)

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

Current tax: share buy-back transaction costs	9(a)	(15)	-
Deferred tax: Convertible note, share issue costs and error correction	8(d), 11(b)	990	12
		975	12

6(e) Tax losses

IAS12(81)(e)

Unused tax losses for which no deferred tax asset has been recognised

Potential tax benefit @ 30%

1,740	2,796
522	839

The unused tax losses were incurred by a dormant subsidiary that is not likely to generate taxable income in the foreseeable future. See note 8(d) for information about recognised tax losses and significant judgements made in relation to them.

6(f) Unrecognised temporary differences

IAS12(81)(f)

Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:

Foreign currency translation	2,190	1,980
Undistributed earnings	1,350	
	3,540	1,980

IAS12(87)
Not mandatory

Unrecognised deferred tax liabilities relating to the above temporary differences

1,062	594
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Temporary differences of CU2,190,000 (2016 – CU1,980,000) have arisen as a result of the translation of the financial statements of the group's subsidiary in China. However, a deferred tax liability has not been recognised as the liability will only crystallise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future. ⁶

VALUE IFRS Retail Limited has undistributed earnings of CU1,350,000 (2016 – nil) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

Income tax expense

Relationship between tax expense and accounting profit

IAS12(81)(c),(85)

1. Entities can explain the relationship between tax expense (income) and accounting profit by disclosing reconciliations between:
 - (a) tax expense and the product of accounting profit multiplied by the applicable tax rate, or
 - (b) the average effective tax rate and the applicable tax rate.

The applicable tax rate can either be the domestic rate of tax in the country in which the entity is domiciled, or it can be determined by aggregating separate reconciliations prepared using the domestic rate in each individual jurisdiction. Entities should choose the method that provides the most meaningful information to users.

Initial recognition exemption – subsequent amortisation

2. The amount shown in the reconciliation of prima facie income tax payable to income tax expense as 'amortisation of intangibles' represents the amortisation of a temporary difference that arose on the initial recognition of the asset and for which no deferred tax liability has been recognised in accordance with paragraph 15(b) of IAS 12. The initial recognition exemption only applies to transactions that are not a business combination and do not affect either accounting profit or taxable profit.

Taxation of share-based payments

IAS12(68A)-(68C)

3. For the purpose of these illustrative financial statements, we have assumed that deductions are available for the payments made by VALUE IFRS Plc into the employee share trust for the acquisition of the deferred shares (see [note 21](#)). In our example, the payments are made and shares acquired upfront which gives rise to deferred tax liabilities. We have also assumed that no tax deductions can be claimed in relation to the employee option plan. However, this will not apply in all circumstances to all entities. The taxation of share-based payments and the accounting thereof is a complex area and specific advice should be obtained for each individual circumstance. IAS 12 provides further guidance on the extent to which deferred tax is recognised in profit or loss and in equity.

Income tax recognised outside profit or loss

IAS1(90)
IAS12(81)(a),(ab)
IAS12(62A)

4. Under certain circumstances, current and deferred tax is recognised outside profit or loss either in other comprehensive income or directly in equity, depending on the item the tax relates to. Entities must disclose separately:
 - (a) the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments (either in the statement of comprehensive income or in the notes), and
 - (b) the aggregate current and deferred tax relating to items that are charged directly to equity (without being recognised in other comprehensive income).
5. Examples of items that are charged directly to equity are:
 - (a) the equity component on compound financial instruments
 - (b) share issue costs
 - (c) adjustments to retained earnings, eg as a result of a change in accounting policy.

IAS12(62A)

Unrecognised temporary differences

6. The disclosure of unrecognised temporary differences in relation to the overseas subsidiary has been made for illustrative purposes only. The taxation of overseas subsidiaries will vary from case to case and tax advice should be obtained to assess whether there are any potential tax consequences and temporary differences that should be disclosed.

Income tax expense

Disclosures not illustrated: not applicable to VALUE IFRS Plc

7. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

	Issue not illustrated	Relevant disclosure or reference
IAS12(81)(d)	Changes in the applicable tax rate	Explain the changes (see illustrative disclosure below)
IAS12(81)(e)	Deductible temporary differences and unused tax credits for which no deferred tax asset is recognised	Disclose amount and expiry date
IAS12(82A), (87A)-(87C)	The payment of dividends will affect the entity's income tax expense (eg a lower tax rate applies to distributed profits)	Explain the nature of the income tax consequences and disclose the amounts, if they are practicably determinable.
IAS12(81)(i)	Dividends were proposed or declared but not recognised as liability in the financial statements	Disclose the income tax consequences, if any
IAS12(88)	Tax-related contingent liabilities or contingent assets and changes in tax rates or tax laws enacted after the reporting period	Provide disclosures required under IAS 37 and IAS 10.
IAS12(81)(j)	Business combination: changes in the deferred tax assets of the acquirer recognised as a result of the combination	Disclose the amount of the change
IAS12(81)(k)	Deferred tax benefits acquired in a business combination but only recognised in a subsequent period	Describe the event or change in circumstances that caused the deferred tax asset to be recognised

Changes in tax rate

- IAS12(81)(d)
8. Where the applicable tax rate changed during the year, the adjustments to the deferred tax balances appear as another reconciling item in the reconciliation of prima facie income tax payable to income tax expense. The associated explanations could be along the following lines:
- The reduction of the Oneland corporation tax rate from 30% to 28% was substantively enacted on 26 June 2017 and will be effective from 1 April 2018. As a result, the relevant deferred tax balances have been remeasured. Deferred tax expected to reverse in the year to 31 December 2018 has been measured using the effective rate that will apply in Oneland for the period (28.5%).
- Further reductions to the Oneland tax rate have been announced which will reduce the rate by 1% per annum to 24% by 1 April 2021. However, these changes are expected to be enacted separately each year. As a consequence, they had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.
- The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss. For the group, such items include in particular remeasurements of post-employment benefit liabilities and the expected tax deduction in excess of the recognised expense for equity-settled share-based payments.

7 Financial assets and financial liabilities ^{1,14,15}

Not mandatory

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

Not mandatory

The group holds the following financial instruments:

		Assets at FVOCI CU'000	Assets at FVPL CU'000	Derivatives used for hedging CU'000	Financial assets at amortised cost CU'000	Total CU'000
Financial assets	Notes					
2017						
Trade and other receivables *	7(a)	-	-	-	20,661	20,661
Held-to-maturity investments	7(b)	-	-	-	1,210	1,210
Available-for-sale financial assets	7(c)	9,322	-	-	-	9,322
Financial assets at fair value through profit or loss	7(d)	-	11,300	-	-	11,300
Derivative financial instruments	12(a)	-	1,854	308	-	2,162
Cash and cash equivalents	7(e)	-	-	-	57,098	57,098
		9,322	13,154	308	78,969	101,753
2016						
Trade and other receivables *	7(a)	-	-	-	13,089	13,089
Held-to-maturity investments	7(b)	-	-	-	1,175	1,175
Available-for-sale financial assets	7(c)	8,228	-	-	-	8,228
Financial assets at fair value through profit or loss	7(d)	-	10,915	-	-	10,915
Derivative financial instruments	12(a)	-	1,417	712	-	2,129
Cash and cash equivalents	7(e)	-	-	-	31,268	31,268
		8,228	12,332	712	45,532	66,804

* excluding prepayments ^{4,5}

		Derivatives at FVPL CU'000	Derivatives used for hedging CU'000	Liabilities at amortised cost CU'000	Total CU'000
Financial liabilities	Notes				
2017					
Trade and other payables **	7(f)	-	-	15,130	15,130
Borrowings	7(g)	-	-	100,444	100,444
Derivative financial instruments	12(a)	610	766	-	1,376
		610	766	115,574	116,950
2016					
Trade and other payables **	7(f)	-	-	11,270	11,270
Borrowings	7(g)	-	-	88,080	88,080
Derivative financial instruments	12(a)	621	777	-	1,398
		621	777	99,350	102,748

** excluding non-financial liabilities ^{4,5}

IFRS7(36)(a),
IFRS7(31),(34)(c)

The group's exposure to various risks associated with the financial instruments is discussed in [note 12](#). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

7(a) Trade and other receivables

	2017			2016		
	Current CU'000	Non- current CU'000	Total CU'000	Current CU'000	Non- current CU'000	Total CU'000
Trade receivables	17,855	-	17,855	11,167	-	11,167
Provision for impairment (see note 12 (c))	(525)	-	(525)	(300)	-	(300)
	17,330	-	17,330	10,867	-	10,867
Loans to related parties	-	1,300	1,300	-	700	700
Loans to key management personnel	166	551	717	126	480	606
Other receivables (iii)	939	375	1,314	716	200	916
Financial assets at amortised cost	18,435	2,226	20,661	11,709	1,380	13,089
Prepayments ^{4,5}	500	-	500	475	-	475
Total trade and other receivables	18,935	2,226	21,161	12,184	1,380	13,564

IAS24(18) Further information relating to loans to related parties and key management personnel is set out in note 20.

IAS1(117)

(i) Classification as trade and other receivables ^{2,3}

IFRS7(21)
IAS39(9),(46)(a)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The group's impairment and other accounting policies for trade and other receivables are outlined in notes 12(c) and 25(l) respectively.

(ii) Transferred receivables

IFRS7(42D)(a)-(c),(e)

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, VALUE IFRS Manufacturing Limited has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, VALUE IFRS Manufacturing Limited has retained late payment and credit risk. The group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as secured borrowing.

The relevant carrying amounts are as follows:

	2017 CU'000	2016 CU'000
Transferred receivables	3,250	-
Associated secured borrowing (bank loans – see note 7(g) below)	3,100	-

(iii) Other receivables

IFRS7(7)

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

7(a) Trade and other receivables

(iv) Fair values of trade and other receivables ⁶⁻⁷

IFRS7(25),(29)(a)
IFRS13(97),(93)(b),(d)

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. An exception are the loans to key management personnel, which have a fair value of CU481,000 as at 31 December 2017, compared to a carrying amount of CU551,000 (2016: fair value of CU424,000 and carrying amount of CU480,000).

The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk (see [note 7\(h\)](#) below).

(v) Impairment and risk exposure

IFRS7(31),(34)(c)

Information about the impairment of trade and other receivables, their credit quality and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in [note 12\(b\)](#) and (c).

7(b) Held-to-maturity investments

		2017 CU'000	2016 CU'000
	Non-current assets		
IAS1(77)	Debentures	750	750
IAS1(77)	Zero coupon bonds	460	425
		1,210	1,175

(i) Debentures

IFRS7(25)
IFRS13(97),(93)(b)

The fair value of the debentures is CU795,000 (2016 – CU767,000). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy – see [note 7\(h\)](#) below for further information). ⁶

(ii) Zero coupon bonds

IFRS7(25),
IFRS13(97),(93)(b)

The fair value of the zero coupon bonds is CU482,000 (2016 – CU433,000). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy – see [note 7\(h\)](#) below for further information). ⁶

(iii) Classification of financial assets as held-to-maturity ^{2,3}

IAS1(117)

IFRS7(21)
IAS1(66),(68)
IAS39(9)

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

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 would be classified as current assets. See [note 25\(o\)](#) for the group's other accounting policies for financial assets.

(iv) Impairment and risk exposure

IFRS7(36)(c)

None of the held-to-maturity investments are either past due or impaired.

IFRS7(34)

All held-to-maturity investments are denominated in Oneland currency units. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

7(c) Available-for-sale financial assetsIFRS7(25),(31),(34)(c)
IAS1(77)

Available-for-sale financial assets include the following classes of financial assets:

	2017 CU'000	2016 CU'000
Non-current assets		
Listed securities		
Equity securities	4,350	4,126
Debentures	685	650
Corporate bonds	150	100
	5,185	4,876
Unlisted securities (iv)		
Equity securities (i),(v)	1,150	1,622
Debentures	597	750
Preference shares	1,100	980
	2,847	3,352
Contingent consideration from disposal of discontinued operation (note 15)	1,290	-
	9,322	8,228

(i) Investments in related parties

IAS24(18)

Available-for-sale financial assets includes CU300,000 (2016 – CU280,000) of equity securities held in entities that are controlled by the ultimate parent entity, Lion AG.

(ii) Classification of financial assets as available-for-sale ^{2,3}

IAS1(117)

IFRS7(21),(B5)(b)
IAS1(66),(68)
IAS39(9),(45)

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(iii) Impairment indicators for available-for-sale financial assets

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. See note 25(o) for further details about the group's impairment policies for financial assets.

(iv) Significant estimates ²IFRS13(91)(a)
IAS1(125)

The fair value of financial instruments that are not traded in an active market is determined 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. For details of the key assumptions used and the impact of changes to these assumptions see note 7(h) below.

(v) Significant judgements ^{2,8}IFRS12(7),(9)(a)
IAS1(122)

The directors have determined that they do not control a company called VALUE IFRS Trustee Limited even though VALUE IFRS Plc owns 100% of the issued capital of this entity. VALUE IFRS Trustee Limited is the trustee of the VALUE IFRS Employees' Superannuation Fund. It is not a controlled entity of VALUE IFRS Plc because VALUE IFRS Plc is not exposed, and has no right, to variable returns from this entity and is not able to use its power over the entity to affect those returns. The investment has a fair value of CU2 (2016 – CU2) and is included in unlisted securities.

7(c) Available-for-sale financial assetsIAS1(38)
IAS39(61)

In the 2016 financial statements, the group made a significant judgement about the impairment of a number of its available-for-sale financial assets.

To determine if an available-for-sale financial asset is impaired, the group evaluates the duration and extent to which the fair value of the asset 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 flows). While the fair value of a number of the group's available-for-sale financial assets had fallen below cost as at 31 December 2016, the group determined that none of these declines in fair value were expected to be significant or prolonged and hence no impairment needed to be recognised.

If all of the declines in fair value below cost had been significant or prolonged, the group would have suffered an additional loss of CU250,000 in its 2016 financial statements, being the reclassification of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to profit or loss. In the 2017 financial year, the fair value of the relevant assets has increased and is now above cost.

(vi) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income.

		2017 CU'000	2016 CU'000
IFRS7(20)(a)(ii)	Gains/(losses) recognised in other comprehensive income (see note 9(c))	880	(1,378)
IFRS7(20)(a)(ii)	Gains/(losses) recognised in profit or loss as other income (other expense), being reclassified from other comprehensive income on sale (note 5)	646	(548)

(vii) Non-current assets pledged as security

IFRS7(14)

Refer to [note 24](#) for information on non-current assets pledged as security by the group.

(viii) Fair value, impairment and risk exposureIFRS13(93)
IFRS7(36)(c)

Information about the methods and assumptions used in determining fair value is provided in [note 7\(h\)](#) below. None of the available-for-sale financial assets are either past due or impaired.

IFRS7(34)

All available-for-sale financial assets are denominated in Oneland currency units. For an analysis of the sensitivity of available-for-sale financial assets to price and interest rate risk refer to [note 12\(b\)](#).

7(d) Financial assets at fair value through profit or loss

IAS1(77) IFRS7(31),(34)(c)

Financial assets at fair value through profit or loss are all held for trading and include the following:

	2017 CU'000	2016 CU'000
Current assets		
US listed equity securities	5,190	4,035
Oneland listed equity securities	6,110	6,880
	11,300	10,915

IAS1(117)

IFRS7(21),(8)(a)
IAS1(66),(68)
IAS39(9),(45)**(i) Classification of financial assets at fair value through profit or loss ^{2,3}**

The group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. The group has not elected to designate any financial assets at fair value through profit or loss. See [note 25\(o\)](#) for the group's other accounting policies for financial assets.

(ii) Amounts recognised in profit or loss

IFRS7(20)(a)(i)

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains/(losses) in profit or loss (2017 – gain of CU835,000; 2016 – loss of CU690,000).

(iii) Risk exposure and fair value measurementsIFRS7(31)
IFRS13(93)

Information about the group's exposure to price risk is provided in [note 12](#). For information about the methods and assumptions used in determining fair value please refer to [note 7\(h\)](#) below.

7(e) Cash and cash equivalents

		2017 CU'000	2016 CU'000
	Current assets		
IAS7(45)	Cash at bank and in hand	750	600
IAS7(45)	Deposits at call	56,348	30,668
		57,098	31,268

(i) Reconciliation to cash flow statement

IAS7(45)	The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
		2017 CU'000	2016 CU'000
	Balances as above	57,098	31,268
IAS7(8)	Bank overdrafts (see note 7(g) below)	(2,650)	(2,250)
	Balances per statement of cash flows	54,448	29,018

(ii) Classification as cash equivalents ^{2,3}

IAS7(46)	Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 25(k) for the group's other accounting policies on cash and cash equivalents.		
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(iii) Restricted cash

IAS7(48)	The cash and cash equivalents disclosed above and in the statement of cash flows include CU7,314,000 which are held by VALUE IFRS Overseas Ltd. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the group.		
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New illustration

7(f) Trade and other payables ^{9,15}

		2017 CU'000	2016 CU'000
	Current liabilities		
IAS1(77)	Trade payables	11,590	9,220
	Payroll tax and other statutory liabilities	1,570	1,207
IAS1(77)	Other payables	3,540	2,050
		16,700	12,477

Trade payables are unsecured and are usually paid within 30 days of recognition.

IFRS7(29)(a)
IFRS13(97),(93)(b),(d)

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. ⁶⁻⁷

7(g) Borrowings

		2017			2016		
		Current CU'000	Non- current CU'000	Total CU'000	Current Restated CU'000	Non- current Restated CU'000	Total Restated CU'000
IAS1(77)	<i>Secured</i>						
	Bank overdrafts	2,650	-	2,650	2,250	-	2,250
	Bank loans (i)	4,250	37,070	41,320	2,865	45,035	47,900
	Debentures (vi)	-	-	-	2,000	2,000	4,000
	Lease liabilities (v)	755	2,639	3,394	755	3,195	3,950
	Other loans	450	8,580	9,030	150	14,100	14,250
	Total secured borrowings (i)	8,105	48,289	56,394	8,020	64,330	72,350
IAS1(77)	<i>Unsecured</i>						
	Bills payable	1,050	-	1,050	730	-	730
	Convertible notes (iii)	-	16,815	16,815	-	-	-
	Redeemable preference shares (iv)	-	11,000	11,000	-	11,000	11,000
	Loans from related parties *	-	15,185	15,185	-	4,000	4,000
	Total unsecured borrowings	1,050	43,000	44,050	730	15,000	15,730
	Total borrowings	9,155	91,289	100,444	8,750	79,330	88,080

* Further information relating to loans from related parties is set out in [note 20](#).

(i) Secured liabilities and assets pledged as security

IFRS7(7),(14)(b)
IFRS7(42D)

Of the bank loans, CU3,100,000 relate to transferred receivables (see [note 7\(a\)\(ii\)](#) above). The remaining bank loans and overdraft are secured by first mortgages over the group's freehold land and buildings, including those classified as investment properties.

The debentures were secured by a floating charge over the assets of the parent entity.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The other loans are secured by a negative pledge that imposes certain covenants on the subsidiary that has received those loans. The negative pledge states that (subject to certain exceptions) the subsidiary will not provide any other security over its assets, and will ensure that the following financial ratios are met:

- debt will not, at any time, exceed 50% of total tangible assets, and
- borrowing costs will not exceed 50% of earnings before borrowing costs and taxation for each half-year period.

IFRS7(14)(a)

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in [note 24](#).

(ii) Compliance with loan covenants

IAS1(135)(d)

VALUE IFRS Plc has complied with the financial covenants of its borrowing facilities during the 2017 and 2016 reporting period, see [note 13](#) for details.

7(g) Borrowings**(iii) Convertible notes ⁹**IFRS7(17)
IAS1(79)(a)(vii)

The parent entity issued 1,500,000 7% convertible notes for CU20 million on 23 January 2017. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 23 January 2021. The conversion rate is 2 shares for each note held, which is based on the market price per share at the date of the issue of the notes (CU6.10), but subject to adjustments for reconstructions of equity. The convertible notes are presented in the balance sheet as follows:

	2017 CU'000	2016 CU'000
Face value of notes issued	20,000	-
Other equity securities – value of conversion rights (note 9(b))	(3,500)	-
	16,500	-
Interest expense *	842	-
Interest paid	(527)	-
Non-current liability	16,815	-

* Interest expense is calculated by applying the effective interest rate of 9.6% to the liability component.

IAS32(17),(18),(28),(29)
AG31(a)

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

(iv) Redeemable preference shares ⁹IFRS7(7)
IAS1(79)(a)(v)

The redeemable preference shares represent 5,000,000 fully paid 6% cumulative redeemable preference shares. The shares are redeemable at CU2.20 per share on 31 December 2024 or by the parent entity at any time before that date. The shares are entitled to dividends at the rate of 6% per annum. If insufficient profits are available in a particular financial year, the dividends accumulate and are payable when sufficient profits are available. The shares participate in a winding up of the company only to the extent of CU2.20 per share.

IAS32(17),(18)

Since the shares are mandatorily redeemable on a specified date, they are recognised as liabilities.

(v) Finance leases

IAS17(31)(a),(e)

The group leases various plant and equipment with a carrying amount of CU2,750,000 (2016 – CU3,000,000) under finance leases expiring within three to seven years. Under the terms of the leases, the group has the option to acquire the leased assets for 50% of their agreed fair value on expiry of the leases. This option lapses in the event the group fails to maintain its credit rating at the level prevailing at inception of the lease.

7(g) Borrowings

IAS17(31)(c),(e)(i)

Some leases provide for the payment of incremental contingent rentals based on changes in current market rentals for comparable properties. Contingent rentals paid during the year were CU610,000 (2016 – nil).

		2017 CU'000	2016 Restated CU'000
IAS17(31)(b)	Commitments in relation to finance leases are payable as follows:		
IAS17(31)(b)(i)	Within one year	655	655
IAS17(31)(b)(ii)	Later than one year but not later than five years	2,620	2,620
IAS17(31)(b)(iii)	Later than five years	-	655
	Minimum lease payments	3,275	3,930
	Future finance charges	(681)	(930)
	Recognised as a liability	2,594	3,000
	Lease incentives on non-cancellable operating leases included in lease liabilities (see note 18(b)) ¹⁰	800	950
	Total lease liabilities	3,394	3,950
IAS17(31)(b)	The present value of finance lease liabilities is as follows:		
IAS17(31)(b)(i)	Within one year	604	605
IAS17(31)(b)(ii)	Later than one year but not later than five years	1,990	1,990
IAS17(31)(b)(iii)	Later than five years	-	405
	Minimum lease payments	2,594	3,000

(vi) Repurchase of debenturesIFRS7(7)
IAS39(41)
IFRS7(20)(a)(v)

During the reporting period, the parent entity repurchased the remaining outstanding debentures for a lump sum payment of CU1,605,000. The carrying amount of the debentures at the time of the payment was CU2,000,000 and costs incurred were CU40,000, resulting in a net gain on settlement of CU355,000 which is included in finance income in the statement of profit or loss.

(vii) Set-off of assets and liabilities

See [note 23](#) below for information about the group's offsetting arrangements.

(viii) Fair value ^{6,7}

IFRS7(25),(29)(a)

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	2017		2016	
	Carrying amount CU'000	Fair value CU'000	Carrying amount CU'000	Fair value CU'000
Bank loans	41,320	40,456	47,900	48,950
Convertible notes	16,815	17,175	-	-
Redeemable preference shares	11,000	9,475	11,000	10,860

IFRS13(97),(93)(b),(d)

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see [note 7\(h\)](#)) due to the use of unobservable inputs, including own credit risk.

(ix) Risk exposures

IFRS7(31)

Details of the group's exposure to risks arising from current and non-current borrowings are set out in [note 12](#).

7(h) Recognised fair value measurements^{11,12}**(i) Fair value hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

IFRS13(93)(b)

Recurring fair value measurements		Level 1	Level 2	Level 3	Total
At 31 December 2017		CU'000	CU'000	CU'000	CU'000
	Notes				
Financial assets					
Financial assets at FVPL					
US listed equity securities	7(d)	5,190	-	-	5,190
Oneland listed equity securities	7(d)	6,110	-	-	6,110
Hedging derivatives – interest rate swaps	12(a)	-	453	-	453
Trading derivatives – options	12(a)	-	1,709	-	1,709
Available-for-sale financial assets					
Equity securities – property sector	7(c)	1,522	-	-	1,522
Equity securities – retail sector	7(c)	2,828	-	-	2,828
Equity securities – forestry sector	7(c)	-	-	1,150	1,150
Debentures – property sector	7(c)	335	-	-	335
Debentures – retail sector	7(c)	350	597	-	947
Preference shares – property sector	7(c)	150	1,100	-	1,250
Other (contingent consideration)	7(c)	-	-	1,290	1,290
Total financial assets		16,485	3,859	2,440	22,784
Financial liabilities					
Hedging derivatives – foreign exchange contracts	12(a)	-	766	-	766
Trading derivatives	12(a)	-	275	335	610
Total financial liabilities		-	1,041	335	1,376

IAS1(38)

Recurring fair value measurements		Level 1	Level 2	Level 3	Total
At 31 December 2016		CU'000	CU'000	CU'000	CU'000
	Notes				
Financial assets					
Financial assets at FVPL					
US listed equity securities	12(a)	4,035	-	-	4,035
Oneland listed equity securities	7(d)	6,880	-	-	6,880
Hedging derivatives – interest rate swaps	12(a)	-	809	-	809
Trading derivatives – options	12(a)	-	1,320	-	1,320
Available-for-sale financial assets					
Equity securities – property sector	7(c)	1,378	-	-	1,378
Equity securities – retail sector	7(c)	2,748	-	-	2,748
Equity securities – forestry sector	7(c)	-	-	1,622	1,622
Debentures – property sector	7(c)	300	-	-	300
Debentures – retail sector	7(c)	350	750	-	1,100
Preference shares – property sector	7(c)	100	980	-	1,080
Total financial assets		15,791	3,859	1,622	21,272
Financial liabilities					
Hedging derivatives – foreign exchange contracts		-	777	-	777
Trading derivatives	12(a)	-	621	-	621
Total financial liabilities		-	1,398	-	1,398

7(h) Recognised fair value measurements

IFRS13(93)(c)	There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see (iii) below.
IFRS13(95)	The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.
IFRS13(76) IFRS13(91)(a)	Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.
IFRS13(81) IFRS13(91)(a)	Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data 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.
IFRS13(86)	Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

IFRS13(93)(d)	Specific valuation techniques used to value financial instruments include: <ul style="list-style-type: none"> the use of 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 the fair value of the remaining financial instruments is determined using discounted cash flow analysis.
IFRS13(93)(b)	All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

(iii) Fair value measurements using significant unobservable inputs (level 3)

IFRS13(93)(e)	The following table presents the changes in level 3 items for the periods ended 31 December 2017 and 31 December 2016:
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	Unlisted equity securities CU'000	Contingent consideration CU'000	Trading derivatives CU'000	Total CU'000
Opening balance 1 January 2016	1,322	-	-	1,322
Gains recognised in other comprehensive income	300	-	-	300
Closing balance 31 December 2016	1,622	-	-	1,622
Transfer from level 2	-	-	(365)	(365)
Acquisitions	-	1,200	-	1,200
Disposals	(200)	-	-	(200)
(Losses) recognised in other comprehensive income	(272)	(40)	-	(312)
Gains recognised in discontinued operations *	-	130	-	130
Gains/(losses) recognised in other income *	-	-	30	30
Closing balance 31 December 2017	1,150	1,290	(335)	2,105

IFRS13(93)(f)	*	includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period ¹²			
2017		-	130	15	145
2016		-	-	-	-

7(h) Recognised fair value measurements

(iv) Transfers between levels 2 and 3

IFRS13(93)(d)

In 2017 the group transferred a hedging forward foreign exchange contract from level 2 into level 3 as the counterparty for the derivative encountered significant financial difficulties. This resulted in a significant increase to the discount rate which is not based on observable inputs, as it reflects credit risk specific to the counterparty.

(v) Valuation inputs and relationships to fair value

IFRS13(93)(d),(99)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

IFRS13(91)(a),(93)(d),
(h)(i),(ii),(99)

Description	Fair value at		Un-observable inputs *	Range of inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
	31 Dec 2017 CU'000	31 Dec 2016 CU'000		2017	2016	
Unlisted equity securities	1,150	1,622	Earnings growth factor	2.5% - 3.5% (3%)	2.0% - 3% (2.7%)	Increased earnings growth factor (+50 basis points (bps)) and lower discount rate (-100 bps) would increase FV by CU70,000; lower growth factor (-50 bps) and higher discount rate (+100 bps) would decrease FV by CU80,000. 2016: increasing/decreasing the growth factor and the discount rate by +/- 50bps and 100 bps respectively would change the FV by +CU55,000/-CU65,000
			Risk-adjusted discount rate	9% - 11% (10%)	9.5% - 11% (10.2%)	
Trading derivatives	(335)	(365)	Credit default rate	25%	30%	A shift of the credit default rate by +/- 5% results in a change in FV of CU30,000 (2016: change in default rate by +/- 6% changed FV by CU33,000)
Contingent consideration	1,290	n/a	Risk-adjusted discount rate	14%	n/a	A change in the discount rate by 100 bps would increase/ decrease the FV by CU40,000
			Expected cash inflows	CU2,150,000 - CU2,570,000 (CU2,360,000)	n/a	If expected cash flows were 10% higher or lower, the FV would increase/ decrease by CU35,000

IFRS13(93)(h)(i)

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

IFRS13(93)(g)

(vi) Valuation processes

The finance department of the group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the group's half-yearly reporting periods.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by VALUE IFRS Plc's internal credit risk management group.
- Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.
- Contingent consideration – expected cash inflows are estimated based on the terms of the sale contract (see [note 15](#)) and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

Financial assets and financial liabilities

Disclosing financial assets and financial liabilities in one note

1. Users of financial reports have indicated that they would like to be able to quickly access all of the information about the entity's financial assets and liabilities in one location in the financial report. We have therefore structured our notes such that financial items and non-financial items are discussed separately. However, this is not a mandatory requirement in the accounting standards.

Accounting policies, estimates and judgements

2. As explained on [page 24](#), in our view it is helpful for readers of the financial report if information about accounting policies that are specific to the entity and about significant estimates and judgements is disclosed with the relevant line items, rather than in separate notes. However, this format is also not mandatory.
3. For general commentary regarding the disclosures of accounting policies please refer to [note 25](#). Commentary about the disclosure of significant estimates and judgements is provided in [note 11](#).

Accounting standard for presentation and disclosure of financial instruments

4. IFRS 7 does not apply to the following items as they are not financial instruments as defined in paragraph 11 of IAS 32:
 - (a) prepayments made/advances received (right to receive future good or service, not cash or a financial asset)
 - (b) tax receivables and payables and similar items (statutory rights or obligations, not contractual), or
 - (c) deferred revenue and warranty obligations (obligation to deliver good or service, not cash or financial asset)
5. While prepayments are not financial assets, we have included them with trade receivables in accordance with paragraph 78(b) of IAS 1 *Presentation of Financial Statements*.

Fair value disclosures: Financial instruments carried at other than fair value

6. An entity shall disclose the fair value for each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. However, fair values do not need to be disclosed for the following:
 - (a) where the carrying amount is a reasonable approximation of fair value (eg for cash, short-term trade receivables and payables)
 - (b) investments in equity instruments (and derivatives linked to such equity instruments) that do not have a quoted market price 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.

Guidance on what are appropriate classes of financial assets and liabilities is given in paragraph 6 of IFRS 7, see commentary paragraph 1 to [note 12](#).

Carrying amounts are a reasonable approximation of fair value

7. A statement that the carrying amount of financial assets or financial liabilities is a reasonable approximation of their fair value should only be made if it can be substantiated. That is, entities must have made a formal assessment of the carrying amounts of their financial assets and liabilities in comparison to their fair values and documented this assessment. If the fair values are not a reasonable approximation of the carrying amounts, the fair values must be disclosed.

Holding more than 50% of voting rights without control

8. IFRS 12 *Disclosure of Interests in Other Entities* requires disclosure of the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control. We have used the example of a corporate trustee for one of the group's pension plans to illustrate this requirement. While the shares in these trustee companies are commonly held by the employer sponsor of the plan, the trustee company will not usually be controlled by the employer sponsor under the principles in IFRS 10, as the employer will not have the power to direct the relevant activities of the trustee company and will not be exposed, or have rights, to variable returns. However, in many cases, these types of entities will not be significant to the group's financial position and performance. Where this is the case, disclosure would not be necessary because of materiality.

IAS32(11)

IFRS7(25),(29)

IFRS12(7),(9)(a)

Financial assets and financial liabilities

Financial liabilities

Terms and conditions of financial instruments

IFRS7(7),(31)

9. Entities shall disclose sufficient information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance and the nature and extent of risks arising from these financial instruments. However, the intention of IFRS 7 was to decrease the potentially voluminous disclosures that were required by IAS 32 and replace them with shorter but more meaningful information. Under normal circumstances entities will therefore not need to disclose the significant terms and conditions for each of their major borrowings. Having said that, if an entity has a borrowing (or other financial instrument) with unusual terms and conditions, it should provide sufficient information to enable users to assess the nature and extent of risks associated with these instruments.

Presentation of liability for lease incentives on operating leases

10. VALUE IFRS Plc has chosen to present the liability arising from lease incentives on non-cancellable operating leases together with finance lease liabilities. However, other forms of presentation may be equally acceptable.

Fair value measurements

Classes of assets and liabilities

IFRS13(94)

11. The disclosures in IFRS 13 must be made separately for each class of assets and liabilities. Entities shall determine appropriate classes of assets and liabilities by considering:

- (a) the nature, characteristics and risks of the asset or liability, and
- (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

IFRS13(94)

12. A class of assets and liabilities will often require greater disaggregation than the line items presented in the balance sheet. The number of classes may also need to be greater for fair value measurements categorised within level 3 of the hierarchy, as those measurements have a greater degree of uncertainty and subjectivity. Entities shall disclose sufficient information to allow a reconciliation back to the line items disclosed in the balance sheet.

Unrealised gains and losses relating to recurring level 3 measures

IFRS13(93)(f)

13. IFRS 13 does not provide guidance on how to calculate the unrealised gains and losses for recurring level 3 measures. A similar requirement previously existed under US GAAP where three methods were acceptable. In our view, all of these methods would be acceptable under IFRS provided they are consistently applied. The methods are:
- (a) Balance sheet view: determine unrealised gains and losses as the fair value of the security less its amortised cost base. Under this view, gains and losses are realised at maturity or sale date. Therefore the entire gain or loss is considered unrealised until maturity.
 - (b) Statement of profit or loss view: determine unrealised gains and losses as the total gains and losses during the period less the cash received or paid for those items. Under this view each cash receipt or settlement represents a realised gain or loss in its entirety.
 - (c) Cash flow view: first determine any realised gains or losses as the difference between the expected cash flows at the beginning of the period and the actual cash flows at the end of the period. Then, determine unrealised gains or losses for items still held at the reporting date as the remaining expected cash flows for future periods at the end of the period less the remaining expected cash flows for future periods at the beginning of the period.

Financial assets and financial liabilities

Disclosures not illustrated: not applicable to VALUE IFRS Plc

14. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

	Issue not illustrated	Relevant disclosures or references
IFRS7(28)	Fair value determined using valuation techniques – gain or loss on initial recognition	Disclose the accounting policy for recognising the difference in profit or loss, the aggregate difference yet to be recognised and why the transaction price was not the best evidence of fair value.
IFRS7(42D)	Transferred financial assets not derecognised in their entirety	Provide additional disclosures where the entity has recognised the assets only to the extent of its continuing involvement and where the counterparty to the liabilities has recourse only to the transferred assets.
IFRS7(42E)-(42H)	Transferred assets that are derecognised in their entirety but where the entity has continuing involvement	Various disclosures, see IFRS 7(42E)-(42H) for details.
IAS17(31)(d)	Finance leases of lessees – sub-leases	Disclose expected future minimum sub-lease payments expected to be received.
IAS17(47),(48)	Finance leases of lessors	Various disclosures, see IAS 17 for details.
IFRS7(8)-(11),(20)(a)	Financial assets and financial liabilities designated at fair value through profit or loss (FVPL)	Various balance sheet and profit or loss disclosures, see IFRS 7 for details.
IFRS7(20)(c)	Fee expense on financial liabilities that are not at FVPL	Disclose amount, if material.
IFRS7(12A),(12)	Reclassifications out of the FVPL category, and other reclassifications within the categories of financial assets made in accordance with the principles in IAS 39(50)-(52)	Various disclosures, see IFRS 7 (12),(12A) for details.
IFRS7(18),(19)	Defaults and breaches in relation to financial liabilities	Disclose details of defaults (see illustrative example below).
IFRS7(29)(b),(c),(30)	Financial instruments measured at cost where the fair value cannot be determined reliably Fair values are not disclosed for financial liability contracts with discretionary participation features	Disclose information to help users make their own judgements about the extent of possible differences between the carrying amount and the fair value.
IFRS13(96)	Financial assets and financial liabilities with offsetting positions in market risk or counterparty credit risk	Disclose the fact that the exception in IFRS 13(48) is applied.
IFRS13(98)	Financial liabilities with inseparable third-party credit enhancements	Disclose the existence of that enhancement and whether it is reflected in the FV measurement of the liability.

Financial assets and financial liabilities

15. The following illustrative disclosures may be useful where relevant to an entity:

Put option arrangements

- (a) Entities that have put option arrangements should consider explaining the accounting for these, as the individual terms and conditions (and hence the accounting) may vary. An illustrative policy could read as follows (but will need to be tailored depending on the specific arrangements):

The group has written put options over the equity of its XYZ subsidiary which permit the holder to put their shares in the subsidiary back to the group at their fair value on specified dates over a 5 year period. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Designation of financial assets or financial liabilities as at fair value through profit or loss

- (b) Entities that have designated financial assets or financial liabilities as at fair value through profit or loss must disclose the nature of the relevant assets and liabilities and provide additional information in relation to the designation. This could read along the following lines:

The group designates a financial asset or financial liability as at fair value through profit or loss where designation significantly reduces a measurement inconsistency which may arise where a financial asset and a financial liability are measured using different methods.

During the reporting period, the group has financed fixed rate assets (not being loans or receivables and not classified as held-to-maturity) with fixed rate debentures. Measurement inconsistency arises from measuring the assets as available-for-sale (fair value with changes reported in equity) and the debentures at amortised cost (no recognition of fair value changes). Management has therefore designated both the financial assets and financial liabilities as at fair value through profit or loss as this designation will result in more relevant information through the consistent recognition of opposing movements in fair value.

Defaults and breaches in relation to financial liabilities

- (c) Example disclosures for a default in relation to a borrowing could read as follows:

In the third quarter, the group was overdue paying interest on bank borrowings with a carrying amount of CU2,000,000. The group experienced a temporary shortage of cash because cash outflows in the second and third quarter were higher than anticipated due to business expansions. As a result, interest of CU75,000 was not paid on the due date of 31 September 2017.

The company has since paid all outstanding amounts (including additional interest and penalties for 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.

IAS32(11),(23)

IFRS7(B5)(a)

IFRS7(18)

8 Non-financial assets and liabilities ^{1,19-20}

Not mandatory

This note provides information about the group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
 - property, plant and equipment (note 8(a))
 - investment properties (note 8(b))
 - intangible assets (note 8(c))
 - deferred tax balances (note 8(d))
 - inventories (note 8(e))
 - assets classified as held for sale (note 8(f))
 - employee benefit obligations (note 8(g))
 - provisions (note 8(h))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

8(a) Property, plant and equipment ^{4,5}

		Freehold land CU'000	Freehold buildings CU'000	Furniture, fittings and equipment CU'000	Machinery and vehicles CU'000	Assets under construction CU'000	Total CU'000
Non-current							
At 1 January 2016 (Restated, see note 11(b))							
IAS16(73)(d)	Cost or fair value	11,350	28,050	27,480	70,860	-	137,740
IAS16(73)(d)	Accumulated depreciation	-	-	(7,570)	(37,025)	-	(44,595)
	Net book amount	11,350	28,050	19,910	33,835	-	93,145
Year ended 31 December 2016							
IAS16(73)(e)	Opening net book amount	11,350	28,050	19,910	33,835	-	93,145
IAS16(73)(e)(viii)	Exchange differences	-	-	(43)	(150)	-	(193)
IAS16(73)(e)(iv)	Revaluation surplus	2,700	3,140	-	-	-	5,840
IAS16(73)(e)(i),(74)(b)	Additions	2,874	1,490	2,940	7,198	3,100	17,602
IAS16(73)(e)(ii) IFRS5(38)	Assets included in a disposal group classified as held for sale and other disposals	(424)	-	(525)	(2,215)	-	(3,164)
IAS16(73)(e)(vii)	Depreciation charge	-	(1,540)	(2,030)	(4,580)	-	(8,150)
IAS16(73)(e) IAS16(74)(b)	Closing net book amount	16,500	31,140	20,292	34,088	3,100	105,080
At 31 December 2016 (Restated, see note 11(b))							
IAS16(73)(d)	Cost or fair value	16,500	31,140	29,852	75,693	3,100	156,285
IAS16(73)(d)	Accumulated depreciation	-	-	(9,600)	(41,605)	-	(51,205)
IAS1(77)	Net book amount	16,500	31,140	20,252	34,088	3,100	105,080
Year ended 31 December 2017							
IAS16(73)(e)	Opening net book amount	16,500	31,140	20,252	34,088	3,100	105,080
IAS16(73)(e)(viii)	Exchange differences	-	-	(230)	(570)	-	(800)
IAS16(73)(e)(iv)	Revaluation surplus	3,320	3,923	-	-	-	7,243
IAS16(73)(e)(iii)	Acquisition of subsidiary	800	3,400	1,890	5,720	-	11,810
IAS16(73)(e)(i),(74)(b)	Additions	2,500	2,682	5,313	11,972	3,450	25,917
IAS16(73)(e)(ii) IFRS5(38)	Assets classified as held for sale and other disposals	(550)	-	(5,985)	(1,680)	-	(8,215)
IAS16(73)(e)(ix)	Transfers	-	-	950	2,150	(3,100)	-
IAS16(73)(e)(vii)	Depreciation charge	-	(1,750)	(2,340)	(4,860)	-	(8,950)
IAS16(73)(e)(v) IAS36(126)(a),(b)	Impairment loss (iii)	-	(465)	(30)	(180)	-	(675)
IAS16(73)(e)	Closing net book amount	22,570	38,930	19,820	46,640	3,450	131,410
At 31 December 2017							
IAS16(73)(d)	Cost or fair value	22,570	38,930	31,790	93,285	3,450	190,025
IAS16(73)(d)	Accumulated depreciation and impairment	-	-	(11,970)	(46,645)	-	(58,615)
IAS1(77) IAS16(74)(b)	Net book amount	22,570	38,930	19,820	46,640	3,450	131,410

8(a) Property, plant and equipment**(i) Leased assets**

IAS17(31)(a)

Furniture, fittings and equipment includes the following amounts where the group is a lessee under a finance lease (refer to [note 7\(g\)](#) for further details):

	2017 CU'000	2016 Restated CU'000
Leased equipment		
Cost	3,000	3,000
Accumulated depreciation	(250)	-
Net book amount	2,750	3,000

(ii) Non-current assets pledged as security

Refer to [note 24](#) for information on non-current assets pledged as security by the group.

(iii) Impairment loss and compensation

IAS36(130)(a)

The impairment loss relates to assets that were damaged by a fire – refer to [note 4\(b\)](#) for details. The whole amount was recognised as other expense in profit or loss, as there was no amount included in the asset revaluation surplus relating to the relevant assets.

IAS16(74)(d)

An amount of CU300,000 (2016 – nil) was received by the group from an insurance company as compensation for damage to a building caused by the fire and recognised as other income.

IAS1(117)

(iv) Revaluation, depreciation methods and useful lives ^{2,3}

IAS16(73)(a)

Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity ([note 9\(c\)](#)). All other property, plant and equipment is recognised at historical cost less depreciation.

IAS16(50),(73)(b)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

IAS16(73)(c)

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

See [note 25\(r\)](#) for the other accounting policies relevant to property, plant and equipment.

(v) Significant estimates – valuations of land and buildings ^{2,3}

Information about the valuation of land and buildings is provided in [note 8\(i\)](#) below.

(vi) Carrying amounts that would have been recognised if land and buildings were stated at cost

IAS16(77)(e)

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2017 CU'000	2016 CU'000
Freehold land		
Cost	16,100	13,350
Accumulated depreciation	-	-
Net book amount	16,100	13,350
Buildings		
Cost	37,322	27,790
Accumulated depreciation	(3,715)	(1,850)
Net book amount	33,607	25,940

8(b) Investment properties

		2017 CU'000	2016 CU'000
	Non-current assets - at fair value		
IAS40(76)	Opening balance at 1 January	10,050	8,205
IAS40(76)(a)	Acquisitions	1,900	-
IAS40(76)(a)	Capitalised subsequent expenditure	-	810
IAS40(76)(c)	Classified as held for sale or disposals	-	(112)
IAS40(76)(d)	Net gain/(loss) from fair value adjustment	1,350	1,397
IAS40(76)(f)	Transfer (to)/from inventories and owner-occupied property	-	(250)
IAS40(76)	Closing balance at 31 December	13,300	10,050

IAS40(75)(f)	(i) Amounts recognised in profit or loss for investment properties	2017 CU'000	2016 CU'000
IAS40(75)(f)(i)	Rental income	6,180	5,165
IAS40(75)(f)(ii)	Direct operating expenses from property that generated rental income	(807)	(606)
IAS40(75)(f)(iii)	Direct operating expenses from property that did not generate rental income	(903)	(503)
	Fair value gain recognised in other income	1,350	1,397

IAS1(117)	(ii) Measuring investment property at fair value		
IAS40(75)(a)	Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.		

(iii) Significant estimate – fair value of investment property

Information about the valuation of investment properties is provided note 8(i) below.

IAS40(75)(g)	(iv) Non-current assets pledged as security		
	Refer to note 24 for information on non-current assets pledged as security by the group.		
IAS40(75)(h)	(v) Contractual obligations		
	Refer to note 18 for disclosure of contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
IAS17(56)(c)	(vi) Leasing arrangements		
	Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:		

		2017 CU'000	2016 CU'000
IAS17(56)(a)	Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
	Within one year	4,265	4,245
	Later than one year but not later than 5 years	9,120	9,050
	Later than 5 years	2,370	2,550
		15,755	15,845

8(c) Intangible assets ²⁰

	Goodwill CU'000	Patents, trademarks and other rights CU'000	Internally generated software * CU'000	Customer contracts CU'000	Total CU'000
Non-current assets					
IFRS3(B67)(d)(i)	At 1 January 2016				
IAS38(118)(c)					
Cost	9,700	9,410	2,255	-	21,365
Accumulated amortisation and impairment	-	(250)	(205)	-	(455)
Net book amount	9,700	9,160	2,050	-	20,910
IAS38(118)(e)	Year ended 31 December 2016				
Opening net book amount	9,700	9,160	2,050	-	20,910
IAS38(118)(e)(i)					
Additions – internal development	-	-	720	-	720
IFRS3(B67)(d)(vi) IAS38(118)(e)(vii)	45	-	-		45
IAS38(118)(e)(vi)	-	(525)	(205)	-	(730)
Amortisation charge **	-	(525)	(205)	-	(730)
Closing net book amount	9,745	8,635	2,565	-	20,945
IFRS3(B67)(d)(viii) IAS38(118)(c)	At 31 December 2016				
Cost	9,745	9,410	2,975	-	22,030
Accumulated amortisation and impairment	-	(775)	(410)	-	(1,185)
IAS1(77)	9,745	8,635	2,565	-	20,945
Net book amount	9,745	8,635	2,565	-	20,945
IFRS3(B67)(d)(i) IAS38(118)(e)	Year ended 31 December 2017				
Opening net book amount	9,745	8,635	2,565	-	20,945
IAS38(118)(e)(i)					
Additions – internal development	-	-	880	-	880
IFRS3(B67)(d)(ii) IAS38(118)(e)(i)	1,115	3,020	-	3,180	7,315
Acquisition of business (note 14)	1,115	3,020	-	3,180	7,315
IFRS3(B67)(d)(vi) IAS38(118)(e)(vii)	(145)	-	-	-	(145)
Exchange differences	(145)	-	-	-	(145)
IFRS3(B67)(d)(v) IAS36(130)(b) IAS38(118)(e)(iv)	(2,410)	-	-	-	(2,410)
Impairment charge ***	(2,410)	-	-	-	(2,410)
IAS38(118)(e)(vi)	-	(525)	(300)	(1,210)	(2,035)
Amortisation charge **	-	(525)	(300)	(1,210)	(2,035)
Closing net book amount	8,305	11,130	3,145	1,970	24,550
IFRS3(B67)(d)(viii) IAS38(118)(c)	At 31 December 2017				
Cost	10,715	12,430	3,855	3,180	30,180
Accumulated amortisation and impairment	(2,410)	(1,300)	(710)	(1,210)	(5,630)
IAS1(77)	8,305	11,130	3,145	1,970	24,550
Net book amount	8,305	11,130	3,145	1,970	24,550
IAS38(118)(e)(i) IAS38(118)(d)	* Software consists of capitalised development costs being an internally generated intangible asset.				
IAS36(126)(a), (130)(c)(i),(d)(i)	** Amortisation expenses are included in cost of sales of goods (CU1,050,000; 2016 – CU450,000), cost of providing services (CU475,000; 2016 – CU125,000), marketing expense (CU310,000; 2016 – CU45,000) and administration expenses (CU200,000; 2016 – CU110,000).				
IAS38(126)	*** The carrying amount of the furniture manufacturing CGU in Europe has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss is included in cost of sale of goods in the statement of profit or loss.				

VALUE IFRS Electronics Group is researching new devices that could replace the current suite of smartphones and tablets. It has incurred research and development expenses of CU1,215,000 in the current year (2016 – nil) which are included in administration cost in the statement of profit or loss.

8(c) Intangible assets

IAS1(117)

(i) Amortisation methods and useful lives ^{2,3}

IAS38(118)(a),(b)

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Patents, trademark and licences 3-5 years
- IT development and software 3-5 years
- Customer contracts 1-3 years

See [note 25\(t\)](#) for the other accounting policies relevant to intangible assets, and [note 25\(j\)](#) for the group's policy regarding impairments.

(ii) Customer contracts

IAS1(119)

The customer contracts were acquired as part of a business combination (see [note 14](#) for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

IAS1(125)

(iii) Significant estimate: useful life of IT division's intangible assets ^{2,3}

The group has recently completed the development of software that is used to analyse business processes by the IT consulting division. As at 31 December 2017, the carrying amount of this software was CU722,000 (2016 – nil). The group estimates the useful life of the software to be at least 5 years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than 5 years, depending on technical innovations and competitor actions. If it were only 3 years, the carrying amount would be CU702,000 as at 31 December 2017. If the useful life were estimated to be 8 years, the carrying amount would be CU732,000.

(iv) Impairment tests for goodwill

IAS36(134)

Goodwill is monitored by management at the level of the six operating segments identified in [note 2](#).

IAS36(134)(a)

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

2017	Oneland CU'000	US CU'000	China CU'000	Europe CU'000	Total CU'000
IT consulting	-	4,200	-	2,870	7,070
Furniture – manufacturing	120	-	-	-	120
Electronic equipment	1,115	-	-	-	1,115
	<u>1,235</u>	<u>4,200</u>	<u>-</u>	<u>2,870</u>	<u>8,305</u>
2016	Oneland CU'000	US CU'000	China CU'000	Europe CU'000	Total CU'000
IT consulting	-	4,200	-	3,015	7,215
Furniture – manufacturing	120	-	2,410	-	2,530
	<u>120</u>	<u>4,200</u>	<u>2,410</u>	<u>3,015</u>	<u>9,745</u>

(v) Significant estimate: key assumptions used for value-in-use calculations ²⁰

IAS36(134)(c),
(d)(i),(iii),(iv)

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use 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. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

8(c) Intangible assets

IAS36(134)(d)(i)

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them: ^{6,7}

IAS36(130)(g),
(134)(d)(i),(iv),(v)

	Furniture – manufacturing China	IT consulting US	IT consulting Europe	Electronic equipment Oneland
2017				
Sales volume (% annual growth rate)	2.7	3.2	4.1	2.9
Sales price (% annual growth rate)	1.4	1.7	1.8	1.8
Budgeted gross margin (%)	47.0	60.0	55.5	40.0
Other operating costs (CU'000)	9,500	8,400	5,600	1,650
Annual capital expenditure (CU'000)	1,900	500	230	150
Long term growth rate (%)	3.5	2.2	2.0	3.1
Pre-tax discount rate (%)	14.7	14.0	14.8	16.0
2016				
Sales volume (% annual growth rate)	2.5	3.0	3.9	-
Sales price (% annual growth rate)	1.3	1.6	1.8	-
Budgeted gross margin (%)	44.0	60.0	54.0	-
Other operating costs (CU'000)	9,300	8,300	4,350	-
Annual capital expenditure (CU'000)	1,850	580	225	-
Long term growth rate (%)	3.2	2.2	1.8	-
Pre-tax discount rate (%)	14.3	14.4	15.1	-

IAS36(134)(d)(iii),
(iv)

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including long term inflation forecasts for each territory.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Other operating costs	Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures. The amounts disclosed above are the average operating costs for the five-year forecast period.
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate.

IAS36(55)

8(c) Intangible assets

Customer concentration/dependency – IT Consulting CGU – Europe

IAS36(134)(d)(iii)

The IT Consulting CGU in Europe generates 20% of its total revenues for each financial year from a key customer in France. The customer contract is for a five-year term, and the customer has been trading with the CGU since 2001. Management has included the renewal of this key customer contract in the value-in-use calculations to determine the recoverable amount of the CGU.

IAS36(134)(f)

*(vi) Significant estimate – impairment charge ^{2,3}*IAS36(129)(a),
(130)(a),(b),(d),(e)

The impairment charge of CU2,410,000 arose in the furniture manufacturing CGU in China following a decision to reduce the manufacturing output allocated to these operations. 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 will not be affected following this decision. No class of asset other than goodwill was impaired.

IAS36(130)(e)

As at 31 December 2017, the recoverable amount of the entire CGU was CU45,789,000.

(vii) Significant estimate: Impact of possible changes in key assumptions

IAS36(134)(f)

*Furniture manufacturing CGU – China*IAS1(129)(b)
IAS36(134)(f)

If the budgeted gross margin used in the value-in-use calculation for the furniture manufacturing CGU in China had been 5% lower than management's estimates at 31 December 2017 (42% instead of 47%), the group would have had to recognise an impairment against the carrying amount of property, plant and equipment of CU1,300,000. The reasonably possible change of 5% reduction in budgeted gross margin represents a reasonably possible reduction in sales price of 0.2% (i.e. annual growth rate of 1.2% instead of 1.4%).

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates (15.7% instead of 14.7%), the group would have had to recognise an impairment against property, plant and equipment of CU600,000. In the prior year there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in the Chinese furniture manufacturing CGU.

*IT Consulting CGU – Europe*IAS36(134)(f)(i)
IAS1(38)

The recoverable amount of the IT Consulting CGU in Europe is estimated to exceed the carrying amount of the CGU at 31 December 2017 by CU388,000 (2016 – CU463,000).

IAS36(134)(f)(iii),
(iii)
IAS1(38)

The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

	2017		2016	
	From	To	From	To
Sales volume (% annual growth rate)	4.1	3.5	3.9	2.5
Budgeted gross margin (%)	55.5	49	54.0	46
Long-term growth rate (%)	2.0	1.5	1.8	1.3
Pre-tax discount rate (%)	14.8	15.5	15.1	15.9

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the European IT Consulting CGU to exceed its recoverable amount.

8(d) Deferred tax balances**(i) Deferred tax assets**

	Notes	2017 CU'000	2016 Restated CU'000
IAS12(81)(g)(i)	The balance comprises temporary differences attributable to:		
Tax losses		3,170	2,245
Defined benefit pension obligations	8(g)	1,317	783
Employee benefits		914	822
Provisions for warranties, volume discounts, refunds, make good obligations and legal claims	8(h)	992	846
		6,393	4,696
<i>Other</i>			
Provision for restructuring	8(h)	270	-
Cash flow hedges	12(a)	230	233
Doubtful debts	12(c)	227	137
Derivatives held for trading	12(a)	183	186
Deferred revenue	3(b)	179	171
Contingent liability	8(h)	143	-
Write-down of building	4	140	-
Share issue costs	9(a)	48	-
Other		53	34
Sub-total other		1,473	761
Total deferred tax assets		7,866	5,457
IAS12(74)			
Set-off of deferred tax liabilities pursuant to set-off provisions ^{8,9}	(ii)	(543)	(478)
Net deferred tax assets		7,323	4,979

Significant estimates ^{2,3}

The deferred tax assets include an amount of CU1,378,000 which relates to carried forward tax losses of VALUE IFRS Manufacturing Limited. The subsidiary has incurred the losses over the last two financial years following the acquisition of the manufacturing operations in Springfield. They relate to the one-off costs of integrating the operations and will not recur in future. The group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2019 onwards. The losses can be carried forward indefinitely and have no expiry date.

	Tax losses CU'000	Pension obligation CU'000	Employee benefits CU'000	Pro- visions CU'000	Other CU'000	Total CU'000
Movements ^{10,11}						
At 1 January 2016 (Restated)	1,300	551	791	670	369	3,681
(Charged)/credited						
- to profit or loss	945	(41)	31	176	304	1,415
- to other comprehensive income	-	273	-	-	88	361
At 31 December 2016 (Restated)	2,245	783	822	846	761	5,457

8(d) Deferred tax balances

	Tax losses	Pension obligation	Employee benefits	Provisions	Other	Total
Movements ^{10,11}	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
At 31 December 2016 (Restated)	2,245	783	822	846	761	5,457
(Charged)/credited						
- to profit or loss	(600)	(4)	(33)	146	509	18
- to other comprehensive income	-	(36)	-	-	8	(28)
- directly to equity	-	-	-	-	60	60
Acquisition of subsidiary	1,525	574	125	-	135	2,359
At 31 December 2017	3,170	1,317	914	992	1,473	7,866

(ii) Deferred tax liabilities

	Notes	2017	2016
		CU'000	CU'000
The balance comprises temporary differences attributable to:			
Property, plant and equipment	8(a)	6,258	4,140
Intangible assets	8(c)	2,375	770
Convertible note	7(g)	955	-
Investment property	8(b)	1,124	719
		10,712	5,629
<i>Other</i>			
Financial assets at fair value through profit or loss	7(d)	720	420
Derivatives held for trading	12(a)	556	425
Available-for-sale financial assets	7(c)	281	172
Investments in associates	16(e)	131	113
Prepayments	7(a)	150	143
Inventories	8(e)	120	-
Share-based payments (deferred shares)	21(b)	51	22
Other		182	214
Sub-total other		2,191	1,509
Total deferred tax liabilities		12,903	7,138
Set-off of deferred tax liabilities pursuant to set-off provisions ^{8,9}	(i)	(543)	(478)
Net deferred tax liabilities		12,360	6,660

Offsetting within tax consolidated group ^{8,9}

VALUE IFRS Plc and its wholly-owned Oneland subsidiaries have applied the tax consolidation legislation which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

8(d) Deferred tax balances

	Movements ^{10,11}	Property, plant and equipment CU'000	Intangible assets CU'000	Investment property CU'000	Conver- tible note CU'000	Other CU'000	Total CU'000
	At 1 January 2016	2,150	615	300	-	1,291	4,356
	Charged/(credited)						
IAS12(81)(g)(ii)	- to profit or loss	238	155	419	-	189	1,001
	- to other comprehensive income	1,752	-	-	-	29	1,781
	At 31 December 2016	4,140	770	719	-	1,509	7,138
	Charged/(credited)						
IAS12(81)(g)(ii)	- to profit or loss	(379)	(255)	405	(95)	504	180
	- to other comprehensive income	2,173	-	-	-	58	2,231
	- directly to equity	-	-	-	1,050	-	1,050
	Acquisition of subsidiary	324	1,860	-	-	120	2,304
	At 31 December 2017	6,258	2,375	1,124	955	2,191	12,903

8(e) Inventories

		2017 CU'000	2016 CU'000
	Current assets		
IAS1(77) IAS2(36)(b)	Raw materials and stores	6,200	4,800
IAS2(36)(b)	Work in progress	5,600	5,400
IAS2(36)(b)	Finished goods – at cost	6,663	8,452
IAS2(36)(c) New illustration	Finished goods – at fair value less cost to sell	1,290	1,020
IAS2(36)(b)	Land held for development and resale	2,400	-
		22,153	19,672

IAS1(117)

IAS2(23),(25),
(36)(a)**(i) Assigning costs to inventories** ^{2,3}

The costs of individual items of inventory are determined using weighted average costs. The exception is land held for development and resale where costs are assigned by specific identification and include the cost of acquisition, development and borrowing costs incurred during the development. See **note 25(m)** for the group's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

IAS2(36)(d)

Inventories recognised as an expense during the year ended 31 December 2017 amounted to CU55,540,000,000 (2016 – CU34,244,000). These were included in cost of sales and cost of providing services (except for CU535,000 of inventories damaged by a fire which are recognised in other expense – refer to **note 4**).

IAS2(36)(e)
IAS36(126)(a)

Write-downs of inventories to net realisable value amounted to CU950,000 (2016 – CU750,000). These were recognised as an expense during the year ended 31 December 2017 and included in 'cost of sales' in profit or loss.

IAS2(36)(f),(g)
New illustration

The group reversed CU160,000 of a previous inventory write-down in July 2017, as the group sold the relevant goods that had been written down to an independent retailer in Argentina at original cost. The amount reversed has been included in 'cost of sales' in the income statement.

8(f) Assets classified as held for sale ¹²

	2017 CU'000	2016 CU'000
Non-current assets held for sale		
Land	250	-
	250	-

IFRS5(41)(a),(b),(d)

In November 2017, the directors of VALUE IFRS Manufacturing Limited decided to sell a parcel of vacant land which was originally acquired for an expansion of the Nicetown factory. There are several interested parties and the sale is expected to be completed before the end of June 2018. The asset is presented within total assets of the Oneland Furniture – manufacturing segment in [note 2](#).

Refer to [note 15\(d\)](#) for information about assets and liabilities of a disposal group that were classified as held for sale at 31 December 2016.

(i) Non-recurring fair value measurementsIFRS13(91)(a),(93)(b),(d)
IFRS5(41)(c)

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in the recognition of a writedown of CU22,000 as other expenses in the statement of profit or loss. The fair value of the land was determined using the sales comparison approach as described in [note 8\(i\)](#) below. This is a level 2 measurement as per the fair value hierarchy set out in [note 7\(h\)](#) above.

8(g) Employee benefit obligations ¹³

IAS1(77)

	Current CU'000	2017 Non- current CU'000	Total CU'000	Current CU'000	2016 Non- current CU'000	Total CU'000
Leave obligations (i)	690	2,220	2,910	470	2,270	2,740
Share-appreciation rights (note 21)	-	138	138	-	-	-
Defined pension benefits (ii)	-	3,684	3,684	-	1,900	1,900
Post-employment medical benefits (iii)	-	707	707	-	711	711
Total employee benefit obligations	690	6,749	7,439	470	4,881	5,351

(i) Leave obligations ¹³

The leave obligations cover the group's liability for long service leave and annual leave.

IAS1(61)

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of CU690,000 (2016 - CU470,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months. ¹⁴

	2017 CU'000	2016 CU'000
Current leave obligations expected to be settled after 12 months	344	272

8(g) Employee benefit obligations

(ii) Defined benefit pension plans ^{15,16}

IAS19(139)(a)
IAS1(112)(c)

The group operates defined benefit pension plans in Oneland and the US under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the Oneland plans, pensions in payment are generally updated in line with the retail price index, whereas in the US plans, pensions generally do not receive inflationary increases once in payment. With the exception of this inflationary risk in Oneland, the plans face broadly similar risks, as described below.

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the company meets the benefit payment obligation as it falls due. Plan assets held in trusts are 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. Responsibility for governance of the plans – including investment decisions and contributions schedules – lies jointly with the company and the board of trustees. The board of trustees must be composed of representatives of the company and plan participants in accordance with the plan's regulations.

IAS19(53)

The group also operates a couple of defined contribution plans which receive fixed contributions from group companies. The group's legal or constructive obligation for these plans is limited to the contributions. The expense recognised in the current period in relation to these contributions was CU2,425,000 (2016 – CU2,075,000).

Balance sheet amounts

IAS19(140)(a)(i),
(ii), (141)

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	Present value of obligation CU'000	Fair value of plan assets CU'000	Total CU'000	Impact of minimum funding requirement/ asset ceiling CU'000	Net amount CU'000
1 January 2016	3,479	(2,264)	1,215	120	1,335
IAS19(141)(a) Current service cost	319	-	319		319
IAS19(141)(d) Past service cost	179	-	179		179
IAS19(141)(b) Interest expense/(income)	214	(156)	58	5	63
Total amount recognised in profit or loss	712	(156)	556	5	561
IAS19(141)(c) Remeasurements					
Return on plan assets, excluding amounts included in interest (income)	-	(85)	(85)	-	(85)
Loss from change in demographic assumptions	20	-	20	-	20
Loss from change in financial assumptions	61	-	61	-	61
Experience losses	641	-	641	-	641
Change in asset ceiling, excluding amounts included in interest expense	-	-	-	80	80
Total amount recognised in other comprehensive income	722	(85)	637	80	717
IAS19(141)(e) Exchange differences	(324)	22	(302)	-	(302)
IAS19(141)(f) Contributions:					
Employers	-	(411)	(411)	-	(411)
Plan participants	30	(30)	-	-	-
IAS19(141)(g) Benefit payments	(127)	127	-	-	-
31 December 2016	4,492	(2,797)	1,695	205	1,900

8(g) Employee benefit obligations

		Present value of obligation CU'000	Fair value of plan assets CU'000	Total CU'000	Impact of minimum funding requirement/ asset ceiling CU'000	Net amount CU'000
	1 January 2017	4,492	(2,797)	1,695	205	1,900
IAS19(141)(a)	Current service cost	751	-	751	-	751
IAS19(141)(d)	Losses on curtailment and settlement	65	-	65	-	65
IAS19(141)(b)	Interest expense/(income)	431	(308)	123	9	132
	Total amount recognised in profit or loss	1,247	(308)	939	9	948
IAS19(141)(c)	Remeasurements					
	Return on plan assets, excluding amounts included in interest (income)	-	(187)	(187)	-	(187)
	Loss from change in demographic assumptions	32	-	32	-	32
	Loss from change in financial assumptions	121	-	121	-	121
	Experience (gains)	(150)	-	(150)	-	(150)
	Change in asset ceiling, excluding amounts included in interest expense	-	-	-	100	100
	Total amount recognised in other comprehensive income	3	(187)	(184)	100	(84)
IAS19(141)(e)	Exchange differences	(61)	(25)	(86)	-	(86)
IAS19(141)(f)	Contributions:					
	Employers	-	(908)	(908)	-	(908)
	Plan participants	55	(55)	-	-	-
	Payments from plan:					
IAS19(141)(g)	Benefit payments	(566)	566	-	-	-
IAS19(141)(g)	Settlements	(280)	280	-	-	-
IAS19(141)(h)	Acquired in business combination (see note 14)	3,691	(1,777)	1,914	-	1,914
	31 December 2017	8,581	(5,211)	3,370	314	3,684
IAS19(141)	One of our Oneland plans has a surplus that is not recognised on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.					
IAS19(139)(c)	In connection with the closure of a factory, a curtailment loss was incurred and a settlement arrangement agreed with the plan trustees, effective 31 December 2017, which settled all retirement benefit plan obligations relating to the employees of that factory. In the prior year, the group made minor amendments to the terms of the plan, resulting in past service cost of CU179,000.					
IAS19(138)(e)	The net liability disclosed above relates to funded and unfunded plans as follows:					
				2017 CU'000	2016 CU'000	
	Present value of funded obligations			6,155	2,943	
	Fair value of plan assets			(5,211)	(2,797)	
	Deficit of funded plans			944	146	
	Present value of unfunded obligations			2,426	1,549	
	Total deficit of defined benefit pension plans (before asset ceiling)			3,370	1,695	

8(g) Employee benefit obligations

IAS1(112)(c)

The group has no legal obligation to settle the deficit in the funded plans with an immediate contribution or additional one off contributions. The group intends to continue to contribute to the defined benefit section of the plan at a rate of 14% of salaries in line with the actuary's latest recommendations.

IAS19(138)(a)

The following table shows a breakdown of the defined benefit obligation and plan assets by country:

	2017			2016		
	Oneland CU'000	US CU'000	Total CU'000	Oneland CU'000	US CU'000	Total CU'000
Present value of obligation	4,215	4,366	8,581	1,050	3,442	4,492
Fair value of plan assets	(2,102)	(3,109)	(5,211)	(394)	(2,403)	(2,797)
	<u>2,113</u>	<u>1,257</u>	<u>3,370</u>	<u>656</u>	<u>1,039</u>	<u>1,695</u>
Impact of minimum funding requirement/asset ceiling	314	-	314	205	-	205
Total liability	<u>2,427</u>	<u>1,257</u>	<u>3,684</u>	<u>861</u>	<u>1,039</u>	<u>1,900</u>

IAS19(137)(a)

As at the last valuation date, the present value of the defined benefit obligation included approximately CU3,120,000 (2016 – CU1,371,000) relating to active employees, CU3,900,000 (2016 – CU2,115,000) relating to deferred members and CU1,561,000 (2016 – CU1,006,000) relating to members in retirement.

(iii) Post-employment medical plansIAS19(138), (139)(a)
IAS1(112)(c)
IAS19(144)

The group operates a number of post-employment medical benefit schemes, principally in the US. The majority of these plans are unfunded. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for the defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs of 8.0% (2016 – 7.6%) and claim rates of 6% (2016 – 5.2%).

Balance sheet amountsIAS19(140)(a)(i),
(ii), (141)

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	Present value of obligation CU'000	Fair value of plan assets CU'000	Net amount CU'000
1 January 2016	708	(207)	501
Current service cost	107	-	107
Interest expense/(income)	25	(13)	12
Total amount recognised in profit or loss	132	(13)	119
Remeasurements			
Return on plan assets, excluding amounts included in interest (income)	-	(11)	(11)
Loss from change in demographic assumptions	3	-	3
Loss from change in financial assumptions	7	-	7
Experience losses	194	-	194
Total amount recognised in OCI	204	(11)	193
Exchange differences	(31)	2	(29)
Employer contributions/premiums paid	-	(73)	(73)
Benefit payments from plan	(8)	8	-
31 December 2016	1,005	(294)	711

IAS19(141)(e)

IAS19(141)(f)

IAS19(141)(g)

8(g) Employee benefit obligations

	Present value of obligation CU'000	Fair value of plan assets CU'000	Net amount CU'000
1 January 2017	1,005	(294)	711
IAS19(141)(a) Current service cost	153	-	153
IAS19(141)(b) Interest expense/(income)	49	(18)	31
Total amount recognised in profit or loss	202	(18)	184
IAS19(141)(c) Remeasurements			
Return on plan assets, excluding amounts included in interest (income)	-	(33)	(33)
Loss from change in demographic assumptions	4	-	4
Loss from change in financial assumptions	10	-	10
Experience (gains)	(16)	-	(16)
Total amount recognised in OCI	(2)	(33)	(35)
IAS19(141)(e) Exchange differences	37	(5)	32
IAS19(141)(f) Employer contributions/premiums paid:	-	(185)	(185)
IAS19(141)(g) Benefit payments from plan	(7)	7	-
31 December 2017	1,235	(528)	707

IAS19(138)(e) The net liability disclosed above relates to funded and unfunded plans as follows:

	2017 CU'000	2016 CU'000
Present value of funded obligations	650	350
Fair value of plan assets	(528)	(294)
Deficit of funded plans	122	56
Present value of unfunded obligations	585	655
Total deficit of post-employment medical plans	707	711

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

IAS19(144)	Significant estimates: actuarial assumptions and sensitivity			
	The significant actuarial assumptions were as follows:			
	2017		2016	
	Oneland	US	Oneland	US
Discount rate	5.1%	5.2%	5.5%	5.6%
Inflation	3.0%	4.0%	3.5%	4.2%
Salary growth rate	4.0%	4.5%	4.5%	4.0%
Pension growth rate	3.0%	0%	3.1%	0%
Long-term increase in health care cost	-	8.0%	-	7.6%
Claim rates	-	6%	-	5.2%
Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:				
	2017		2016	
	Oneland	US	Oneland	US
Retiring at the end of the reporting period:				
Male	22	20	22	20
Female	25	24	25	24
Retiring 20 years after the end of the reporting period:				
Male	24	23	24	23
Female	27	26	27	26

8(g) Employee benefit obligations

IAS19(145)(a)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation					
	Change in assumption		Increase in assumption		Decrease in assumption	
	2017	2016	2017	2016	2017	2016
Discount rate	0.50%	0.3%	Decrease by 8.2%	6.6%	Increase by 9.0%	7.2%
Salary growth rate	0.50%	0.7%	Increase by 1.8%	2.3%	Decrease by 1.7%	2.1%
Pension growth rate	0.25%	0.3%	Increase by 4.7%	5.2%	Decrease by 4.4%	5.1%
Life expectancy	+/- 1 year		Increase by: 2.8%	2.5%	Decrease by 2.9%	2.7%
Long-term increase in health care cost	0.5%	0.4%	Increase by 5.5%	5.2%	Decrease by 4.8%	4.3%
Claim rates	0.5%	0.4%	Increase by 6.3%	5.9%	Decrease by 6.8%	6.4%

IAS19(145)(b)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

IAS19(145)(c)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Balance sheet amounts

IAS19(142)

The major categories of plan assets are as follows:

	31 December 2017				31 December 2016			
	Quoted	Un-quoted	Total	in %	Quoted	Un-quoted	Total	in %
	CU'000	CU'000	CU'000		CU'000	CU'000	CU'000	
Equity instruments			1,824	31%			1,216	39%
Information technology	502	-	502		994	-	994	
Energy	557	-	557		-	-	-	
Manufacturing	746	-	746		194	-	194	
Other	-	19	19		-	28	28	
Debt instruments			2,161	37%			571	20%
Government	916	-	916		321	-	321	
Corporate bonds (investment grade)	900	-	900		99	-	99	
Corporate bonds (non-investment grade)	68	277	345		41	110	151	
Property			1,047	18%			943	31%
In US	-	800	800			697	697	
In Oneland	-	247	247		-	246	246	
Qualifying Insurance policies	-	419	419	9%	-	190	190	6%
Cash and cash equivalents	177	-	177	3%	94	-	94	3%
Investment funds	111	-	111	2%	77	-	77	2%
Total	3,977	1,762	5,739	100%	1,820	1,271	3,091	100%

IAS19(143)

The assets set out in the above table include ordinary shares issued by VALUE IFRS Plc with a fair value of CU530,000 (2016 – CU410,000) and land and buildings occupied by the group with a fair value of CU550,000 (2016 – CU580,000).

8(g) Employee benefit obligations

Risk exposure

IAS19(139)(b)

Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility** The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Both the Oneland and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.
- As the plans mature, the group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed in FY2017 with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in Oneland and US government securities only. The corporate bonds are global securities with an emphasis on Oneland and the US.
- However, the group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently. See below for more details on the group's asset-liability matching strategy.
- Changes in bond yields** A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
- Inflation risks** Some of the group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.
- In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.
- Life expectancy** The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the Oneland plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

IAS19(146)

In the case of funded plans, the group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets in 2017 consists of equities and bonds, although the group also invests in property, bonds, cash and investment (hedge) funds. 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 Oneland and Europe, 30% in the US and the remainder in emerging markets.

8(g) Employee benefit obligations**(v) Defined benefit liability and employer contributions**

IAS19(147)(a)

The group has agreed that it will aim to eliminate the pension plan deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed contribution rate is 14% of pensionable salaries in Oneland and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2018. 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.

IAS19(147)(b)

Expected contributions to post-employment benefit plans for the year ending 31 December 2018 are CU1,150,000.

IAS19(147)(c)

The weighted average duration of the defined benefit obligation is 25.2 years (2016 – 25.8 years). The expected maturity analysis of undiscounted pension and post-employment medical benefits is as follows:

IAS19(147)(c)

	Less than a year CU'000	Between 1 - 2 years CU'000	Between 2 - 5 years CU'000	Over 5 years CU'000	Total CU'000
31 December 2017					
Defined benefit obligation	628	927	2,004	21,947	25,506
Post-employment medical benefits	127	174	614	4,775	5,690
Total	755	1,101	2,618	26,722	31,196
31 December 2016					
Defined benefit obligation	314	450	1,103	12,923	14,790
Post-employment medical benefits	69	88	388	2,591	3,136
Total	383	538	1,491	15,514	17,926

IAS1(38)

8(h) Provisions

IAS1(77)	2017			2016		
	Current CU'000	Non-current CU'000	Total CU'000	Current CU'000	Non-current CU'000	Total CU'000
Make good provision (i)	225	1,573	1,798	-	1,382	1,382
Restructuring costs (i)	900	-	900	-	-	-
Service warranties (i)	635	-	635	920	-	920
Volume discounts and returns (i)	414	-	414	197	-	197
Legal claim (i)	460	-	460	320	-	320
Contingent liability (note 14)	477	-	477	-	-	-
	3,111	1,573	4,684	1,437	1,382	2,819

(i) Information about individual provisions and significant estimates

Make good provision

IAS37(85)(a),(b) VALUE IFRS Retail Limited is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

Restructuring

IAS37(85)(a),(b) The reduction in output in the furniture manufacturing division (see note 8(c) above) resulted in the loss of 155 jobs at two factories. An agreement was reached with the local union representatives in October 2017, which specifies the number of staff involved and the voluntary redundancy compensation package offered by the group, as well as amounts payable to those made redundant. The total estimated staff restructuring costs to be incurred are CU1,050,000. Other direct costs attributable to the restructuring, including lease termination, are CU327,000. These costs were fully provided for in the current reporting period. The remaining provision of CU900,000 is expected to be fully utilised over the next 12 months.

Service warranties

IAS37(85)(a),(b) Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year.

IAS1(125) The group generally offers 12 months 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. The assumptions made in relation to the current period are consistent with those in the prior year. 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. As at 31 December 2017, this particular provision had a carrying amount of CU330,000 (2016 - CU450,000). Were claims costs to differ by 10% from management's estimates, the warranty provisions would be an estimated CU33,000 higher or lower (2016 - CU45,000 higher/lower).

Volume discounts and returns

IAS37(85)(a),(b)
New illustration When a customer has a right to return the product within a given period, the group recognises a provision for returns (CU269,000 as at 31 December 2017 and CU72,000 as at 31 December 2016). This is measured on a net basis at the margin on the sale. Revenue is adjusted for the expected value of the returns and cost of sales are adjusted for the value of the corresponding goods to be returned. The group also recognises a provision for volume discounts (CU145,000 as at 31 December 2017 and CU125,000 as at 31 December 2016); see the explanations in note 3(b) for further information.

Legal claim

IAS37(85)(a),(b) In October 2017, an unfavourable judgement was handed down against the group in respect of a legal claim made by a customer of the IT consulting segment. However, after taking appropriate legal advice, the directors have decided to appeal against the decision. No payment has been made to the claimant pending outcome of the appeal. If upheld, payment of CU860,000 will be required. The recognised provision reflects the directors' best estimate of the most likely outcome. The court of appeal is expected to consider this matter in August 2018.

See note 25(x) for the group's other accounting policies relevant to provisions.

8(h) Provisions

(ii) Movements in provisions

IAS37(84)

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Make good provision CU'000	Restruc- turing obligations CU'000	Service warran- ties CU'000	Contin- gent liability CU'000	Other CU'000	Total CU'000
2017						
IAS37(84)(a) Carrying amount at start of year	1,382	-	920	-	517	2,819
Acquired through business combination	-	-	-	450	-	450
IAS37(84)(b) Additional provision charged to plant and equipment	350	-	-	-	-	350
Charged/(credited) to profit or loss						
IAS37(84)(b) - additional provisions recognised	-	1,377	268	-	611	2,256
IAS37(84)(d) - unused amounts reversed	-	-	(330)	-	(56)	(386)
IAS37(84)(e) - unwinding of discount	66	-	-	27	-	93
IAS37(84)(c) Amounts used during the year	-	(477)	(223)	-	(198)	(898)
IAS37(84)(a) Carrying amount at end of year	1,798	900	635	477	874	4,684

8(i) Recognised fair value measurements ¹⁷⁻¹⁹

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in [note 7\(h\)](#).

IFRS13(93)(a),(b)

At 31 December 2017	Notes	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Investment properties					
Office buildings – West Harbournity ¹⁷	8(b)	-	-	13,300	13,300
Land and buildings ¹⁷					
Manufacturing sites – Oneland	8(a)	-	-	43,750	43,750
Manufacturing sites – China				17,750	17,750
Land held for sale	8(f)	-	250	-	250
Total non-financial assets		-	250	74,800	75,050

IAS1(38)

At 31 December 2016	Notes	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Investment properties					
Office buildings – West Harbournity	8(b)	-	5,135	4,915	10,050
Land and buildings					
Manufacturing sites – Oneland	8(a)	-	-	32,487	32,487
Manufacturing sites – China				15,153	15,153
Total non-financial assets		-	5,135	52,555	57,690

IFRS13(95)

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

8(i) Recognised fair value measurements

IFRS13(93)(c)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see (iv) below.

(ii) Valuation techniques used to determine level 2 and level 3 fair values

IFRS13(91)(a),(93)(d)
IAS16(77)(a)
IAS40(75)(e)

The group obtains independent valuations for its investment properties at least annually and for its freehold land and buildings related to manufacturing sites (classified as property, plant and equipment) at least every three years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3 except for land held for resale. The level 2 fair value of land held for resale has been derived using the sales comparison approach.

The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size).

(iii) Fair value measurements using significant unobservable inputs (level 3)

IFRS13(93)(e)

The following table presents the changes in level 3 items for the periods ended 31 December 2016 and 31 December 2017 for recurring fair value measurements:

	Manufacturing sites			
	Office buildings CU'000	Oneland CU'000	China CU'000	Total CU'000
Opening balance 1 January 2016	3,470	27,043	12,357	42,870
Acquisitions	810	2,584	1,780	5,174
Disposals	(112)	(424)		(536)
Reclassification to inventory	(250)	-	-	(250)
Amounts recognised in profit or loss				
Depreciation and impairment	-	(1,100)	(440)	(1,540)
Gains recognised in other income *	997	-	-	997
Gains recognised in other comprehensive income	-	4,384	1,456	5,840
Closing balance 31 December 2016	4,915	32,487	15,153	52,555
Transfer from level 2	5,135	-		5,135
Acquisitions	1,900	7,135	2,247	11,282
Disposals	-	(550)	-	(550)
Amounts recognised in profit or loss				
Depreciation and impairment	-	(1,360)	(855)	(2,215)
Gains recognised in other income *	1,350	-	-	1,350
Gains recognised in other comprehensive income	-	6,038	1,205	7,243
Closing balance 31 December 2017	13,300	43,750	17,750	74,800

IFRS13(93)(f)

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period ¹²

2017	1,350	-	-	1,350
2016	907	-	-	907

8(i) Recognised fair value measurements

(iv) Transfers between levels 2 and 3 and changes in valuation techniques

IFRS13(93)(d)

The group commenced redevelopment of an office building in Oneland during the year. The redevelopment will greatly expand the net lettable area of the building and is expected to be completed in early 2018. Prior to redevelopment, the building was valued using the sales comparison approach based on recent sales of comparable properties in the area. This resulted in a level 2 fair value. Upon redevelopment, the group had to revise its valuation technique for the property under construction. The revised valuation technique uses significant unobservable inputs. Accordingly, the fair value measurement was reclassified to level 3.

IFRS13(93)(d)

The revised valuation technique for the building under construction estimates the fair value of the completed office building and deducts:

- estimated construction and other costs to completion that would be incurred by a market participant, and
- estimated profit margin that a market participant would require to hold and develop the property to completion, based on the state of the property as at 31 December 2017.

Other than described above, there were no changes in valuation techniques during the year.

(v) Valuation inputs and relationships to fair value

IFRS13(93)(d),(99)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

IFRS13(91)(a),(93)(d),
(h)(i)

Description	Fair value at		Unobservable inputs *	Range of inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
	31 December 2017 CU'000	31 December 2016 CU'000		2017	2016	
Leased office buildings	7,765	4,915	Discount rate	4% - 5% (4.8%)	3% - 4% (3.6%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	6% - 7% (6.6%)	5.5% - 6% (5.8%)	
			Capitalisation rate	4% - 4.5% (4.4%)	4% - 4.5% (4.2%)	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
			Expected vacancy rate	9% - 10% (9.2%)	8% - 10% (8.7%)	
			Rental growth rate	3% - 3.6% (3.2%)	2% - 2.5% (2.2%)	The higher the rental growth rate, the higher the fair value
Office building under re-development	5,535	n/a - Level 2 fair value	Estimated cost to completion	CU3,230,000 - CU3,510,000 (CU3,395,000)	n/a	The higher the estimated costs the lower the fair value
			Estimated profit margin required to hold and develop property to completion	12.5% of property value	n/a	The higher the profit margin required, the lower the fair value
Manufacturing sites - Oneland	43,750	32,487	Discount rate	6% - 7% (6.7%)	8% - 9% (7.7%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	8% - 9% (8.2%)	9.5% - 10% (9.7%)	

IFRS13(91)(a),(93)(d),
(h)(i),(ii)

8(i) Recognised fair value measurements

Description	Fair value at		Unobservable inputs *	Range of inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
	31 December 2017 CU'000	31 December 2016 CU'000		2017	2016	
Manufacturing sites - China	17,750	15,153	Discount rate	10% - 12% (11%)	9% - 10% (9.4%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	14% - 15% (14.3%)	13% - 14% (13.2%)	

IFRS13(93)(h)(i)

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

IFRS13(93)(g)

(vi) Valuation processes

The group engages external, independent and qualified valuers to determine the fair value of the group's investment properties at the end of every financial year and for other land and buildings at least every three years. As at 31 December 2017, the fair values of the investment properties have been determined by ABC Property Surveyors Limited. A directors' valuation has been performed for the land and buildings classified as property, plant and equipment as at 31 December 2017. The last independent valuation of these land and buildings was performed as at 31 December 2016.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Leased office buildings – discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by ABC Property Surveyors Limited or management based on comparable transactions and industry data.
- Office building under redevelopment – costs to completion and profit margin are estimated by ABC Property Surveyors Limited based on market conditions as at 31 December 2017. The estimates are consistent with the budgets developed internally by the group based on management's experience and knowledge of market conditions.

Changes in level 2 and 3 fair values are analysed at each reporting date during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

IAS40(75)(e)
IAS16(77)(a),(b)

Non-financial assets and liabilities

Disclosing non-financial assets and non-financial liabilities in one note

- Users of financial reports have indicated that they would like to be able to quickly access all of the information about the entity's financial assets and liabilities without having to trawl through various notes in the financial report. We have therefore structured our notes such that financial items and non-financial items are discussed separately. But you should be aware that this is not a mandatory requirement in any of the accounting standards.

Accounting policies, estimates and judgements

- As explained on [page 24](#), in our view it is helpful for readers of the financial report if information about accounting policies that are specific to the entity and about significant estimates and judgements is disclosed with the relevant line items, rather than in separate notes. However, this format is also not mandatory.
- For general commentary regarding the disclosures of accounting policies please refer to [note 25](#). Commentary about the disclosure of significant estimates and judgements is provided in [note 11](#).

Non-financial assets and liabilities

Classes of property, plant and equipment

IAS16(37)

4. A class of property, plant and equipment is a grouping of assets of a similar nature and use in the entity's operation. Paragraph 37 of IAS 16 provides the following examples:
 - (a) land
 - (b) land and buildings
 - (c) machinery
 - (d) ships
 - (e) aircraft
 - (f) motor vehicles
 - (g) furniture and fixtures
 - (h) office equipment
5. Each entity will have different classes, depending on their individual operations. The number of classes that are separately disclosed also depends on materiality. However, the 'plant and equipment' of an entity will normally include assets of quite different nature and use. It will therefore not be sufficient to provide the information required in IAS 16 only for two classes, being 'land and buildings' and 'plant and equipment'. Rather, entities should provide a further breakdown or, alternatively, use a more specific narrative to illustrate that the entity has only one major class of plant and equipment.

Impairment

Impairment testing – disclosure of assumptions

IAS36(132)
IAS36(134)
IAS1(122),(125)

6. An entity is encouraged to disclose the assumptions used to determine the recoverable amount of all significant assets and cash-generating units during the period. However, as a minimum, paragraph 134 of IAS 36 requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit. In many cases, the impairment calculations also involve significant estimates and judgements which should be highlighted under IAS 1 paragraphs 122 and 125.

Prior year recoverable amount calculation

IAS36(136)

7. The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) may, in accordance with paragraphs 24 or 99 of IAS 36, be carried forward and used in the impairment test for that unit (group of units) in the current period provided specified criteria are met. When this is the case, the information for that unit (group of units) that is incorporated into the disclosures required by paragraphs 134 and 135 of IAS 36 relate to the carried forward calculation of recoverable amount.

Deferred tax assets and liabilities

Offsetting

IAS12(74)

8. Deferred tax assets and liabilities shall be set off if, and only if:
 - (a) there is a legally recognised right to set off current tax assets and liabilities, and
 - (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity, or
 - (ii) different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

IAS12(76)

9. The circumstances giving rise to a set off between entities in a consolidated entity are likely to be rare unless the entities are part of a tax consolidated group. As disclosed in [note 8\(d\)](#) we have assumed this to be the case for VALUE IFRS Plc.

Non-financial assets and liabilities

Disclosure of reconciliation by type of temporary difference

IAS12(81)(g)

10. IAS 12 requires the following disclosures for each type of temporary difference and in respect of each type of unused tax loss and tax credit:
 - (a) the deferred tax balances recognised for each period presented
 - (b) the amounts of deferred tax income or expense recognised in profit or loss, if this is not apparent from the changes in the amounts recognised in the balance sheet
11. This information can be presented in various ways. VALUE IFRS Plc has chosen to provide the information in the form of a reconciliation by type of temporary difference. However, other formats are equally acceptable as long as all of the required disclosures are made.

Assets held for sale

12. There is no requirement in either IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* or IAS 1 *Presentation of Financial Statements* to present assets of a disposal group separately from individual assets held for sale. VALUE IFRS Plc has therefore combined the assets of a disposal group with individual assets held for sale as a single line item in the balance sheet, but provided the associated disclosures in separate notes.

Employee benefit obligations

IAS37(1)(c),(5)(d)

13. IAS 37 does not generally apply to employee benefits as these are dealt with by IAS 19 *Employee Benefits*. However, employee benefits may be classified as provisions in the balance sheet where either the amounts or the timing of the future payments in respect of these obligations is uncertain. Alternatively, they could either be classified as other payables (where the amount and timing is certain) or, as we have done in this publication, presented as a separate line item in the balance sheet. If the amounts recognised in relation to employee benefit obligations are material, entities should consider providing the information required by IAS 37 regardless of how the amounts are presented.

Classification of employee benefits obligations as non-current

IAS1(69)

14. Irrespective of whether the employee benefit obligations are measured as short-term or long-term obligations, they can only be classified in the balance sheet as a non-current liability if there is no possibility the entity could have to pay out the obligation within the next 12 months. This means, for example, that where employees are entitled to take their long service leave or accrued annual leave within the next 12 months, the obligation relating to them must be recorded as a current liability even though the employees may not be expected to take the leave for an extended period.

Defined benefit obligations

IAS19(135)

15. There is an overriding objective in IAS 19 *Employee Benefits* that the disclosures for defined benefit plans must:
 - (a) explain the characteristics of the plans and the associated risks
 - (b) identify and explain the amounts in the financial statements arising from the plans
 - (c) describe how the plans may affect the amount, timing and uncertainty of the entity's future cash flows.

IAS19(136)-(138)

16. Entities will need to consider on a case-by-case basis how detailed the disclosures will have to be to satisfy these objectives. Additional information or further disaggregation may be necessary in some circumstances. However, preparers should also keep in mind that materiality applies to all of the disclosures required under IAS 19.

Fair value measurements

IFRS13(B35)(g)

17. Property assets are often unique and not traded on a regular basis. As a consequence, there is a lack of observable input data for identical assets. Fair value measurements of property assets will therefore often be categorised as 'level 2' or 'level 3' valuations. Whether it is appropriate to classify the fair value as a 'level 2' measurement will depend on the individual facts and circumstances. Examples of 'level 2' inputs include sales price per square metre for similar properties in a similar location in an active market, or property yields derived from the latest transactions in active markets for similar properties. Where significant adjustments to market based data are made, or where other significant inputs are unobservable, the valuation would be categorised as 'level 3'. If the assets are located in a less developed market, this would also be an indication for a 'level 3' classification. Assets classified as level 2 measurements based on recent sales may need to be reclassified in subsequent periods if there have been no more sales of comparable properties in the area.

Non-financial assets and liabilities

18. As a typical diversified manufacturing company, VALUE IFRS Plc only has a limited number of assets and liabilities that are measured at fair value. For alternative disclosures covering biological assets, please refer to [Appendix C](#).

For more detailed commentary about the requirements of IFRS 13 please refer to chapter 5 *Fair value*: applying IFRS 13 to [Property, plant and equipment](#), [Investment property](#) and [Intangible assets](#) of the PwC Manual of Accounting (links will only work for registered users).

Disclosures not illustrated: not applicable to VALUE IFRS Plc

19. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

Investment property

	Issue not illustrated	Relevant disclosures or references
IAS40(75)(c)	Classification as investment property is difficult	Disclose criteria used to distinguish investment property from owner-occupied property and property held for sale in the ordinary course of business.
IAS40(77)	Adjustments made to valuations	Disclose reconciliation between valuation obtained and the adjusted valuation.
IAS40(75)(f)	Sale of investment property between pools of assets measured using different methods (IAS 40 paragraph 32C)	Disclose cumulative change in fair value recognised in profit or loss.
IAS17(56)(b)	Contingent rents recognised as income in the period	Disclose amounts where applicable.
IAS40(75)(b)	Operating leases classified as investment property	Explain circumstances of classification as investment property and whether the fair value model is applied.
IAS40(78)	Investment property cannot be reliably measured at fair value on a continuing basis	Disclose amounts separately and provide additional information about the property.
IAS40(79)	Entity has elected to use the cost model for measuring its investment property	Disclose additional information such as depreciation methods, useful lives etc.

Intangible assets

	Issue not illustrated	Relevant disclosures or references
IAS38(122)(a)	Intangible assets with indefinite useful lives	Disclose the carrying amount and factors that have played a significant role in assessing that the assets have an indefinite useful life.
IAS38(122)(b)	Individually material intangible assets	Describe the assets and disclose the carrying amount and remaining amortisation period.
IAS38(122)(c)	Intangible assets acquired by way of government grant	Disclose the fair value initially recognised, the current carrying amount and whether the assets are measured at cost or at revaluation.
IAS38(122)(d)	Intangible assets with restricted title and/or pledged as security for liabilities	Disclose existence and carrying amounts.
IAS38(122)(e)	Contractual commitments for the acquisition of intangible assets	Disclose amount.
IAS38(124)	Intangible assets measured under the revaluation model	Provide additional disclosures as set out in IAS 38(124).

Non-financial assets and liabilities

Impairment and goodwill

	Issue not illustrated	Relevant disclosures or references
IAS36(126)(b)-(d),(129)	Impairment losses recognised in OCI and reversals of impairment losses	Disclose impairment losses recognised in OCI (by segment where applicable). Disclose reversal of impairment losses (P&L and OCI; by segment where applicable).
IAS36(131)	Individual impairment losses or reversals are not material	Provide information about aggregate impairment losses and reversals.
IAS36(133)	Unallocated goodwill	Disclose the amount and the reasons why the goodwill remained unallocated (see below for example).
IAS36(134)	Intangible assets with indefinite useful lives – impairment disclosures	Provide similar disclosures to those illustrated for goodwill in this publication.
IAS36(134)(d),(e)	Goodwill and intangible assets with indefinite useful lives: recoverable amount is based on fair value less costs of disposal (FVLCOB)	Provide additional information as set out in IAS 36(134). See below for illustration.
IAS36(135)	Goodwill and indefinite life intangible assets allocated to multiple CGUs, where the amount allocated to each CGU is not significant	Provide information about impairment testing based on the aggregate carrying amounts.

Other non-financial assets and liabilities

	Issue not illustrated	Relevant disclosures or references
IAS2(36)(h)	Inventories	Disclose amount of inventories pledged as security for liabilities.
IAS19(140)(b)	Defined benefit plans: reimbursement rights	These will need to be separately disclosed in the reconciliation of the amounts recognised in the balance sheet.
IAS19(148),(149)	Multi-employer and group plans	Provide additional information as specified in IAS 19(148) and (149).
IAS37(92)	Provisions: information omitted because disclosure would be prejudicial	Disclose that fact, the general nature of the dispute and reasons why further information is not disclosed.
IFRS13(93)(i)	Fair value of non-financial assets: highest and best use differs from current use	Disclose that fact and why the asset is used in a manner that differs from its highest and best use.

Non-financial assets and liabilities

20. The following additional illustrative disclosures may be useful where relevant to an entity:

Intangible assets with indefinite useful lives

IAS38(122)(a)

The trademark used to identify and distinguish (product name; carrying amount CU 2,345,000) has a remaining legal life of five years but is renewable every ten years at little cost and is well established. The group intends to renew the trademark continuously and evidence supports its ability to do so. An analysis of product life cycle studies and market and competitive trends provides evidence that the product will generate net cash inflows for the group for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment in accordance with note 25(j).

Unallocated goodwill

IAS36(133)

Shortly before the end of the reporting period, the company acquired XYZ Limited. There was CUXX of goodwill recognised on acquisition which is yet to be allocated to one or more CGUs. XYZ's business will be integrated into the South America and North America CGUs, but management has not yet finalised the allocation of the goodwill between the relevant CGUs.

Recoverable amount is determined using fair value less cost of disposal

IAS36(134)(c)

Management has determined the recoverable amount of the XYZ CGU by assessing the fair value less cost of disposal (FVLCD) of the underlying assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. No impairment was identified.

Management's approach and the key assumptions used to determine the CGU's FVLCD were as follows:

IAS36(134)(e)(i),(ii)

CGU	Unobservable inputs	Value assigned to key assumption		Approach to determining key assumption
		2017	2016	
XYZ	Cost of disposal (CU'000)	CU250	CU320	Estimated based on the company's experience with disposal of assets and on industry benchmarks.
	Sales volume (%)	2.7	3.3	Average annual growth rate over the five-year forecast period, based on past performance and management's expectations of market development.
	Sales price (%)	1.4	1.9	Average annual growth rate over the five-year forecast period, based on current industry trends and includes long term inflation forecasts for each territory.
	Cost reductions from restructuring initiatives (CU'000)	CU2,900	CU2,500	Estimated cost reductions are based on management's judgement and past experience with similar restructuring initiatives.
	Cash flow forecast period	5 years	5 years	Board approved/ reviewed 5 year forecasts which are prepared by management
	Post-tax discount rate (%)	11.7	11.4	Reflects specific risks relating to the segments and the countries in which it operates.
	Long term growth rate (%)	2.7	2.6	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is consistent with forecasts included in industry reports.

9 Equity⁹

IAS1(106)(d)

9(a) Share capital and share premium¹

	Notes	2017 Shares	2016 Shares	2017 CU'000	2016 CU'000
Ordinary shares	(iii)				
IAS1(79)(a)(ii) Fully paid		63,016,156	58,461,075	83,054	58,953
IAS1(79)(a)(ii) Partly paid to CU2.88		-	1,250,000	-	3,600
Calls in arrears		-	-	-	(100)
	(i)	63,016,156	59,711,075	83,054	62,453
IAS1(79)(a)(ii) 7% non-redeemable participating preference shares fully paid	(ii)	-	500,000	-	1,523
Total share capital and share premium		63,016,156	60,211,075	83,054	63,976

IAS1(106)(d)

(i) Movements in ordinary shares:

	Notes	Number of shares (thousands)	Par value CU'000	Share premium CU'000	Total CU'000
Details					
IAS1(79)(a)(iv) Opening balance 1 January 2016		59,468	59,468	1,628	61,096
Employee share scheme issues	21	143	143	655	798
Dividend reinvestment plan issues	(iv)	100	100	559	559
IAS1(79)(a)(iv) Balance 31 December 2016		59,711	59,711	2,742	62,453
Dividend reinvestment plan issues	(iv)	94	94	471	565
Final call of CU1.12 per share on 1,250,000 partly paid shares	(iii)	-	-	1,400	1,400
Calls in arrears paid	(iii)	-	-	100	100
Exercise of options - proceeds received	(v)	228	228	975	1,203
Acquisition of subsidiary	14	1,698	1,698	8,067	9,765
Rights issue	(vi)	1,285	1,285	6,423	7,708
		63,016	63,016	20,178	83,194
IAS32(35),(39) Less: Transaction costs arising on share issues		-	-	(200)	(200)
IAS12(81)(a) Deferred tax credit recognised directly in equity		-	-	60	60
IAS1(79)(a)(iv) Balance 31 December 2017		63,016	63,016	20,038	83,054

Not mandatory

The purpose of the rights issue and the call on partly paid shares was to repay borrowings which had been drawn to finance the establishment of the furniture retail division, expand the Springfield manufacturing facilities, and acquire shares in VALUE IFRS Electronics Group. Funds raised from the other share issues were used for general working capital purposes.

IAS1(106)(d)

9(a) Share capital and share premium

IAS1(106)(d)

(ii) Movements in 7% non-redeemable participating preference share capital:

	Notes	Number of shares (thousands)	Par value CU'000	Share premium CU'000	Total CU'000
Details					
IAS1(79)(a)(iv)	Opening balance 1 January 2016/ 31 December 2016	500	500	1,023	1,523
	Shares bought back on-market and cancelled	(vii) (500)	(500)	(850)	(1,350)
	Buy-back transaction costs	(vii) -	-	(45)	(45)
IAS12(81)(a)	Current tax credit recognised directly in equity	(vii) -	-	15	15
	Transfer to retained earnings	(vii) -	-	(143)	(143)
IAS1(79)(a)(iv)	Balance 31 December 2017	-	-	-	-

(iii) Ordinary shares

IAS1(79)(a)(iii),(v)

Ordinary shares have a par value of CU1. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. These rights are subject to the prior entitlements of the 6% redeemable preference shares, which are classified as liabilities (refer to **note 7(g)**).

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

IAS1(79)(a)(i)

The company does not have a limited amount of authorised capital.

IAS1(79)(a)(ii)

At 31 December 2016 there were 1,250,000 ordinary shares called to CU2.88, on which a further CU1.12 was outstanding. The outstanding amount, together with calls in arrears of CU100,000, was received on 3 November 2017.

(iv) Dividend reinvestment plan

IAS1(79)(a)(vii)

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 2.5% discount to the market price.

(v) Options

IAS1(79)(a)(vii)

Information relating to the VALUE IFRS Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in **note 21**.

(vi) Rights issueIAS1(106)(d)(iii),
(112)(c)

On 10 October 2017 the company invited its shareholders to subscribe to a rights issue of 1,284,916 ordinary shares at an issue price of CU6.00 per share on the basis of 1 share for every 10 fully or partly paid ordinary shares held, with such shares to be issued on, and rank for dividends after, 4 December 2017. The issue was fully subscribed.

(vii) Share buy-back

IAS1(106)(d)(iii)

During October/November 2017 the company purchased and cancelled all 500,000 7% non-redeemable participating preference shares on-market in order to simplify the company's capital structure. The buy-back and cancellation were approved by shareholders at last year's annual general meeting. The shares were acquired at an average price of CU2.70 per share, with prices ranging from CU2.65 to CU2.73. The total cost of CU1,380,000, including CU30,000 of after tax transaction costs, was deducted from preference shareholder equity. As all the shares of that class were bought back and cancelled, the remaining balance of CU143,000 was transferred to retained earnings. The total reduction in paid up capital was CU1,523,000.

IFRS7(7)

IAS1(79)(a)(v)

The 7% non-redeemable participating preference shares were entitled to dividends at the rate of 7% per annum when sufficient profits were available, but were non-cumulative. They would have participated equally with ordinary shares on winding up of the company.

IAS1(106)(d)

9(b) Other equity

	Notes	2017 Shares	2016 Shares	2017 CU'000	2016 CU'000
IAS32(28)	Value of conversion rights – convertible notes (i)			3,500	-
IAS12(81)(a)	Deferred tax liability component			(1,050)	-
IAS1(79)(a)(vi) IAS32(34)	Treasury shares ² (ii)	(120,641)	(99,280)	(676)	(550)
				1,774	(550)

(i) Conversion right of convertible notes

IAS1(79)(a)(v)

The amount shown for other equity securities is the value of the conversion rights relating to the 7% convertible notes, details of which are shown in [note 7\(g\)](#).

(ii) Treasury shares ²

IAS1(79)(a)(vi)

Treasury shares are shares in VALUE IFRS Plc that are held by the VALUE IFRS Employee Share Trust for the purpose of issuing shares under the VALUE IFRS Employee share scheme and the executive short-term incentive (STI) scheme (see [note 21](#) for further information). Shares issued to employees are recognised on a first-in-first-out basis.

	Details	Number of shares	CU'000
IAS1(79)(a)(iv)	Opening balance 1 January 2016	(46,916)	(251)
	Acquisition of shares by the Trust	(52,364)	(299)
	Balance 31 December 2016	(99,280)	(550)
	Acquisition of shares by the Trust	(207,636)	(1,217)
	Issue of deferred shares under the executive STI scheme	40,373	216
	Employee share scheme issue	145,902	875
IAS1(79)(a)(iv)	Balance 31 December 2017	(120,641)	(676)

IAS1(106)(d)

9(c) Other reserves 3-5

IAS1(106A)

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

IAS16(77)(f)
IAS21(52)(b)IAS16(77)(f)
IFRS7(20)(a)(ii)IAS12(81)(ab),
IAS1(90)

IAS16(77)(f)

IAS12(81)(ab),
IAS1(90)

IAS16(41)

IAS12(81)(ab),
IAS1(90)

IAS28(10)

IAS12(81)(ab),
IAS1(90)IAS1(92),(95)
IFRS7(23)(d)IAS12(81)(ab),
IAS1(90)IFRS7(23)(e)
IAS12(81)(ab),
IAS1(90)

IAS28(10)

IAS12(81)(ab),
IAS1(90)

IAS21(52)(b)

	Notes	Revaluation surplus CU'000	AfS financial assets CU'000	Cash flow hedges CU'000	Share-based payments CU'000	Transactions with NCI CU'000	Foreign currency translation CU'000	Total other reserves CU'000
At 1 January 2016		3,220	1,173	(287)	1,289	-	1,916	7,311
Revaluation – gross	8(a),7(c) 12(a)	5,840	(1,378)	70	-	-	-	4,532
Deferred tax	8(d)	(1,752)	413	(21)	-	-	-	(1,360)
NCI share in revaluation – gross		(178)	-	-	-	-	-	(178)
Deferred tax	8(d)	54	-	-	-	-	-	54
Depreciation transfer – gross	9(d)	(334)	-	-	-	-	-	(334)
Deferred tax	8(d)	100	-	-	-	-	-	100
Revaluation associate	16(e)	100	-	-	-	-	-	100
Deferred tax	8(d)	(30)	-	-	-	-	-	(30)
Reclassification to profit or loss – gross	12(a) 7(c)	-	548	(195)	-	-	-	353
Deferred tax	8(d)	-	(164)	58	-	-	-	(106)
Transfer to inventory – gross	12(a)	-	-	642	-	-	-	642
Deferred tax	8(d)	-	-	(193)	-	-	-	(193)
Currency translation associate	16(e)	-	-	-	-	-	15	15
Deferred tax		-	-	-	-	-	(5)	(5)
Other currency translation differences		-	-	-	-	-	243	243
NCI share in translation differences		-	-	-	-	-	(133)	(133)
Other comprehensive income		3,800	(581)	361	-	-	120	3,700
Transactions with owners in their capacity as owners								
Share-based payment expenses	21	-	-	-	555	-	-	555
At 31 December 2016		7,020	592	74	1,844	-	2,036	11,566

IAS1(106)(d)

9(c) Other reservesIAS16(77)(f)
IAS21(52)(b)IAS16(77)(f)
IFRS7(20)(a)(ii)IAS12(81)(ab),
IAS1(90)IAS16(77)(f)
NCI share in revaluation
– grossIAS12(81)(ab),
IAS1(90)

IAS16(41)

IAS12(81)(ab),
IAS1(90)

IAS28(10)

IAS12(81)(ab),
IAS1(90)IAS1(92),(95)
IFRS7(23)(d)IAS12(81)(ab),
IAS1(90)IFRS7(23)(e)
Transfer to inventory –
grossIAS12(81)(ab),
IAS1(90)

IAS28(10)

IAS12(81)(ab),
IAS1(90)

IAS28(10)

IAS21(52)(b)

IAS1(92),(95)
IAS21(52)(b)

IAS21(52)(b)

Other comprehensive incomeTransactions with
owners in their capacity
as ownersShare-based
payment expensesIssue of treasury
shares to employees

IFRS10(23)

Transactions with
NCI**At 31 December 2017**

	Notes	Revaluation surplus CU'000	AfS financial assets CU'000	Cash flow hedges CU'000	Share-based payments CU'000	Transactions with NCI CU'000	Foreign currency translation CU'000	Total other reserves CU'000
At 31 December 2016		7,020	592	74	1,844	-	2,036	11,566
Revaluation – gross	8(a),7(c) 12(a)	7,243	880	(420)	-	-	-	7,703
Deferred tax	8(d)	(2,173)	(264)	126	-	-	-	(2,311)
NCI share in revaluation – gross		(211)	-	-	-	-	-	(211)
Deferred tax	8(d)	63	-	-	-	-	-	63
Depreciation transfer – gross	9(d)	(320)	-	-	-	-	-	(320)
Deferred tax	8(d)	96	-	-	-	-	-	96
Revaluation joint venture	16(e)	300	-	-	-	-	-	300
Deferred tax	8(d)	(90)	-	-	-	-	-	(90)
Reclassification to profit or loss – gross	12(a) 7(c)	-	(646)	(155)	-	-	-	(801)
Deferred tax	8(d)	-	194	47	-	-	-	241
Transfer to inventory – gross	12(a)	-	-	188	-	-	-	188
Deferred tax	8(d)	-	-	(56)	-	-	-	(56)
Currency translation associate	16(e)	-	-	-	-	-	20	20
Deferred tax		-	-	-	-	-	(6)	(6)
Other currency translation differences		-	-	-	-	-	(617)	(617)
Reclassification to profit or loss on disposal of discontinued operation	15	-	-	-	-	-	170	170
Net investment hedge		-	-	-	-	-	190	190
NCI share in translation differences		-	-	-	-	-	247	247
Other comprehensive income		4,908	164	(270)	-	-	4	4,806
Transactions with owners in their capacity as owners								
Share-based payment expenses	21	-	-	-	2,018	-	-	2,018
Issue of treasury shares to employees	9(b)	-	-	-	(1,091)	-	-	(1,091)
Transactions with NCI	16(d)	-	-	-	-	(333)	-	(333)
At 31 December 2017		11,928	756	(196)	2,771	(333)	2,040	16,966

IAS1(79)(b)

(i) Nature and purpose of other reserves ^{6,7}**Revaluation surplus – property, plant and equipment**

IAS16(77)(f)

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy [note 25\(r\)](#) for details.

Available-for-sale financial assets

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets (eg equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired, see accounting policy [note 25\(o\)](#) for details.

IAS1(106)(d)

9(c) Other reserves*Cash flow hedges*

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income, as described in [note 25\(p\)](#). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Share-based payments⁸

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested
- the issue of shares held by the VALUE IFRS Employee Share Trust to employees.

Transactions with non-controlling interests

This reserve is used to record the differences described in [note 25\(b\)\(v\)](#) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in [note 25\(d\)](#) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

9(d) Retained earnings

IAS1(106)(d)

Movements in retained earnings were as follows:

	Notes	2017 CU'000	2016 Restated * CU'000
Balance 1 January		35,561	21,298
Net profit for the period		34,286	26,695
Items of other comprehensive income recognised directly in retained earnings			
Remeasurements of post-employment benefit obligation, net of tax	8(g)	83	(637)
Dividends	13(b)	(22,837)	(11,029)
Transfer from share capital on buy-back of preference shares	9(a)	143	-
Depreciation transfer, net of tax	9(c)	224	234
Balance 31 December		48,460	36,561

* The amounts disclosed are after the restatement for the correction of the error disclosed in [note 11\(b\)](#).

Equity**Share premium**

IAS1(79)(a)

1. IAS 1 requires disclosure of the par value of shares (if any), but does not prescribe a particular form of presentation for the share premium. VALUE IFRS Plc is disclosing the share premium in notes. However, local company laws may have specific rules. For example, they may require separate presentation in the balance sheet.

Treasury shares

IAS32(33)

2. IAS 32 states that treasury shares must be deducted from equity and that no gain or loss shall be recognised on the purchase, sale, issue or cancellation of such shares. However, the standard does not specify where in equity the treasury shares should be presented. VALUE IFRS Plc has elected to present the shares in 'other equity', but they may also be disclosed as a separate line item in the balance sheet, deducted from retained earnings or presented in a specific reserve. Depending on local company law, the company may have the right to resell the treasury shares.

Equity

Other reserves

- IAS1(106)(d) 3. An entity shall present, either in the statement of changes in equity or in the notes, for each accumulated balance of each class of other comprehensive income a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each item of other comprehensive income and transactions with owners. See also commentary paragraphs 2 and 3 to the **statement of changes in equity**.
- IAS1(92),(94) 4. Reclassification adjustments relating to components of other comprehensive income must also be disclosed, either in the statement of comprehensive income or in the notes. VALUE IFRS Plc has elected to make both disclosures in the notes.
- IAS1(7),(95) 5. 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 or impairment of an available-for-sale financial asset and when a hedged forecast transaction affects profit or loss.

Nature and purpose

- IAS1(79)(b) 6. A description of the nature and purpose of each reserve within equity must be provided either in the balance sheet or in the notes. This applies to each reserve, including general reserves, capital profits reserves and any others in existence.
7. In providing a description of the nature and purpose of the reserves it would be appropriate to refer to any restrictions on their distribution or any other important characteristics. In the case of:
- IAS16(77)(f) (a) the property, plant and equipment revaluation surplus: there is a specific requirement to disclose any restrictions on the distribution of the balance to shareholders
- IAS38(124)(b) (b) the amount of the revaluation surplus that relates to intangible assets; there is a specific requirement to disclose the balance at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

Transfer from share-based payments reserve to share capital on exercise of options

8. The accounting standards do not distinguish between different components of equity. Although IFRS 2 *Share-based Payment* permits to transfer an amount from one component of equity to another upon the exercise of options, there is no requirement to do so. VALUE IFRS Plc has established a share-based payments reserve but does not transfer any amounts from this reserve upon the exercise or lapse of options. However, the credit could also be recognised directly in retained earnings or share capital. The treatment adopted may depend on the tax and company laws applicable in the relevant jurisdictions. Entities with significant share-based payment transactions should explain their policy.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

9. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

	Issue not illustrated	Relevant disclosures or references
IAS1(80)	Entities without share capital	Disclose information equivalent to that required by paragraph 79(a) of IAS 1
IAS1(136A),(80A)	Puttable financial instruments	Various disclosures, see IAS 1 (136A) and (80A) for details.
IAS1(138)(d)	Limited life entities	Disclose length of the entity's life
IFRIC19(11)	Entity has issued equity instruments to extinguish financial liabilities	Disclose any gain or loss recognised as separate line item in profit or loss or in the notes

10 Cash flow information

10(a) Cash generated from operations¹

	Note	2017 CU'000	2016 CU'000
Profit before income tax from			
Continuing operations		53,322	40,439
Discontinued operations	15	1,151	570
Profit before income tax including discontinued operations		54,473	41,009
Adjustments for			
Depreciation and amortisation	5(c)	10,985	8,880
Impairment of goodwill	4	2,410	-
Write off of assets destroyed by fire	4	1,210	-
Non-cash employee benefits expense – share based payments		2,156	1,353
Non-cash post-employment benefit expense		(15)	(135)
Net (gain) loss on sale of non-current assets		(1,620)	530
Gain on disposal of engineering division	15	(760)	-
Fair value adjustment to investment property	8(b)	(1,350)	(1,397)
Fair value adjustment to derivatives		(400)	(543)
Net (gain)/loss on sale of available-for-sale financial assets	7(c)	(646)	548
Fair value (gains)/losses on financial assets at fair value through profit or loss	7(d)	(835)	690
Share of profits of associates and joint ventures	16(e)	(340)	(355)
Gain on derecognition of contingent consideration payable	14	(135)	-
Gain on remeasurement of contingent consideration receivable	15	(130)	-
Dividend income and interest classified as investing cash flows		(3,554)	(4,549)
Finance costs - net	5(d)	5,597	5,367
Net exchange differences		604	479
Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale of engineering division:			
(Increase) in trade debtors and bills of exchange		(5,383)	(5,382)
(Increase) in inventories		(1,108)	(1,529)
Decrease/(Increase) in financial assets at fair value through profit or loss		465	(1,235)
(Increase)/decrease in other operating assets		(269)	4,822
Increase in trade creditors		2,233	385
Increase in other operating liabilities		333	161
Increase in other provisions		1,432	571
Cash generated from operations		65,353	49,670

IAS7(18)(b),(20)

10(b) Non-cash investing and financing activities ^{2,3}

	2017 CU'000	2016 CU'000
IAS7(43) Acquisition of plant and equipment by means of finance leases (note 7(g))	-	3,000
Acquisition of retail store furniture and fittings from lessor as lease incentive (note 18)	-	950

Deferred settlement of part proceeds of the sale of the engineering division is disclosed in note 15, dividends satisfied by the issue of shares under the dividend reinvestment plan are shown in note 13(b) and options and shares issued to employees under the VALUE IFRS Employee Option Plan and employee share scheme for no cash consideration are shown in note 21.

New requirement**10(c) Net debt reconciliation ⁴⁻⁷**

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2017 CU'000	2016 CU'000
Cash and cash equivalents	57,098	31,268
Liquid investments (i)	11,300	10,915
Borrowings – repayable within one year (including overdraft)	(8,980)	(8,555)
Borrowings – repayable after one year	(91,464)	(79,525)
Net debt	(32,046)	(45,897)
Cash and liquid investments	68,398	42,183
Gross debt – fixed interest rates	(43,689)	(22,150)
Gross debt – variable interest rates	(56,755)	(65,930)
Net debt	(32,046)	(45,897)

IAS7R(44A)-44E)

	Other assets ⁵		Liabilities from financing activities				
	Cash/ bank overdraft CU'000	Liquid invest- ments (i) CU'000	Finance leases due within 1 year CU'000	Finance leases due after 1 year CU'000	Borrow. due within 1 year CU'000	Borrow. due after 1 year CU'000	Total CU'000
Comparatives not mandatory in first year							
Net debt as at 1 January 2016 ⁷	21,573	10,370	-	-	(4,249)	(76,250)	(48,556)
Cash flows	7,229	1,235	-	-	(1,496)	535	7,503
Acquisitions – finance leases and lease incentives	-	-	(755)	(3,195)	-	-	(3,950)
Foreign exchange adjustments	216	-	-	-	-	(420)	(204)
Other non-cash movements	-	(690)	-	-	-	-	(690)
Net debt as at 31 December 2016	29,018	10,915	(755)	(3,195)	(5,745)	(76,135)	(45,897)
Cash flows	25,678	(465)	805	-	(5)	(12,564)	13,449
Foreign exchange adjustments	(248)	15	-	-	-	(31)	(264)
Other non-cash movements	-	835	(805)	556	-	80	666
Net debt as at 31 December 2017	54,448	11,300	(755)	(2,639)	(5,750)	(88,650)	(32,046)

- (i) Liquid investments comprise current investments that are traded in an active market, being the group's financial assets held at fair value through profit or loss.

Cash flow information

Reconciliation to cash generated from operations

1. Entities that use the direct method for their statement of cash flows will not need to disclose a reconciliation from profit or loss to their operating cash flows. Appendix B shows the cash flow statement for VALUE IFRS Plc prepared using the direct method.

Non-cash investing and financing activities – information to be disclosed

2. Investing and financing transactions that do not require the use of cash or cash equivalents shall be disclosed in a way that provides all the relevant information about the investing and financing activities.
3. Other examples of transactions or events that would require disclosure under paragraph 43 of IAS 7 include the following:
 - (a) acquisitions of assets by assuming directly related liabilities, such as purchase of a building by incurring a mortgage to the seller
 - (b) acquisitions of entities by means of an equity issue
 - (c) conversion of debt to equity.

Net debt reconciliation – new disclosure requirement for 2017

4. From 1 January 2017, entities will be required to explain changes in their liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. However, the disclosure in **note 10(c)** goes beyond what is required under IAS 7, by also including those assets that the group considers to be part of its net debt.
5. While the IASB acknowledged that the inclusion of cash and cash equivalent balances may be useful where an entity manages debt on a net basis, the board did not want to delay the project by discussing how net debt should be defined and what should, or should not be included. As a consequence, the mandatory requirement only covers balance sheet items for which cash flows are classified as financing activities. Where entities do include other items within the reconciliation, they shall identify separately the changes in liabilities arising from financing activities.
6. IAS 7 is also flexible in terms of how the information required by new paragraph 44A is presented. Specifically, entities do not need to provide a reconciliation from opening to closing balances but could provide the information in other ways.
7. In the first year of adoption, entities will not need to provide any comparative information. However, as VALUE IFRS Plc already disclosed a net debt reconciliation in previous years, it has retained the disclosures for the comparative period.

IAS7(43)

IAS7(44)

IAS7R(44A)

IAS7R(44E)

IAS7R(44D),(BC19)

IAS7R(60)

Risk

Not mandatory

This section of the notes discusses the group's exposure to various risks and shows how these could affect the group's financial position and performance.

11	Critical estimates, judgements and errors	99
12	Financial risk management	103
13	Capital management	116

11 Critical estimates, judgements and errors

IAS1(122),(125)

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in notes 1 to 10 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

(a) Significant estimates and judgements ¹⁻⁵

The areas involving significant estimates or judgements are:

- Estimation of current tax payable and current tax expense – note 6(b)
- Estimated fair value of certain available-for-sale financial assets – note 7(c)
- Estimation of fair values of land and buildings and investment property – notes 8(a) and 8(b)
- Estimated goodwill impairment – note 8(c)
- Estimated useful life of intangible asset – note 8(c)
- Estimation of defined benefit pension obligation – note 8(g)
- Estimation of provision for warranty claims – note 8(h)
- Estimation of fair values of contingent liabilities and contingent purchase consideration in a business combination – note 14
- Recognition of revenue – note 3
- Recognition of deferred tax asset for carried forward tax losses – note 8(d)
- Impairment of available-for-sale financial assets – note 7(c)
- Consolidation decisions and classification of joint arrangements – note 16.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

11(b) Correction of error in accounting for leasing contract

IAS8(49)(a)

In September 2017, a subsidiary undertook a detailed review of its leasing contracts and discovered that the terms and conditions of a contract for the lease of equipment had been misinterpreted. As a consequence, the equipment had been incorrectly accounted for as a finance lease rather than as an operating lease.

IAS8(49)(b)(i),(c)

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	31 December 2016 CU'000	Increase/ (Decrease) CU'000	31 December 2016 (Restated) CU'000	31 December 2015 CU'000	Increase/ (Decrease) CU'000	1 January 2016 (Restated) CU'000
Balance sheet (extract)						
Property, plant and equipment	106,380	(1,300)	105,080	94,495	(1,350)	93,145
Deferred tax asset	5,087	(108)	4,979	3,766	(85)	3,681
Non-current borrowings	(80,814)	1,289	(79,525)	(77,580)	1,330	(76,250)
Current borrowings	(8,793)	238	(8,555)	(8,104)	235	(7,869)
Net assets	117,123	119	117,242	95,837	80	95,917
Retained earnings	(36,442)	(119)	(36,561)	(21,218)	(80)	(21,298)
Total equity	(117,123)	(119)	(117,242)	(95,837)	(80)	(95,917)

11(b) Correction of error in accounting for leasing contract

	2016 CU'000	Profit Increase/ (Decrease) CU'000	2016 (Restated) CU'000
Statement of profit or loss (extract)			
Cost of sales of goods	(47,555)	(25)	(47,580)
Finance costs	(6,196)	76	(6,272)
Profit before income tax	40,388	51	40,439
Income tax expense	(11,812)	(12)	(11,824)
Profit from discontinued operation	399	-	399
Profit for the period	28,975	39	29,014
Profit is attributable to:			
Owners of VALUE IFRS Plc	26,656	39	26,695
Non-controlling interests	2,319	-	2,319
	28,975	39	29,014
Statement of comprehensive income (extract)			
Profit for the period	28,975	39	29,014
Other comprehensive income for the period	3,554	-	3,554
Total comprehensive income for the period	32,529	39	32,568
Total comprehensive income is attributable to:			
Owners of VALUE IFRS Plc	29,953	39	29,992
Non-controlling interests	2,576	-	2,576
	32,529	39	32,568

IAS8(49)(b)(ii)

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was an increase of CU0.1 cents per share.

The correction further affected some of the amounts disclosed in [note 5\(b\)](#) and [note 18](#). Depreciation expense for the prior year was reduced by CU250,000 and rental expense relating to operating leases increased by CU275,000.

11(c) Revision of useful lives of plant and equipment

IAS8(39)

IAS16(76)

During the year the estimated total useful lives to a subsidiary of certain items of plant and equipment used in the manufacture of furniture were revised. The net effect of the changes in the current financial year was an increase in depreciation expense of CU980,000.

Assuming the assets are held until the end of their estimated useful lives, depreciation in future years in relation to these assets will be increased by the following amounts:

Year ending 31 December	CU'000
2018	740
2019	610
2020	460
2021	430

Critical estimates, judgements and errors

Disclosure not illustrated: not applicable to VALUE IFRS Plc

Sources of estimation uncertainty

1. Another example of a critical accounting estimate that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities, but that is not relevant to VALUE IFRS Plc, or is not expected to have a significant impact in this instance, is:

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 CU175,000 if the proportion performed was increased, or would be decreased by CU160,000 if the proportion performed was decreased.

IFRIC14(10)

2. The recognition of a net defined benefit asset may also warrant additional disclosures. For example, the entity should explain any restrictions on the current realisability of the surplus and the basis used to determine the amount of the economic benefits available.

Significant judgements

IAS1(123)

3. Examples of significant judgements that may require disclosures are judgements made in determining:
 - (a) whether financial assets are held-to-maturity investments
 - (b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities
 - (c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue
 - (d) whether an asset should be classified as held-for-sale or an operation meets the definition of a discontinued operation
 - (e) whether multiple assets should be grouped to form a single cash-generating unit (where this would affect whether an impairment is recognised)
 - (f) whether there are material uncertainties about the entity's ability to continue as a going concern.

IAS1(123)

4. An illustrative disclosure for one of these judgements could read as follows (not disclosed by VALUE IFRS Plc due to materiality):

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 CU2,300,000 with a corresponding entry in the fair value reserve in shareholders' equity. Furthermore, the entity would not be able to classify any financial assets as held-to-maturity for the following two annual reporting periods.

Change of accounting estimate in final interim period

IAS34(26)

5. If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the annual reporting period but separate financial statements are not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that annual reporting period.

Critical estimates, judgements and errors*Brexit*

6. Entities with operations in the UK or Europe should also consider whether the pending exit of the UK from the European Union (Brexit) could affect any estimations or judgements made in the preparation of the financial statements. For example, various tax reliefs and exemptions that are currently available for transactions between UK entities and entities in other EU member states may cease to apply. This can create estimation uncertainty for the entity's deferred tax balances. While it may not be possible to make any meaningful estimates during the negotiation process, entities should identify balances that are likely to be impacted and explain the uncertainties and potential exposures.

12 Financial risk management ^{1,2}

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

IFRS7(31),(32),(33)

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in Oneland currency units (CU)	Cash flow forecasting Sensitivity analysis	Forward foreign exchange and foreign currency option contracts
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk – security prices	Investments in equity securities	Sensitivity analysis	Portfolio diversion
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, available-for-sale debt instruments and held-to-maturity investments	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit Investment guidelines for available-for-sale and held-to-maturity investments
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The group's 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 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.

12(a) Derivatives ^{3,4}

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes below. The group has the following derivative financial instruments:

		2017 CU'000	2016 CU'000
	Current assets		
IAS1(77) IFRS7(22)(a),(b)	Interest rate swap contracts – cash flow hedges ((b)(ii))	145	97
IAS1(77) IFRS7(22)(a),(b)	Foreign currency option contracts – held for trading ((b)(i))	1,709	1,320
	Total current derivative financial instrument assets	1,854	1,417
	Non-current assets		
IAS1(77) IFRS7(22)(a),(b)	Interest rate swap contracts – cash flow hedges ((b)(ii))	308	712
	Total non-current derivative financial instrument assets	308	712
	Current liabilities		
	Forward foreign exchange contracts – held for trading ((b)(i))	610	621
IAS1(77) IFRS7(22)(a),(b)	Forward foreign exchange contracts – cash flow hedges ((b)(i))	766	777
	Total current derivative financial instrument liabilities	1,376	1,398

12(a) Derivatives

IAS1(117)

*(i) Classification of derivatives*IAS1(66),(68)
IAS39(9),(46),(47)

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

IAS39(98)(b)

The group's accounting policy for its cash flow hedges is set out in [note 25\(p\)](#). For hedged forecast transactions that result in the recognition of a non-financial asset, the group has elected to include related hedging gains and losses in the initial measurement of the cost of the asset.

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives please refer to [note 7\(h\)](#).

IFRS7(33)

12(b) Market risk*(i) Foreign exchange risk ^{5,6}*

IFRS7(33)(b),(22)(c)

The group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US\$. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable US\$ expenditures. The objective of the hedges is to minimise the volatility of the Oneland currency cost of highly probable forecast inventory purchases.

IFRS7(22)(c)

The group treasury's risk management policy is to hedge between 75% and 100% of forecasted foreign currency cash flows up to one quarter in advance (mainly inventory purchases in US\$), subject to a review of the cost of implementing each hedge. For the year ended 31 December 2017, approximately 80% of inventory purchases were hedged in respect of foreign currency risk. At 31 December 2017, 90% of forecasted US\$ inventory purchases during the first quarter of 2018 qualified as 'highly probable' forecast transactions for hedge accounting purposes.

The US dollar denominated bank loans are expected to be repaid with receipts from US dollar denominated sales. The foreign currency exposure of these loans has therefore not been hedged.

Instruments used by the group

IFRS7(22),(23)(a)

The European operations use materials purchased from the United States. The group uses a combination of foreign currency option contracts and foreign exchange forward contracts to hedge its exposure to foreign currency risk. Only the spot component of forward contracts is designated as hedging instrument. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is the forward element, which is recognised in the statement of profit or loss.

IFRS7(7)

The group also entered into forward exchange contracts in relation to projected purchases for the next 12 months that do not qualify as 'highly probable' forecast transactions and hence do not satisfy the requirements for hedge accounting (economic hedges). These foreign currency forward contracts are accounted for as held for trading with gains (losses) recognised in profit or loss. No hedge accounting is applied on the foreign currency option contracts as the time value fair value movement results in an ineffective hedge relationship. The foreign currency forward and option contracts are subject to the same risk management policies as all other derivative contracts

Hedge of net investment in foreign entity

IFRS7(22),(24)(c)

In 2017, the parent entity has entered into a bank loan amounting to CU1,699,000 which is denominated in Chinese renminbi (RMB) and which was taken out to fund an additional equity investment in the Chinese subsidiary. The forward rate of the loan has been designated as a hedge of the net investment in this subsidiary. The fair value and carrying amount of the borrowing at 31 December 2017 was CU1,509,000 (31 December 2016 – nil). The foreign exchange gain of CU190,000 (2016 – nil) on translation of the borrowing to Oneland currency units at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve, in shareholders' equity ([note 9\(c\)](#)). There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

12(b) Market risk*Exposure*

IFRS7(31),(34)(c)

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Oneland currency units, was as follows:

	31 December 2017			31 December 2016		
	USD CU'000	EUR CU'000	RMB CU'000	USD CU'000	EUR CU'000	RMB CU'000
Trade receivables	5,150	2,025	-	4,130	945	-
Bank loans	(18,765)	-	(1,509)	(8,250)	-	-
Trade payables	(4,250)	-	-	(5,130)	-	-
Forward exchange contracts						
buy foreign currency (cash flow hedges)	11,519	-	-	10,613	-	-
buy foreign currency (held for trading)	12,073	-	-	11,422	-	-
Foreign currency option contracts	10,000	-	-	8,000	-	-

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

		2017 CU'000	2016 CU'000
	<i>Amounts recognised in profit or loss</i>		
IAS21(52)(a)	Net foreign exchange gain/(loss) included in other income/other expenses	518	(259)
IAS23(6)(e)	Exchange losses on foreign currency borrowing included in finance costs	(1,122)	(810)
IAS21(52)(a)	Total net foreign exchange (losses) recognised in profit before income tax for the period	(604)	(1,069)
IFRS7(20)(a)(i)	Net gain/(loss) on foreign currency derivatives not qualifying as hedges included in other income/other expense	400	543
IFRS7(24)(b)	Net (loss) for ineffective portion of derivatives designated as cash flow hedges and in relation to the forward element of foreign currency forward contracts	(36)	(75)
IAS21(52)(b)	<i>Net gains (losses) recognised in other comprehensive income (note 9(c))</i>		
	Cash flow hedges	(218)	(935)
	Translation of foreign operations and net investment hedges	(427)	243
IFRS7(23)(d),(e)	<i>Loss/(gain) reclassified from other comprehensive income</i>		
	- included in acquisition cost of components (note 9(c))	(188)	(642)
	- included in gain on disposal of discontinued operation (note 15)	170	-

12(b) Market risk*Sensitivity*

IFRS7(40)(a),(b),(c)

As shown in the table above, the group is primarily exposed to changes in US/CU exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

	Impact on post tax profit		Impact on other components of equity	
	2017 CU'000	2016 CU'000	2017 CU'000	2016 CU'000
US/CU exchange rate – increase 9% (10%) *	(1,494)	(1,004)	(806)	(743)
US/CU exchange rate – decrease 9% (10%) *	1,223	822	660	608

* Holding all other variables constant

Profit is more sensitive to movements in the Oneland currency units/US dollar exchange rates in 2017 than 2016 because of the increased amount of US dollar denominated borrowings. Equity is more sensitive to movements in the Oneland currency units/US dollar exchange rates in 2017 than 2016 because of the increased amount of forward foreign exchange contracts. The group's exposure to other foreign exchange movements is not material.

(ii) Cash flow and fair value interest rate risk ⁷

IFRS7(33)(a),(b)

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Group policy is to maintain at least 50% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2017 and 2016, the group's borrowings at variable rate were mainly denominated in Oneland currency units and US Dollars.

IFRS7(Appendix-A)

The group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

IFRS7(22)

The group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. 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.

IFRS7(34)(a)

The exposure of the group's borrowing to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2017 CU'000	% of total loans	2016 CU'000	% of total loans
Variable rate borrowings	43,689	44%	40,150	46%
Other borrowings – repricing dates:				
6 months or less	4,500	4%	3,050	3%
6 – 12 months	12,640	13%	14,100	16%
1 – 5 years	28,615	28%	19,780	23%
Over 5 years	11,000	11%	11,000	12%
	100,444	100%	88,080	100%

An analysis by maturities is provided in note 12(d) below. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

12(b) Market risk*Instruments used by the group*

IFRS7(22) Swaps currently in place cover approximately 11% (2016 – 8%) of the variable loan principal outstanding. The fixed interest rates of the swaps used to hedge range between 7.8% and 8.3% (2016 – 9.0% and 9.6%) and the variable rates of the loans are between 0.5% and 1.0% above the 90 day bank bill rate which at the end of the reporting period was 8.2% (2016 – 9.4%).

IFRS7(23)(a) The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income in relation to interest rate swaps.

		2017 CU'000	2016 CU'000
IFRS7(23)(d)), (24)(b)			
IFRS7(20)(a)(iii)	(Loss)/gain recognised in other comprehensive income (see note 9(c))	(202)	1,005
IFRS7(23)(d),(e)	Gains reclassified from other comprehensive income - to profit or loss (finance costs; see notes 5(d) and 9(c))	(155)	(195)

Sensitivity

IFRS7(40)(a) Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings and the fair value of available-for-sale debt instruments.

	Impact on post tax profit		Impact on other components of equity	
	2017 CU'000	2016 CU'000	2017 CU'000	2016 CU'000
Interest rates – increase by 70 basis points (60 bps) *	138	(18)	(90)	(16)
Interest rates – decrease by 100 basis points (80 bps) *	(127)	96	129	22

* Holding all other variables constant

12(b) Market risk*(iii) Price risk**Exposure*

IFRS7(33)(a)

The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet either as available-for-sale ([note 7\(c\)](#)) or at fair value through profit or loss ([note 7\(d\)](#)).

IFRS7(33)(b)

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 majority of the group's equity investments are publicly traded and are included either in the Oneland Stock Exchange 200 Index or the NYSE International 100 Index.

Sensitivity

IFRS7(40)(a),(b)

The table below summarises the impact of increases/decreases of these two indexes on the group's equity and post-tax profit for the period. The analysis is based on the assumption that the equity indexes had increased by 9% and 7% respectively or decreased by 6% and 5% with all other variables held constant, and that all the group's equity instruments moved in line with the indexes.

	Impact on post tax profit		Impact on other components of equity	
	2017 CU'000	2016 CU'000	2017 CU'000	2016 CU'000
Oneland Stock Exchange 200 – increase 9% (2016 – 7.5%)	385	361	284	266
NYSE International 100 – increase 7% (2016 – 6.5%)	254	184	-	-
Oneland Stock Exchange 200 – decrease 6% (2016 – 4%)	(257)	(193)	(189)	(177)
NYSE International 100 – decrease 5% (2016 – 3.5%)	(182)	(99)	-	-

Post-tax profit for the period 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. As the fair value of the available-for-sale financial assets would still be above cost, no impairment loss would be recognised in profit or loss as a result of the decrease in the index.

Amounts recognised in profit or loss and other comprehensive income

The amounts recognised in profit or loss and other comprehensive income in relation to the various investments held by the group are disclosed in [note 7](#).

12(c) Credit risk

IFRS7(33)(a),(b)

Credit risk arises from cash and cash equivalents, held-to-maturity investments, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

IFRS7(34)(c)

If wholesale customers are independently rated, these ratings are used. Otherwise, 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 compliance with credit limits by wholesale customers is regularly monitored by line management.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

For derivative financial instruments, management has established limits so that, at any time, less than 10% of the fair value of favourable contracts outstanding are with any individual counterparty.

Held-to-maturity investments consist of debentures and zero coupon bonds, which are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

12(c) Credit riskIFRS7(15)(b),
(36)(a),(b)**(ii) Security**

For some trade receivables the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Credit quality

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.

IFRS7(36)(c)

	2017 CU'000	2016 CU'000
Trade receivables		
<i>Counterparties with external credit rating (Moody's)</i>		
A	5,700	4,031
BBB	3,100	2,100
BB	1,970	600
	10,770	6,731
<i>Counterparties without external credit rating *</i>		
Group 1	750	555
Group 2	2,102	2,081
Group 3	2,300	256
	5,152	2,892
Total trade receivables	15,922	9,623
Other receivables		
Related parties and key management personnel **	2,017	1,306
Receivables from once-off transactions with third parties		
Counterparty with an external credit rating of A (Moody's)	750	-
Other third parties ***	814	916
	3,581	2,222
Cash at bank and short-term bank deposits		
AAA	38,835	14,690
AA	18,263	16,578
	57,098	31,268
Available-for-sale debt securities		
AAA	812	1,300
AA	900	700
BB	820	480
	2,532	2,480
Held-to-maturity investments		
AAA	750	750
AA	460	425
	1,210	1,175
Derivative financial assets		
AA	1,327	2,129
B	835	-
	2,162	2,129

* Group 1 – new customers (less than 6 months)

Group 2 – existing customers (more than 6 months) with no defaults in the past

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

** None of the amounts receivable from related parties are past due or impaired and repayments have been received regularly and on time historically. Management has established a related entity risk management framework including pre-determined limits for extending credit to key management personnel. Loans to key management personnel are generally secured through mortgage (see note 20(g) for further information).

*** The group has procedures in place to assess whether to enter into once-off transactions with third parties, including mandatory credit checks.

12(c) Credit risk**(iv) Impaired trade receivables⁸**

IFRS7(21)
IFRS7(B5)(d)
IAS39(59),(63),(64)

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See [note 25\(o\)](#) for information about how impairment losses are calculated.

IFRS7(37)(b)

Individually impaired trade receivables relate to four furniture wholesalers that are experiencing unexpected economic difficulties (2016 – two customers of the consulting business). The group expects that a portion of the receivables will be recovered and has recognised impairment losses of CU200,000 (2016 - CU130,000). The ageing of these receivables is as follows:⁸

Non-current assets	Carrying amounts	
	2017 CU'000	2016 CU'000
1 to 3 months	20	10
3 to 6 months	60	20
Over 6 months	151	128
	231	158

IFRS7(16)

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2017 CU'000	2016 CU'000
At 1 January	300	100
Provision for impairment recognised during the year	580	540
Receivables written off during the year as uncollectible	(330)	(285)
Unused amount reversed	(25)	(55)
At 31 December	525	300

Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired receivables.

	2017 CU'000	2016 CU'000
Impairment losses		
- individually impaired receivables	(200)	(130)
- movement in provision for impairment	(580)	(540)
Reversal of previous impairment losses	35	125

IFRS7(20)(e)

IFRS7(20)(e)

(v) Past due but not impaired

IFRS7(37)(a),(36)(c)

As at 31 December 2017, trade receivables of CU1,277,000 (2016 – CU1,207,000) 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:

	2017 CU'000	2016 CU'000
Up to 3 months	1,177	1,108
3 to 6 months	100	99
	1,277	1,207

IFRS7(37)(a),(b)

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

12(d) Liquidity riskIFRS7(33)(a),(b),
(39)(c),(B11E)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the group held deposits at call of CU44,657,000 (2016 – CU24,093,000) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

IFRS7(34)(a)

Management monitors rolling forecasts of the group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents ([note 7\(e\)](#)) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the group in accordance with practice and limits set by the group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(i) Financing arrangements ¹³IFRS7(7),(39)(c)
IAS7(50)(a)

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2017 CU'000	2016 CU'000
Floating rate		
- Expiring within one year (bank overdraft and bill facility)	12,400	10,620
- Expiring beyond one year (bank loans)	9,470	8,100
	21,870	18,720

IFRS7(7),(39)(c)
IAS7(50)(a)

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. The unsecured bill acceptance facility may be drawn at any time and is subject to annual review. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in either Oneland currency or United States dollars and have an average maturity of 6.5 years (2016 – 6.9 years). ¹⁴

(ii) Maturities of financial liabilities ⁹⁻¹²IFRS7(39)(a),(b),
(B11B)

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- (a) all non-derivative financial liabilities, and
- (b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

IFRS7(B11D)

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

IFRS7(39)(a),(B11B)

The group's trading portfolio of derivative instruments with a negative fair value has been included at their fair value of CU610,000 (2016 – CU621,000) within the less than 6 month 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.

12(d) Liquidity risk

IFRS7(39)(b),(c),
(B11)

Contractual maturities of financial liabilities 9-12	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 31 December 2017	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Non-derivatives							
Trade payables	15,130	-	-	-	-	15,130	15,130
Borrowings (excluding finance leases)	4,439	4,639	9,310	46,195	40,121	104,704	97,050
Finance lease liabilities	427	428	855	2,365	-	4,075	3,394
Total non-derivatives	19,996	5,067	10,165	48,560	40,121	123,909	115,574
Derivatives							
Trading derivatives	610	-	-	-	-	610	610
Gross settled (forward foreign exchange contracts – cash flow hedges)							
- (inflow)	(17,182)	(13,994)	-	-	-	(31,176)	-
- outflow	17,521	14,498	-	-	-	32,019	766
	949	504	-	-	-	1,453	1,376
At 31 December 2016							
Non-derivatives							
Trade payables	11,270	-	-	-	-	11,270	11,270
Borrowings (excluding finance leases)	4,513	4,118	9,820	44,476	30,235	93,162	84,130
Finance lease liabilities	427	428	855	2,515	655	4,880	3,950
Total non-derivatives	16,210	4,546	10,675	46,991	30,900	109,312	99,350
Derivatives							
Trading derivatives	621	-	-	-	-	621	621
Gross settled (forward foreign exchange contracts – cash flow hedges)							
- (inflow)	(11,724)	(6,560)	-	-	-	(18,284)	-
- outflow	11,885	7,228	-	-	-	19,113	777
	782	668	-	-	-	1,450	1,398

IFRS7(B10A)(a)

Of the CU46.195m disclosed in the 2017 borrowings time band 'between 2 and 5 years', the group is considering early repayment of CU5,000,000 in the first quarter of the 2018 financial year (2016 – nil).

Financial risk management

Classes of financial instruments

IFRS7(6),(B1)-(B3)

1. Where IFRS 7 requires disclosures by class of financial instrument, the entity shall group 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 shall 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(34)(a)

2. The disclosures in relation to the financial risk management of an entity 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 these illustrative financial statements are only one example of the kind of information that may be disclosed and you should consider carefully what may be appropriate in your individual circumstances.

Derivative financial instruments

Classification as current or non-current

IAS1(BC38B),(BC38C),
(66),(69)

3. The classification of financial instruments as held for trading under IAS 39 does not mean that they must necessarily be presented as current in the balance sheet. If a financial liability is primarily held for trading purposes it should be presented as current. If it is not held for trading purposes, it should be presented as current or non-current on the basis of its settlement date. Financial assets should only be presented as current assets if the entity expects to realise them within 12 months.
4. The treatment of hedging derivatives will be similar. Where a portion of a financial asset is expected to be realised within 12 months of the end of the reporting period, that portion should be presented as a current asset; the remainder of the financial asset should be shown as a non-current asset. This suggests that hedging derivatives should be split into current and non-current portions. However, as an alternative, the full fair value of hedging derivatives could be classified as current if the hedge relationships are for less than 12 months and as non-current if those relationships are for more than 12 months.

Market risk

Foreign currency risk

IFRS7(B23)

5. 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 which do not form part of a net investment in a foreign operation would be 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.

IFRS7(B23)

6. For the purpose of IFRS 7, currency risk does also not arise from financial instruments that are non-monetary items. VALUE IFRS Plc has therefore excluded its US dollar denominated equity securities from the analysis of foreign exchange risk. The foreign currency exposure arising from investing in non-monetary financial instruments is reflected in the other price risk disclosures as part of the fair value gains and losses.

Interest rate risk – fixed rate borrowings

7. Sensitivity to changes in interest rates is normally only relevant to financial assets or financial liabilities bearing floating interest rates. However, sensitivity will also be relevant to fixed rate financial assets and financial liabilities which are remeasured to fair value.

Financial risk management

Credit risk

Impaired trade receivables

- IFRS7(37)(b) 8. Entities must provide an analysis of financial assets that are individually determined to be impaired. However, there is no specific requirement to disclose the ageing of those financial assets. Other forms of analyses will be equally acceptable.

Liquidity risk

Maturity analysis

- IFRS7(B11B) 9. All financial liabilities must be included in the maturity analysis. The analysis should generally be based on contractual maturities. However, for derivative financial liabilities the standard provides entities with a choice to base the maturity grouping on expected rather than contractual maturities, provided the contractual maturities are not essential for an understanding of the timing of the cash flows. This could be the case for derivative contracts that are held for trading. For contracts such as interest rate swaps in a cash flow hedge of a variable rate financial asset or liability and for all loan commitments, the remaining contractual maturities will be essential for an understanding of the timing of the cash flows. These contracts must therefore be grouped based on their contractual maturities.
- IFRS7(3),(B11D) 10. The amounts disclosed should be the amounts 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. PwC recommends the use of forward rates as they are a better approximation of future cash flows.
- IFRS7(B11C)(c) 11. The specific time buckets presented are not mandated by the standard but are based on what is reported internally to the key management personnel. For financial guarantee contracts, the maximum amount of the guarantee must be allocated to the earliest period in which the guarantee could be called.
12. As the amounts included in the maturity tables are the contractual undiscounted cash flows, including principal and interest payments, these amounts will not reconcile to the amounts disclosed in the balance sheet. This is in particular as far as borrowings or derivative financial instruments are concerned. Entities can choose to add a column with the carrying amounts which ties into the balance sheet and a reconciling column if they so wish, but this is not mandatory.

Financing arrangements

- IAS7(50)(a)
IFRS7(39)(c) 13. Committed borrowing facilities are a major element of liquidity management. Entities should therefore consider providing information about their undrawn facilities. IAS 7 *Statement 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.

Terms and conditions of financial instruments

- IFRS7(7),(31) 14. Entities shall disclose sufficient information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance and the nature and extent of risks arising from these financial instruments. However, the intention of IFRS 7 was to decrease the potentially voluminous disclosures that were required by IAS 32 and replace them with shorter but more meaningful information. Under normal circumstances entities will therefore no longer need to disclose the significant terms and conditions for each of their major borrowings. Nevertheless, if an entity has a borrowing or other financial instrument with unusual terms and conditions, then some information should be provided to enable users to assess the nature and extent of risks associated with these instruments.

Financial risk management

Disclosure not illustrated: not applicable to VALUE IFRS Plc

15. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

	Issue not illustrated	Relevant disclosures or references
IFRS7(15)	Collateral held by the entity which can be sold or repledged	Disclose the fair value of the collateral held, the fair value of collateral sold or repledged and whether it must be returned, and the terms and conditions associated with the collateral.
IFRS7(23)(b)	Hedge accounting – forecast transaction is no longer expected to occur	Include a description of the transaction
IFRS7(24)(a)	Fair value hedges	Disclose separately gains and losses on the hedging instrument and the hedged item attributable to the hedged risk
IFRS7(35),(42)	Quantitative data is unrepresentative of the entity's risk exposure	Provide further information as necessary.
IFRS7(39)(a),(B10)(c), (B11C)(c) IAS39(9)	Financial guarantee contract	This must be included in the maturity table in the earliest time bucket in which it can be called. The existence of such contracts will also need to be discussed in the context of the credit risk disclosures.
IFRS7(20)(d),(e),(37)(b)	Impairment of financial assets other than trade receivables	Disclose impairment losses separately for each significant class of financial assets, the amount of interest income accrued on impaired financial assets and an analysis of financial assets that are individually determined to be impaired.
IFRS7(B5)(g),(36)(c)	Renegotiated assets that would otherwise have been past due or impaired	Provide information about credit quality and accounting policy.

Fair value hedges

16. VALUE IFRS Plc has not entered into any fair value hedges. An illustrative accounting policy could read as follows:

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

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 using a recalculated effective interest rate.

13 Capital management

13(a) Risk management ¹

IAS1(134),(135),(136)

The group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- 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 following gearing ratio:

Net debt as per **note 10(c)**

divided by

Total 'equity' (as shown in the balance sheet, including non-controlling interests).

IAS1(134),
(135),(136)

During 2017, the group's strategy, which was unchanged from 2016, was to maintain a gearing ratio within 20% to 40% and a B credit rating. The credit rating was unchanged and the gearing ratios at 31 December 2017 and 31 December 2016 were as follows:

	2017 CU'000	2016 Restated CU'000
Net debt	32,046	45,897
Total equity	159,716	117,242
Net debt to equity ratio	20%	39%

(i) *Loan covenants* ¹

IAS1(135)(d)

Under the terms of the major borrowing facilities, the group is required to comply with the following financial covenants:

- the gearing ratio must be not more than 50%, and
- the ratio of net finance cost to EBITDA must be not more than 10%.

The group has complied with these covenants throughout the reporting period. As at 31 December 2017, the ratio of net finance cost to EBITDA was 8% (10% as at 31 December 2016).

13(b) Dividends ²⁻⁴

		2017 CU'000	2016 CU'000
	<i>(i) Ordinary shares</i>		
IAS1(107)	Final dividend for the year ended 31 December 2016 of 22 cents (2015 – 10 cents) per fully paid share	11,586	5,455
IAS1(107)	Interim dividend for the year ended 31 December 2017 of 21 cents (2016 – 10 cents) per fully paid share	11,144	5,467
	<i>(ii) 7% non-redeemable participating preference shares</i>		
IAS1(107)	Annual dividend of 7 cents (2016 – 7 cents) per share	107	107
IAS1(107)	Total dividends provided for or paid	22,837	11,029
	Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2017 and 2016 were as follows:		
	Paid in cash	22,271	10,470
IAS7(43)	Satisfied by issue of shares	566	559
		22,837	11,029
	<i>(iii) Dividends not recognised at the end of the reporting period</i>		
IAS1(137)(a) IAS10(12) Dates not mandatory	In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 22 cents per fully paid ordinary share (2016 – 22 cents). The aggregate amount of the proposed dividend expected to be paid on 10 April 2018 out of retained earnings at 31 December 2017, but not recognised as a liability at year end, is	11,989	11,586

Capital management**Capital risk management**

- Capital is not defined in any of the IFRS. Entities must describe what they manage as capital based on the type of information that is provided internally to the key management personnel. It therefore depends on the individual entity as to whether capital includes interest-bearing debt or not. If such debt is included, however, and the loan agreements include capital requirements such as financial covenants that must be satisfied, then these need to be disclosed under paragraph 135(d) of IAS 1 *Presentation of Financial Statements*.

Dividends*Parent vs consolidated information*

- The dividends disclosed in this note are only those paid by the parent entity and do not include dividends paid by subsidiaries to non-controlling interests. IAS 1 requires disclosure of the dividends recognised as distribution to owners during the period (paragraph 107). The term 'owners' is generally used in IAS 1 in the context of owners of the parent entity (eg paragraphs 81B and 106). The focus of the financial statements is still on the parent entity shareholders and on that basis a disclosure of dividends per share is only relevant for the owners of the parent entity. This disclosure also correlates to the disclosure of the number of shares issued as required under paragraph 79 of IAS 1. Holders of non-controlling interests will receive their dividend information from the separate financial statements of the relevant subsidiaries.

Capital management

Disclosure not illustrated: not applicable to VALUE IFRS Plc

3. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

Issue not illustrated	Relevant disclosures or references
Cumulative preference dividends not recognised	Disclose amount.
Dividends in the form of non-cash assets	Various disclosures, see Interpretation 17 and the illustrative example below for details.

4. The following illustrative disclosure may be useful where relevant to an entity:

Non-cash dividends

- (a) Where an entity distributes non-cash assets to its owners, an explanation could read as follows:

In November 2017, XYZ Plc transferred all of the shares held in its subsidiary, ABC Limited, to its parent entity as a non-cash dividend. The dividend was measured at the fair value of the subsidiary (CU2,500,000). The difference between the fair value of the shares and their carrying amount (CU 1,800,000) is presented in profit or loss as other income (CU700,000).

IAS1(137)(b)

IFRIC17(15)-(17)

IFRIC17(11),(14),(15),(16)

Group structure

Not mandatory

This section provides information which will help users understand how the group structure affects the financial position and performance of the group as a whole. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation
- transactions with non-controlling interests, and
- interests in joint operations.

A list of significant subsidiaries is provided in note 16. This note also discloses details about the group's equity accounted investments.

14	Business combination	120
15	Discontinued operation	123
16	Interests in other entities	126

14 Business combination ²

14(a) Summary of acquisition

IFRS3(B64)(a)-(d)

On 1 April 2017 the parent entity acquired 70% of the issued share capital of VALUE IFRS Electronics Group, a manufacturer of electronic equipment. The acquisition has significantly increased the group's market share in this industry and complements the group's existing IT consultancy division.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	CU'000
IFRS3(B64)(f)	Purchase consideration (refer to (b) below):
	Cash paid 3,000
	Ordinary shares issued 9,765
	Contingent consideration 135
IAS7(40)(a)	Total purchase consideration <u>12,900</u>

IFRS3(B64)(f)(iv),(m)

The fair value of the 1,698,000 shares issued as part of the consideration paid for VALUE IFRS Electronics Group (CU9.765m) was based on the published share price on 1 April 2017 of CU5.78 per share. Issue costs of CU50,000 which were directly attributable to the issue of the shares have been netted against the deemed proceeds.

IFRS3(B64)(i)
IAS7(40)(d)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value CU'000
	Cash 1,550
	Trade receivables 780
	Inventories 840
	Land and buildings 4,200
	Plant and equipment 7,610
	Deferred tax asset 2,389
	Intangible assets: trademarks 3,020
	Intangible assets: customer contracts 3,180
	Trade payables (470)
	Bank overdraft (1,150)
	Contingent liability (450)
	Deferred tax liability (2,304)
	Post-employment benefit obligations (1,914)
	Other employee benefit obligations (415)
	Net identifiable assets acquired <u>16,836</u>
IFRS3(B64)(o)(i)	Less: non-controlling interests (5,051)
	Add: goodwill <u>1,115</u>
	Net assets acquired <u>12,900</u>

IFRS3(B64)(e),(k)

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

IAS1(38)

There were no acquisitions in the year ending 31 December 2016. ¹

(i) Significant estimate: contingent consideration

IFRS3(B64)(g)

In the event that certain pre-determined sales volumes are achieved by the subsidiary for the year ended 31 December 2017, additional consideration of up to CU1,000,000 may be payable in cash on 1 September 2018.

IFRS3(B67)(b)(iii)

The potential undiscounted amount payable under the agreement is between CU0 for sales below CU10,000,000 and CU1,000,000 for sales above CU18,000,000. The fair value of the contingent consideration of CU135,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 6% and assumed probability-adjusted sales of VALUE IFRS Electronics Group of between CU12,000,000 and CU12,500,000.

IFRS3(B67)(b)

As at 31 December 2017, the contingent consideration has been derecognised, as the actual sales revenue achieved by VALUE IFRS Electronics Group was below CU10,000,000. A gain of CU135,000 was included in other income.

14(a) Summary of acquisition**(ii) Significant judgement: contingent liability**IFRS3(B64)(j)
IAS37(85)

A contingent liability of CU450,000 was recognised on the acquisition of VALUE IFRS Electronics 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 June 2018. 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 CU250,000 and CU700,000. As at 31 December 2017, there has been no change in the amount recognised for the liability in April 2017 (except for the unwinding of the discount of CU27,000), as there has been no change in the probability of the outcome of the lawsuit.

IFRS3(B67)(c)

IFRS3(B64)(h)

(iii) Acquired receivables

The fair value of acquired trade receivables is CU780,000. The gross contractual amount for trade receivables due is CU807,000, of which CU27,000 is expected to be uncollectible.

(iv) Accounting policy choice for non-controlling interests

IFRS3(B64)(o)(i)

The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in VALUE IFRS Electronics Group, the group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets. See [note 25\(i\)](#) for the group's accounting policies for business combinations.

(v) Revenue and profit contribution

IFRS3(B64)(q)

The acquired business contributed revenues of CU3,850,000 and net profit of CU1,405,000 to the group for the period from 1 April to 31 December 2017.

If the acquisition had occurred on 1 January 2017, consolidated pro-forma revenue and profit for the year ended 31 December 2017 would have been CU212,030,000 and CU38,070,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- 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 2017, together with the consequential tax effects.

14(b) Purchase consideration – cash outflow

	2017 CU'000	2016 CU'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	3,000	-
Less: Balances acquired		
Cash	1,550	-
Bank overdraft	(1,150)	-
	400	-
Net outflow of cash – investing activities	2,600	-

Acquisition-related costs

IFRS3(B64)(m)

Acquisition-related costs of CU750,000 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

Business combination

Comparatives

IAS1(38)

- Under IAS 1, comparative information must be given for all numerical information reported in the financial statements, including narratives. However, IFRS 3 does not separately require comparative information in respect of business combinations. In our view, the IFRS 3 disclosures are required only for business combinations occurring during the period. This means that in the period following the combination, the disclosures required in paragraph B64 of IFRS 3 do not need to be repeated. However, the disclosures that are required in relation to a prior business combination in paragraph B67 of IFRS 3 must be made.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

Additional disclosures

- The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

IFRS3(B64)(l),(52)

Issue not illustrated

Transactions that are recognised separately from the business combination

Relevant disclosures or references

Disclose a description of the transaction and how it was accounted for, the amounts recognised and other information as specified in IFRS 3.

IFRS3(B64)(n)

The entity has made a bargain purchases

Disclose the gain recognised and explain why the transaction resulted in a gain.

IFRS3(B64)(p)

The business combination was achieved in stages

Disclose the acquisition-date FV of the equity interest held immediately before the acquisition and the gain or loss recognised as a result of remeasuring the equity interest to fair value.

IFRS3(B67)(a)

The initial accounting for the business combination is incomplete

Explain why the initial accounting is incomplete, which items are affected and any adjustments recognised during the reporting period.

IFRS3(B67)(e)

The entity has recognised a gain or loss in the current reporting period relating to identifiable assets acquired or liabilities assumed in a business combination from the current or a prior period

Disclose the amount and provide an explanation of the gain or loss.

IFRS3(63)

The objectives of IFRS 3 are not satisfied with the required disclosures

Provide additional explanations as necessary.

15 Discontinued operation ³

15(a) Description

IFRS5(41)(a),(b),(d)

On 30 October 2016 the group announced its intention to exit the engineering business and initiated an active program to locate a buyer for its German subsidiary, VALUE IFRS Engineering GmbH. The associated assets and liabilities were consequently presented as held for sale in the 2016 financial statements.

IFRS5(30)

The subsidiary was sold on 28 February 2017 with effect from 1 March 2017 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

15(b) Financial performance and cash flow information ^{1,2}

The financial performance and cash flow information presented are for the two months ended 28 February 2017 (2017 column) and the year ended 31 December 2016.

		2017 CU'000	2016 CU'000
IFRS5(33)(b)(i)	Revenue (note 3)	4,200	26,460
IFRS5(33)(b)(i)	Other income (revaluation of contingent consideration receivable, see (c) below)	130	-
IFRS5(33)(b)(i)	Expenses	(3,939)	(25,890)
IFRS5(33)(b)(i)	Profit before income tax	391	570
IFRS5(33)(b)(iii) IAS12(81)(h)(ii)	Income tax expense	(117)	(171)
	Profit after income tax of discontinued operation	274	399
	Gain on sale of the subsidiary after income tax (see (c) below)	481	-
	Profit from discontinued operation	755	399
	Changes in fair value of contingent consideration receivable, see (c) below	(40)	-
IFRS5(38)	Exchange differences on translation of discontinued operations	170	58
	Other comprehensive income from discontinued operations	130	58
IFRS5(33)(c)	Net cash inflow from operating activities	1,166	710
IFRS5(33)(c)	Net cash inflow/(outflow) from investing activities (2017 includes an inflow of CU3,110,000 from the sale of the division)	3,110	(190)
IFRS5(33)(c)	Net cash (outflow) from financing activities	-	(280)
	Net increase in cash generated by the subsidiary	4,276	240

15(c) Details of the sale of the subsidiary

		2017 CU'000	2016 CU'000
	Consideration received or receivable:		
IAS7(40)(b)	Cash	3,110	-
	Fair value of contingent consideration	1,200	-
IAS7(40)(a)	Total disposal consideration	4,310	-
	Carrying amount of net assets sold	(3,380)	-
	Gain on sale before income tax and reclassification of foreign currency translation reserve	930	-
IFRS5(38)	Reclassification of foreign currency translation reserve	(170)	-
IAS12(81)(h)(i)	Income tax expense on gain	(279)	-
	Gain on sale after income tax	481	-

15(c) Details of the sale of the subsidiaryIAS32(11)
IAS39(9)

In the event the operations of the subsidiary achieve certain performance criteria during the period 1 March 2017 to 28 February 2019 as specified in an 'earn out' clause in the sale agreement, additional cash consideration of up to CU2,400,000 will be receivable. At the time of the sale the fair value of the consideration was determined to be CU1,200,000. It has been recognised as an available-for-sale financial asset (see [note 7\(c\)](#)).

IAS39(AG8),
IAS39(55)(b)

At year end, the fair value was re-estimated to be CU1,290,000. Of this change in fair value, CU130,000 related to the remeasurement of the expected cash flows and was taken to profit or loss, net of related income tax. The gain is presented in discontinued operations, see analysis in (a) above. A fair value loss of CU40,000 relating to changes in market interest rate was recognised in other comprehensive income and included in the available-for-sale financial assets reserve in equity, also net of related income tax.

IAS7(40)(d)

The carrying amounts of assets and liabilities as at the date of sale (28 February 2017) were:

	28 February 2017 CU'000
Property, plant and equipment	1,660
Trade receivables	1,200
Inventories	950
Total assets	3,810
Trade creditors	(390)
Employee benefit obligations	(40)
Total liabilities	(430)
Net assets	3,380

15(d) Assets and liabilities of disposal group classified as held for sale

IFRS5(38)

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2016:

	2017 CU'000	2016 CU'000
Assets classified as held for sale		
Property, plant and equipment	-	1,995
Trade receivables	-	1,570
Inventories	-	1,390
Total assets of disposal group held for sale	-	4,955
Liabilities directly associated with assets classified as held for sale		
Trade creditors	-	(450)
Employee benefit obligations	-	(50)
Total liabilities of disposal group held for sale	-	(500)

Discontinued operation

Restating prior periods

IFRS5(34)

1. An entity must re-present the disclosures for discontinued operations for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented. The discontinued operations presented in the statement of comprehensive income and statement of cash flows in the comparative period should therefore include all operations that have been discontinued by the end of the most recent reporting period. This means that the statements of comprehensive income and cash flows for the comparative period should show as discontinued operations both those reported as discontinued in the previous period together with those classified as discontinued in the current period. As a consequence, the restated prior year statements of comprehensive income and cash flows figures will not be entirely comparable to the current year's figures.

IFRS5(40)

2. In contrast, the balance sheet information for the prior year is neither restated nor remeasured.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

3. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

IFRS5(35)

Issues not illustrated	Relevant disclosures or references
Resolution of uncertainties relating to adjustments recognised as a result of the disposal of a discontinued operation	Disclose separately the nature and amount of the adjustments
Asset or disposal group is no longer classified as held for sale	Reclassify the results previously presented as discontinued operations and provide appropriate explanations.
Gains or losses recognised as a result of a remeasurement to fair value less costs to sell	Disclose the gain or loss recognised following the remeasurement and where the gain or loss is presented in the statement of profit or loss.
Information about dividends in the form of non-cash assets	Provide details as required by Interpretation 17.

IFRS5(36),(42)

IFRS5(41)(c)

IFRIC17

16 Interests in other entities 4.5

16(a) Material subsidiaries ¹

IFRS12(10)(a)

The group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

IFRS12(10)(a)(i),(ii)
IAS24(13)
IFRS12(12)(a)-(d)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests		Principal activities
		2017	2016	2017	2016	
		%	%	%	%	
VALUE IFRS Retail Limited	Oneland	100	100	-	-	Furniture retail stores
VALUE IFRS Manufacturing Limited (note 16(c))	Oneland	90	85	10	15	Furniture manufacture
VALUE IFRS Electronics Group	Oneland	70	-	30	-	Electronic equipment manufacture
VALUE IFRS Overseas Ltd. (i),(ii)	China	45	45	55	55	Furniture manufacture
VALUE IFRS Consulting Inc	US	100	100	-	-	IT consulting
VALUE IFRS Development Limited	Oneland	100	100	-	-	Development of residential land
VALUE IFRS Engineering GmbH	Germany	-	100	-	-	Engineering business; see note 15

IAS1(122)

IFRS12(7)(a),(9)(b)

(i) Significant judgement: consolidation of entities with less than 50% ownership

The directors have concluded that the group controls VALUE IFRS Overseas Ltd, even though it holds less than half of the voting rights of this subsidiary. This is because the group is the largest shareholder with a 45% equity interest while the remaining shares are held by eight investors. An agreement signed between the shareholders and VALUE IFRS Overseas Ltd grants VALUE IFRS Plc the right to appoint, remove and set the remuneration of management responsible for directing the relevant activities. A 67% majority vote is required to change this agreement, which cannot be achieved without the group's consent as the group holds 45% of the voting rights.

(ii) Significant restrictions

IFRS12(10)(b)(i),(13)

Cash and short-term deposits held in Asian countries (including China) are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

IFRS12(13)(c)

The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is CU650,000 (2016 – CU410,000).

16(b) Non-controlling interests (NCI)IFRS12(12)(g)
IFRS12(B11)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Summarised balance sheet	VALUE IFRS Manufacturing Limited		VALUE IFRS Overseas Ltd		VALUE IFRS Electronics Group	
		31 Dec 2017 CU'000	31 Dec 2016 CU'000	31 Dec 2017 CU'000	31 Dec 2016 CU'000	31 Dec 2017 CU'000	31 Dec 2016 CU'000
IFRS12(B10)(b)	Current assets	13,870	13,250	11,500	9,800	7,875	-
	Current liabilities	12,570	7,595	10,570	8,300	1,200	-
	Current net assets	1,300	5,655	930	1,500	6,675	
	Non-current assets	28,010	22,910	15,570	12,730	18,900	-
	Non-current liabilities	5,800	3,400	12,735	10,748	10,100	-
	Non-current net assets	22,210	19,510	2,835	1,982	8,800	-
	Net assets	23,510	25,165	3,765	3,482	15,475	-
IFRS12(12)(f)	Accumulated NCI	2,751	3,775	2,071	1,914	4,641	-
	Summarised statement of comprehensive income	VALUE IFRS Manufacturing Limited		VALUE IFRS Overseas Ltd		VALUE IFRS Electronics Group	
		2017 CU'000	2016 CU'000	2017 CU'000	2016 CU'000	2017 CU'000	2016 CU'000
IFRS12(B10)(b)	Revenue	30,200	27,800	14,100	14,450	3,850	-
	Profit for the period	10,745	7,900	2,412	2,062	1,405	-
	Other comprehensive income	1,265	830	(447)	243	-	-
	Total comprehensive income	12,010	8,730	1,965	2,305	1,405	-
IFRS12(12)(e)	Profit allocated to NCI	1,257	1,185	1,327	1,134	422	-
IFRS12(B10)(a)	Dividends paid to NCI	1,262	935	925	893	830	-
	Summarised cash flows	VALUE IFRS Manufacturing Limited		VALUE IFRS Overseas Ltd		VALUE IFRS Electronics Group	
		2017 CU'000	2016 CU'000	2017 CU'000	2016 CU'000	2017 CU'000	2016 CU'000
IFRS12(B10)(b)	Cash flows from operating activities	2,989	2,780	1,203	1,160	980	-
	Cash flows from investing activities	(1,760)	(1,563)	(584)	(859)	(870)	-
	Cash flows from financing activities	390	(950)	256	330	(235)	-
	Net increase/ (decrease) in cash and cash equivalents	1,619	267	875	631	(125)	-

16(c) Transactions with non-controlling interests

IFRS12(10)(b)(iii),(18)

On 21 October 2017, the group acquired an additional 5% of the issued shares of VALUE IFRS Manufacturing Limited for CU1,500,000. Immediately prior to the purchase, the carrying amount of the existing 15% non-controlling interest in VALUE IFRS Manufacturing Limited was CU3,501,000. The group recognised a decrease in non-controlling interests of CU1,167,000 and a decrease in equity attributable to owners of the parent of CU333,000. The effect on the equity attributable to the owners of VALUE IFRS Plc during the year is summarised as follows:

	2017 CU'000	2016 CU'000
Carrying amount of non-controlling interests acquired	1,167	-
Consideration paid to non-controlling interests	(1,500)	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(333)	-
There were no transactions with non-controlling interests in 2016.		

16(d) Joint operations ²

IFRS12(7)(b),(21)(a)

A subsidiary has a 50% interest in a joint arrangement called the Fernwood Partnership which was set up as a partnership together with House of Cards Constructions Limited to develop properties for residential housing in regional areas in the south of Oneland.

IFRS12(21)(a)(iii)

The principal place of business of the joint operation is in Oneland.

(i) Significant judgement: classification of joint arrangements

IFRS12(7)(c)

The joint venture agreements in relation to the Fernwood Partnership require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in [note 25\(b\)\(iii\)](#).

16(e) Interests in associates and joint ventures ⁶

Set out below are the associates and joint ventures of the group as at 31 December 2017 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

IFRS12(21)(a),
(b)(i),(iii)

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Quoted fair value		Carrying amount	
		2017	2016			2017	2016	2017	2016
		%	%			CU'000	CU'000	CU'000	CU'000
Big Hide Pet SA	France	15	15	Associate (1)	Equity method	585	560	568	540
Cuddly Bear Plc	Oneland	35	35	Associate (2)	Equity method	495	505	492	490
Squirrel Ltd	Oneland	40	40	Joint Venture (3)	Equity method	- *	- *	2,340	1,900
Immaterial associates (iii) below								375	345
Total equity accounted investments								3,775	3,275

IFRS12(21)(a)(ii)

- (1) Big Hide Pet SA is a manufacturer of specialised furniture for the hospitality industry, including cafés and restaurants. Its product range complements the group's commercial furniture range and provides access to markets not previously serviced by the group.
- (2) Cuddly Bear Plc develops residential land. It is a strategic investment which utilises the group's knowledge and expertise in the development of residential land but at the same time limits the group's risk exposure through a reduced equity holding.
- (3) Squirrel Ltd distributes computer software to wholesale customers in the Oneland market. It is a strategic investment for the group which complements the services provided by the IT consulting segment.
- * Private entity – no quoted price available.

(i) Significant judgement: existence of significant influence

IFRS12(9)(e)

Through the shareholder agreement, VALUE IFRS Plc is guaranteed two seats on the board of Big Hide Pet SA and participates in all significant financial and operating decisions. The group has therefore determined that it has significant influence over this entity, even though it only holds 15% of the voting rights.

16(e) Interests in associates and joint ventures**(ii) Commitments and contingent liabilities in respect of associates and joint ventures**

		2017	2016
		CU'000	CU'000
IFRS12(23)(a),(B18)	Commitments – joint ventures		
IFRS12(B19)(a)	Commitment to provide funding for joint venture's capital commitments, if called	250	200
IFRS12(23)(b)	Contingent liabilities – associates		
	Share of contingent liabilities incurred jointly with other investors of the associate	150	120
	Contingent liabilities relating to liabilities of the associate for which the company is severally liable	-	80
	Contingent liabilities – joint ventures		
	Share of joint venture's contingent liabilities in respect of a legal claim lodged against the entity	200	180
		350	380

(iii) Summarised financial information for associates and joint ventures ^{3,6}

IFRS12(21)(b)(iii),(B14) The tables below provide summarised financial information for those joint ventures and associates that are material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not VALUE IFRS Plc's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

IFRS12(B12),(B13)		Big Hide Pet SA		Cuddly Bear Plc		Squirrel Ltd	
		31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	Summarised balance sheet	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
IFRS12(B12)(b)(i)	Current assets						
IFRS12(B13)(a)	Cash and cash equivalents	*	*	*	*	300	275
	Other current assets	*	*	*	*	1,700	1,475
	Total current assets	1,333	1,083	243	371	2,000	1,750
IFRS12(B12)(b)(ii)	Non-current assets	5,967	5,083	2,000	1,800	7,125	6,500
IFRS12(B12)(b)(iii)	Current liabilities						
IFRS12(B13)(b)	Financial liabilities (excluding trade payables)	*	*	*	*	150	250
	Other current liabilities	*	*	*	*	1,100	625
	Total current liabilities	583	400	271	171	1,250	875
IFRS12(B12)(b)(iv)	Non-current liabilities						
IFRS12(B13)(c)	Financial liabilities (excluding trade payables)	*	*	*	*	1,900	2,250
	Other non-current liabilities	*	*	*	*	350	375
	Total non-current liabilities	2,717	2,166	400	600	2,250	2,625
	Net assets	4,000	3,600	1,572	1,400	5,625	4,750
IFRS12(B14)(b)	Reconciliation to carrying amounts:						
	Opening net assets 1 January	3,600	2,967	1,400	1,286	4,750	4,500
	Profit for the period	322	400	34	171	625	550
	Other comprehensive income	132	767	-	-	750	-
	Dividends paid	(267)	(534)	(28)	(57)	(275)	(300)
	Closing net assets	3,787	3,600	1,406	1,400	5,850	4,750
	Group's share in %	15%	15%	35%	35%	40%	40%
	Group's share in CU	568	540	492	490	2,340	1,900
	Goodwill	-	-	-	-	-	-
	Carrying amount	568	540	492	490	2,340	1,900

16(e) Interests in associates and joint ventures

IFRS12(B12),(B13)	Summarised statement of comprehensive income	Big Hide Pet SA		Cuddly Bear Plc		Squirrel Ltd	
		2017	2016	2017	2016	2017	2016
		CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
IFRS12(B12)(b)(v)	Revenue	8,733	8,400	2,657	2,457	10,038	9,800
IFRS12(B13)(e)	Interest income	*	*	*	*	-	-
IFRS12(B13)(d)	Depreciation and amortisation	*	*	*	*	(2,800)	(1,890)
IFRS12(B13)(f)	Interest expense	*	*	*	*	(340)	(280)
IFRS12(B13)(g)	Income tax expense	*	*	*	*	-	-
IFRS12(B12)(b)(vi)	Profit from continuing operations	322	400	34	171	625	550
IFRS12(B12)(b)(vii)	Profit from discontinued operations	-	-	-	-	-	-
	Profit for the period	322	400	34	171	625	550
IFRS12(B12)(b)(viii)	Other comprehensive income	132	767	-	-	750	-
IFRS12(B12)(b)(ix)	Total comprehensive income	454	1,167	34	171	1,375	550
IFRS12(B12)(a)	Dividends received from associates and joint venture entities	40	80	10	20	110	120

* Shading indicates disclosures that are not required for investments in associates³

(iv) Individually immaterial associates

IFRS12(21)(c),(B16) In addition to the interests in associates disclosed above, the group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2017 CU'000	2016 CU'000
Aggregate carrying amount of individually immaterial associates	375	345
Aggregate amounts of the group's share of:		
Profit from continuing operations	30	15
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	30	15

Interests in other entities**Listing of significant subsidiaries**

IFRS12(10)(a)
IFRS12(4)

- IFRS 12 requires entities to disclose information about the composition of the group. This information can be provided in different ways; eg by identifying major subsidiaries as we have done in this note. However, preparers of financial statements should consider what level of detail is necessary to satisfy the overall disclosure objective of the standard. Useful information should not be obscured by including a large amount of insignificant detail (eg a complete listing of all subsidiaries within the group). It may also not always be necessary to disclose the principal activity of each subsidiary.

Joint operations – summary of assets employed/liabilities incurred

IAS1(112)(c)

- If an entity has significant interests in joint operations, it should consider disclosing the group's interests in the assets employed and liabilities incurred in relation to these joint operations. This information will assist users in assessing the extent and financial impact of the joint operations and may – in certain circumstances – be required on the basis that it is relevant to an understanding of the financial statements (IAS 1 paragraph 112(c)).

Summarised financial information of associates and joint ventures

- The disclosure requirements in relation to summarised financial information of joint ventures are more onerous than those for interests in associates. Where certain information is not required for interests in associates, the relevant parts of the table have been shaded. We have chosen this form of presentation primarily to illustrate the similarities and differences in the disclosures for associates and joint ventures. This form of presentation may not be suitable for all entities.

Interests in other entities

Entities classified as held for sale

IFRS12(5A),(B17)

4. Amendments made to IFRS 12 in the 2014-2016 Annual Improvements cycle clarified that the disclosure requirements of IFRS 12 also apply to interests in entities that are classified as held for sale, except for the summarised information in paragraphs B10 to B16 of IFRS 12.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

5. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

IFRS12(14)-(17)

IFRS12(10)(b)(iv),(19)
IAS1(106)(d),(97)

IFRS12(11),(22)(b)

IFRS12(21)(c),(B16)

IFRS12(22)(a)

IFRS12(22)(c)

IFRS12(B15)

IFRS12(B17)

Issue not illustrated	Relevant disclosures or references
Consolidated structured entities	Provide information as specified in IFRS 12 paragraphs 14 – 17. Entities such as employee share trusts will often qualify as structured entities. To the extent they are significant, the disclosures in IFRS 12 should therefore be considered in this context. Note 21 illustrates the disclosures that would apply to the VALUE IFRS Employee Share Trust.
Disposal or loss of control over a subsidiary	Provide information about the gain or loss recognised on the loss of control. Consider also the requirement to reclassify any components of other comprehensive income that are attributable to the subsidiary from equity to profit or loss or directly to retained earnings. Any amounts transferred from equity reserves on the loss of control of a subsidiary will need to be reflected in the reconciliation of reserves as reclassification adjustments (refer note 9(c)). Where the amounts reclassified amounts are material, consider providing additional explanations.
Subsidiaries, associates or joint ventures with different reporting dates	Disclose the reporting date and the reasons for using a different date or period.
Individually immaterial joint ventures	Disclose the same information as illustrated in note 16(e) for immaterial associates.
Significant restrictions – associates or joint ventures	Disclose the nature and extent of the restrictions on the ability of a joint venture or associate to transfer funds in the form of cash dividends, or to repay loans or advances made by the entity.
Unrecognised share of losses of joint ventures and associates	Disclose the unrecognised amounts both for the reporting period and cumulatively.
Interests in associates and joint ventures measured at fair value	The summarised financial information that must be provided for each material associate or joint venture may be presented based on non-IFRS compliant financial statements if preparation of IFRS compliant financial statements would be impracticable or cause undue cost.
Interest in subsidiary, associate or joint venture classified as held for sale	Summarised financial information does not need to be provided for associates or joint ventures that are held for sale.

Interests in other entities

IFRS12(B19)(b)

Issue not illustrated

Commitment to acquire another party's ownership interest in a joint venture

Relevant disclosures or references

Disclose as part of the disclosures of unrecognised commitments.

IFRS12(24)-(31)

Information about unconsolidated structured entities

Various disclosures, see IFRS 12 paragraphs 24 – 31 for details.

IFRS12(9A),(9B),
(19A)-(19G),(25A)

Investment entities – information about unconsolidated subsidiaries

Various disclosures, see IFRS 12 paragraphs (9A), (9B), (19A)-(19G) and (25A) for details.

6. While not required under IFRS 12, readers of the financial statements may find it useful if the note for equity-accounted investments also provides a reconciliation of the aggregate carrying amounts from opening to closing balances. This could look as follows:

	2017 CU'000	2016 CU'000
Opening balance 1 January	3,275	3,025
Share of operating profits	340	355
Share of other comprehensive income	320	115
Dividends received	(160)	(220)
Closing balance 31 December	3,775	3,275

Unrecognised items

Not mandatory

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also:

- (a) Unrecognised tax amounts – see note 6
- (b) Non-cash investing and financing transactions – see note 10(b).

17	Contingent liabilities and contingent assets	134
18	Commitments	135
19	Events occurring after the reporting period	136

Unrecognised items

1. There is no requirement to highlight separately any unrecognised items. However, we believe that this information is useful for users in assessing the financial performance and position of the group.

17 Contingent liabilities and contingent assets ²

17(a) Contingent liabilities ¹

The group had contingent liabilities at 31 December 2017 in respect of:

(i) Claims

IAS37(86),(91)

A claim for unspecified damages was lodged against VALUE IFRS Retail Limited in December 2016 in relation to alleged non-performance under a sales contract. The company has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim but legal advice indicates that it is not probable that a significant liability will arise.

IAS37(86)

In September 2017, a claim was lodged against VALUE IFRS Manufacturing Limited asserting that the entity had breached certain registered patents of a competitor. The matter is currently being considered by the courts and the group expects judgement before the end of June 2018. The group considers it to be probable that the judgement will be in its favour and has therefore not recognised a provision in relation to this claim. The potential undiscounted amount of the total payments that the group could be required to make if there was an adverse decision related to the lawsuit is estimated to be approximately CU250,000.

(ii) Associates and joint ventures

IFRS12(23)(b)

For contingent liabilities relating to associates and joint ventures refer to [note 16\(e\)](#).

17(b) Contingent assets

IAS37(89)

A subsidiary has lodged a claim against a supplier for damages caused by the supply of faulty products. The matter has been referred to arbitration and, having received legal advice, the directors believe that a favourable outcome is probable. However, the contingent asset has not been recognised as a receivable at 31 December 2017 as receipt of the amount is dependent on the outcome of the arbitration process.

Contingent liabilities and contingent assets

Definitions

IAS37(10)

Application of definitions

1. Careful consideration will need to be given to each potential contingent liability or asset. For example, in the case of an entity that has:
 - (a) incurred liabilities in acting as trustee for a trust: if the liabilities of the trust are insignificant compared to the assets in the trust and the chances of the trustee being called to meet those liabilities is remote, no contingent liability and asset disclosures will need to be made. It is likely that it will be possible to demonstrate remoteness where the entity is acting as trustee for an equity trust that has no borrowings and holds investments that can be readily sold to meet any liabilities that do arise. Remoteness is unlikely to be demonstrated where an entity acts as trustee for a trust that is carrying on a business and the trustee is incurring liabilities and undertaking the risks relating to the business
 - (b) provided a guarantee or indemnity to another party: it will be more difficult to demonstrate the probability of having to meet the potential liabilities as being remote because there are likely to be commercial risks which gave rise to the need for the guarantee or indemnity.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

2. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

IAS37(88)

IAS37(91)

IAS37(92)

IAS19(152)

Issue not illustrated	Relevant disclosures or references
Provisions and contingent liabilities arising from the same set of circumstances	Make the required disclosures in a way such that the link between the provision and the contingent liability is clear.
Information cannot be disclosed because it is not practicable to do so	Disclose the fact.
Disclosure of information can be expected to seriously prejudice the position of the entity	Disclose the general nature of the dispute together with the fact that, and the reasons why, the information has not been disclosed.
Contingent liabilities arising from post-employment benefit plans	Provide information about these contingent liabilities.

18 Commitments ¹

18(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

		2017 CU'000	2016 CU'000
IAS16(74)(c)	Property, plant and equipment	4,200	800
IAS40(75)(h)	Investment property	520	1,250
IAS38(122)(e)	Intangible assets	450	-

Fernwood Partnership

IFRS12(23)(a)	The above commitments include capital expenditure commitments of CU500,000 (2016 – nil) relating to the Fernwood Partnership (refer to note 16(d)).
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18(b) Non-cancellable operating leases

IAS17(35)(d)	The group leases various offices, warehouses and retail stores under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess warehouse space is sub-let to third parties also under non-cancellable operating leases.
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		2017 CU'000	2016 CU'000
IAS17(35)(a)	Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
IAS17(35)(a)(i)	Within one year	850	750
IAS17(35)(a)(ii)	Later than one year but not later than five years	2,300	2,300
IAS17(35)(a)(iii)	Later than five years	3,940	3,770
		7,090	6,820

Sub-lease payments

IAS17(35)(b)	Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	850	920
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IAS17(35)(d)(i)	Not included in the above commitments are contingent rental payments which may arise in the event that units produced by certain leased assets exceed a pre-determined production capacity. The contingent rental payable is 1% of sales revenue from the excess production.
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SIC15(5)	A number of lease agreements for the retail stores include free fit-outs provided by the lessor as a lease incentive. The assets obtained by the group have been recognised as furniture and equipment at fair value and are depreciated over the shorter of their useful life or the lease term. The lease incentive is presented as part of the lease liabilities (see note 7(g)) and is reversed on a straight line basis over the lease term.
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IAS17(35)(c)	<i>Rental expense relating to operating leases</i>		
		2017 CU'000	2016 CU'000
	Minimum lease payments	1,230	1,530
	Contingent rentals	430	-
	Sub-leases	290	270
	Total rental expense relating to operating leases	1,950	1,800

18(c) Repairs and maintenance: investment property

		2017 CU'000	2016 CU'000
IAS40(75)(h)	Contractual obligation for future repairs and maintenance – not recognised as a liability	540	389

Commitments**Disclosures not illustrated: not applicable to VALUE IFRS Plc***Arrangements containing a lease - payments cannot be separated*

IFRIC4(15)(b)

1. Where an arrangement contains an operating lease but the lessee cannot reliably separate the payments, all payments under the arrangement must be treated as lease payments for the purpose of complying with the disclosure requirements in IAS 17. In addition, the lessee must:
 - (a) disclose those payments separately from other lease payments that do not include non-lease elements
 - (b) state that the payments include payments for non-lease elements.

19 Events occurring after the reporting period ¹**19(a) Acquisition of Better Office Furnishings Limited**IAS10(21)(a),(b)
IFRS3(59)(b)
IFRS3(B64),(B66)

On 15 February 2018 VALUE IFRS Plc acquired 87.5% of the issued shares in Better Office Furnishings Limited, a manufacturer of office furniture and equipment, for consideration of CU12,030,000. The acquisition is expected to increase the group's market share and reduce cost through economies of scale.

The financial effects of this transaction have not been recognised at 31 December 2017. The operating results and assets and liabilities of the acquired company will be consolidated from 15 February 2018.

(i) Purchase consideration

IFRS3(B64)(f)

Details of the consideration transferred are:

	CU'000
Purchase consideration	
Cash paid	11,750
Contingent consideration	280
Total purchase consideration	<u>12,030</u>

IFRS3(B64)(i)

The provisionally determined fair values of the assets and liabilities of Better Office Furnishings Limited as at the date of acquisition are as follows:

	Fair value CU'000
Cash and cash equivalents	575
Property, plant and equipment	12,095
Intangible assets: customer list	2,285
Intangible assets: customer contracts	1,180
Inventories	1,010
Receivables	685
Payables	(2,380)
Employee benefit obligations	(230)
Borrowings	(3,250)
Net deferred tax assets	420
Net identifiable assets acquired	<u>12,390</u>
Less: non-controlling interests	(1,720)
Add: goodwill	<u>1,360</u>
Net assets acquired	<u>12,030</u>

19(a) Acquisition of Better Office Furnishings Limited

IFRS3(B64)(e),(k)

The goodwill is attributable to Better Office Furnishings Limited's strong position and profitability in trading in the office furniture and equipment market and synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

(ii) Contingent consideration

IFRS3(B64)(g)

The contingent consideration arrangement requires the group to pay the former owners of Better Office Furnishings Limited 5% of the profit of Better Office Furnishings Limited, in excess of CU4,000,000 for the year ending 31 December 2018, up to a maximum undiscounted amount of CU800,000.

The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between CU0 and CU800,000. The fair value of the contingent consideration arrangement of CU280,000 has been estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 8% and assumed probability-adjusted profit in Better Office Furnishings Limited of CU4,400,000 to CU4,800,000.

(iii) Acquisition-related costs

IFRS3(B64)(m)

Acquisition-related costs of CU750,000 will be included in other expenses in profit or loss in the reporting period ending 31 December 2018.

(iv) Non-controlling interest

IFRS3(B64)(o)

The group has chosen to recognise the non-controlling interest at its fair value for this acquisition. The fair value of the non-controlling interest in Better Office Furnishings Limited, 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%
- (d) assumed financial multiples of companies deemed to be similar to Better Office Furnishings Limited, 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 non-controlling interest in Better Office Furnishing Limited.

(v) Information not disclosed as not yet available

IFRS3(B66)

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Better Office Furnishings Limited. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

19(b) Refinancing of borrowing

IAS10(21)

At the beginning of February, the group renegotiated its existing loan facility to finance the construction of the new production plant for the electronic equipment division. The total available amount under the facility was increased by CU20,000,000, which is expected to be drawn down over the next 12 months. The facility is now repayable in three annual instalments, commencing 1 June 2023. As the terms and conditions of the facility remained largely unchanged, the refinancing will not result in the recognition of a settlement gain or loss.

IAS139(40),(AG62)

19(c) Other events

IAS10(21)

Please refer to **note 13(b)** for the final dividend recommended by the directors, to be paid on 10 April 2018.

Events occurring after the reporting period

Disclosures not illustrated: not applicable to VALUE IFRS Plc

1. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

	Issue not illustrated	Relevant disclosures or references
IAS10(21),(22)(c) IFRS3(B64)	Business combination disclosures	Information about acquired receivables, recognised or unrecognised contingent liabilities, equity instruments issued or issuable, transactions that are recognised separately from the business combination, a bargain purchase and business combinations achieved in stages.
IAS10(21),(22)(c) IFRS5(12),(41)(a),(b),(d)	Discontinued operations or assets held for sale where the criteria as held for sale were met after the end of the reporting period	Provide a description of the non-current asset or disposal group, the facts and circumstances and expected timing of the sale or disposal and the reportable segment in which the asset(s) are presented (where applicable).
IAS1(76)	Events that occurred after the reporting date and which would have affected the classification of a loan as current had they occurred before the end of the reporting period	The following events may require disclosures: <ul style="list-style-type: none"> - refinancing on a long-term basis - rectification of a breach of a long-term agreement, and - the receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least twelve months after the reporting period.

Other information

Not mandatory

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

20	Related party transactions	140
21	Share-based payments	144
22	Earnings per share	149
23	Offsetting financial assets and financial liabilities	152
24	Assets pledged as security	154
25	Summary of significant accounting policies	155
26	Changes in accounting policies	176

20 Related party transactions ^{1-2,4,9}

20(a) Parent entities

IAS1(138)(c)

The group is controlled by the following entities:

IAS24(13),
IAS1(138)(c)
IAS24(13)
IAS1(138)(c)

Name	Type	Place of incorporation	Ownership interest	
			2017	2016 ^{7,8}
Lion (Oneland) plc	Immediate parent entity	Oneland	60%	63.7%
Lion AG	Ultimate parent entity and controlling party	Germany	60% *	63.7% *

* Lion plc holds 100% of the issued ordinary shares of Lion (Oneland) Limited.

20(b) Subsidiaries

Interests in subsidiaries are set out in [note 16\(a\)](#).

IAS24(17)

20(c) Key management personnel compensation ³

IAS24(17)(a)
IAS24(17)(b)
IAS24(17)(c)
IAS24(17)(d)
IAS24(17)(e)

	2017 CU'000	2016 CU'000 ^{7,8}
Short-term employee benefits	2,333	2,103
Post-employment benefits	180	161
Long-term benefits	39	33
Termination benefits	115	-
Share-based payments	705	548
	3,372	2,845

Detailed remuneration disclosures are provided in the remuneration report on pages [x] to [y].³

IAS24(18)(b)

In addition to the above, the group is committed to pay the CEO and the CFO up to CU250,000 in the event of a change in control of the group. ^{7,8}

IAS24(18)

20(d) Transactions with other related parties ⁶

IAS24(18)(a)

The following transactions occurred with related parties:

	2017 CU'000	2016 CU'000 ^{7,8}
<i>Sales and purchases of goods and services</i>		
IAS24(19)(d) Sale of goods to associates	125	-
IAS24(19)(a) Purchase of management services from parent	450	370
IAS24(19)(g) Purchases of electronic equipment from other related parties	182	78
IAS24(19)(f) Purchases of various goods and services from entities controlled by key management personnel (i)	764	576
<i>Dividend revenue</i>		
IAS24(19)(g) Other related parties	150	300
<i>Superannuation contributions ⁵</i>		
IAS24(19)(g) Contributions to superannuation funds on behalf of employees *	3,719	3,287

* see [note 8\(g\)](#) for information about VALUE IFRS Plc shares held by the group's defined benefit plan and property owned by the plan that is occupied by the group.

IAS24(17)

20(d) Transactions with other related parties

	2017	2016
	CU'000	CU'000 ^{7,8}

Other transactions

IAS24(19)(a)	Dividends paid to Oneland parent entity	13,313	6,553
IAS24(19)(a)	Final call on partly paid ordinary shares paid by Oneland parent entity (note 9(a))	840	-
IAS24(19)(a)	Subscriptions for new ordinary shares by Oneland parent entity (note 9(a))	4,626	-
IAS24(19)(f)	Subscription for new ordinary shares by key management personnel as a result of the rights issue (note 9(a))	118	-

(i) Purchases from entities controlled by key management personnel

IAS24(18)

The group acquired the following goods and services from entities that are controlled by members of the group's key management personnel:

- construction of a warehouse building
- rental of an office building, and
- legal services.

20(e) Outstanding balances arising from sales/purchases of goods and services

IAS24(18)(b)

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2017	2016
	CU'000	CU'000 ^{7,8}

	Current payables (purchases of goods and services)		
IAS24(19)(a)	Lion (Oneland) Plc (parent entity)	58	73
IAS24(19)(f)	Entities controlled by key management personnel	196	91
IAS24(19)(g)	Other related parties	265	94

20(f) Loans to/from related parties

IAS24(19)(f)

Loans to key management personnel

IAS24(18)(b)	Beginning of the year	606	502
IAS24(18)(a)	Loans advanced	220	150
IAS24(18)(a)	Loan repayments received	(109)	(46)
IAS24(18)(a)	Interest charged	57	41
IAS24(18)(a)	Interest received	(57)	(41)
IAS24(18)(b)	End of year	717	606

IAS24(19)(g)

Loans to other related parties

IAS24(18)(b)	Beginning of the year	700	600
IAS24(18)(a)	Loans advanced	1,000	600
IAS24(18)(a)	Loan repayments received	(400)	(500)
IAS24(18)(a)	Interest charged	81	62
IAS24(18)(a)	Interest received	(81)	(62)
IAS24(18)(b)	End of year	1,300	700

IAS24(19)(a)

Loans from Lion (Oneland) Plc (parent entity)

IAS24(18)(b)	Beginning of the year	4,000	-
IAS24(18)(a)	Loans advanced	7,150	4,100
IAS24(18)(a)	Loan repayments made	(2,050)	(100)
IAS24(18)(a)	Interest charged	185	104
IAS24(18)(a)	Interest paid	(185)	(104)
IAS24(18)(b)	End of year	9,100	4,000

20(f) Loans to/from related parties

		2017 CU'000	2016 CU'000 ^{7,8}
IAS24(19)(d)	<i>Loans from associates</i>		
IAS24(18)(b)	Beginning of the year	-	-
IAS24(18)(a)	Loans advanced	6,285	800
IAS24(18)(a)	Loan repayments made	(200)	(800)
IAS24(18)(a)	Interest charged	245	84
IAS24(18)(a)	Interest paid	(245)	(84)
IAS24(18)(b)	End of year	6,085	-

IAS24(18)(c),(d) There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

20(g) Terms and conditions

IAS24(18)(b)(i) Transactions relating to dividends, calls on partly paid ordinary shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

The loans to key management personnel are generally for periods of 10 years repayable in quarterly instalments at interest rates of 5% per annum. They are secured by first mortgages over the individuals' residences. One unsecured loan of CU60,000 was made to a director of VALUE IFRS Plc for a period of two years with an interest rate of 8% per annum. This loan is repayable in full on 30 March 2018.

Goods were sold to associates during the year based on the price lists in force and terms that would be available to third parties. Management services were bought from the immediate parent entity on a cost-plus basis, allowing a margin ranging from 15% to 30% (2016 – 10% to 24%). All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. The average interest rate on the other loans during the year was 9.5% (2016 – 9.75%).

IAS24(18)(b)(i) Outstanding balances other than loans to key management personnel are unsecured and are repayable in cash.

Related party transactions**Presentation**

1. All of the related party information required by IAS 24 that is relevant to VALUE IFRS Plc has been presented, or referred to, in one note. This is considered to be a convenient and desirable method of presentation, but there is no requirement to present the information in this manner. Compliance with the standard could also be achieved by disclosing the information in relevant notes throughout the financial statements.

Materiality

2. The disclosures required by IAS 24 apply to the financial statements when the information is material. According to IAS 1 *Presentation of Financial Statements*, materiality depends on the size and nature of an item. It may be necessary to treat an item or a group of items as material because of their nature, even if they would not be judged material on the basis of the amounts involved. This may apply when transactions occur between an entity and parties who have a fiduciary responsibility in relation to that entity, such as those transactions between the entity and its key management personnel.

Key management personnel compensation

3. While the disclosures under IAS 24 paragraph 17 are subject to materiality, this must be determined based on both quantitative and qualitative factors. In our view, it will not be appropriate to omit the aggregate compensation disclosures based on materiality. Whether it will be possible to satisfy the disclosure by reference to another document such as a remuneration report will depend on local regulation. IAS 24 itself does not specifically permit such cross-referencing.

Related party transactions

Related party definition

4. The definition of a related party includes the following persons and entities:

- (a) A person (or a close member of that person's family) is related to the reporting entity if the person:
 - (i) has control or joint control over the reporting entity
 - (ii) has significant influence over the reporting entity, or
 - (iii) is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.
- (b) The reporting entity (A) is related to another entity (B) if:
 - (i) A and B are members of the same group (that is all entities within a group are related to each other)
 - (ii) A is an associate or joint venture of B. In this case A is related to all members of the group that B belongs to
 - (iii) A and B are joint ventures of the same third party, C
 - (iv) A is a joint venture of C and B is an associate of C (or vice versa)
 - (v) B is a post-employment benefit plan for the benefit of employees of A or an entity related to A. If A is itself a post-employment benefit plan, any sponsoring employers are also related to A
 - (vi) B is controlled or jointly controlled by a person identified in (a) above
 - (vii) a person who has control or joint control over A has significant influence over B or is a member of the key management personnel of B, or
 - (viii) B (or any member of the group of which B is a part) provides key management personnel services to A or A's parent.

In this definition, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Post-employment benefit plans

5. Post-employment benefit plans for the benefit of employees of the entity, or of any entity that is a related party of the entity, are related parties as per the definition in IAS 24 paragraph 9. This means that contributions made to such plans by the entity or any other entity in the consolidated group must be disclosed as a related party transaction, regardless of whether the plans are defined contribution or defined benefit plans.

Transactions with related parties

6. Related party transactions are transfers of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. They include commitments to do something if a particular event occurs (or does not occur) in the future and executory contracts (recognised or unrecognised). As per IAS 37, executory contracts are contracts under which neither party has performed any of its obligations, or both parties have partially performed their obligations to an equal extent.

Comparatives

- 7. IAS 24 is silent on comparatives. Under IAS 1 comparative information must be provided for all amounts reported in the financial statements, except when a standard provides otherwise, which is not the case with IAS 24. As the notes are part of the financial statements (see IAS 1(10)), comparative information should be included for all amounts that provide further analysis of the line items in the financial statements.
- 8. IAS 1 further states that comparative information should also be provided for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements. In the case of related party disclosures, comparative information is likely to be relevant for all narrative and descriptive information. The comparative information should disclose transactions with parties that were related at the time the transaction took place, but need not include information about transactions with parties that were unrelated at that time.

IAS24(9)
IAS24(IE4)-(IE26)

IAS24(12)

IAS24(9)(b)(v)
IAS19(151)

IAS24(9),(21)
IAS37(3)

IAS1(38)

Related party transactions

Disclosures not illustrated: not applicable to VALUE IFRS Plc

9. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

IAS24(18),(18A)

IAS24(25)-(27)

Issue not illustrated	Relevant disclosures or references
KMP services are provided by a separate management entity	Disclose fee paid to the management entity for the KMP services and any other transactions with that entity.
The entity applies the exemption for government related entities.	Provide the information required by IAS 24 (25) – (27).
An investment entity is exempt from consolidating certain subsidiaries and measures them at fair value through profit or loss instead.	Disclose any transactions and outstanding balances with those subsidiaries, as they are not eliminated on consolidation.

21 Share-based payments ^{1,2}

21(a) Employee Option Plan

IFRS2(44),(45)(a)

The establishment of the VALUE IFRS Employee Option Plan was approved by shareholders at the 2012 annual general meeting. The Employee Option Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on VALUE IFRS Plc's total return to shareholders (TSR), including share price growth, dividends and capital returns, ranking within a peer group of 20 selected companies that are listed on the Oneland Stock Exchange over a three year period. Once vested, the options remain exercisable for a period of two years.

Options are granted under the plan for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share fourteen days after the release of the half-yearly and annual financial results of the group to the market.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Oneland Stock Exchange during the week up to and including the date of the grant.

21(a) Employee Option Plan

Set out below are summaries of options granted under the plan:

IFRS2(45)(b)(i),(ii),(iii), (iv),(vii)	2017		2016	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	CU5.55	2,056,000	CU5.33	1,688,000
Granted during the year	CU6.18	818,000	CU5.78	814,000
Exercised during the year *	CU5.28	(228,000)	-	-
Forfeited during the year	CU5.71	(445,000)	CU5.12	(446,000)
As at 31 December	CU5.78	2,201,000	CU5.55	2,056,000
Vested and exercisable at 31 December	CU5.28	263,000	-	-

IFRS2(45)(c) * The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2017 was CU6.35 (2016 – not applicable).

IFRS2(45)(b)(v) No options expired during the periods covered by the above tables.

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

IFRS2(45)(a),(b),(vi),(d)	Grant Date	Expiry date	Exercise price	Share options 31 December 2017	Share options 31 December 2016
	1 November 2014	30 October 2019	CU5.28	263,000	546,000
	1 November 2015	30 October 2020	CU5.51	569,000	709,000
	1 November 2016	30 October 2021	CU5.78	641,000	801,000
	1 November 2017	30 October 2022	CU6.18	728,000	-
	Total			2,201,000	2,056,000
	Weighted average remaining contractual life of options outstanding at end of period			3.67 years	3.96 years

(i) Fair value of options granted

IFRS2(46),(47)(a)(i) The assessed fair value at grant date of options granted during the year ended 31 December 2017 was CU1.80 per option (2016 – CU1.75). The fair value at grant date is independently determined using an adjusted form of the Black Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

IFRS2(47)(a)(i) The model inputs for options granted during the year ended 31 December 2017 included:

- (a) options are granted for no consideration and vest based on VALUE IFRS Plc's TSR ranking within a peer group of 20 selected companies over a three year period. Vested options are exercisable for a period of two years after vesting
- (b) exercise price: CU6.18 (2016 – CU5.78)
- (c) grant date: 1 November 2017 (2016 – 1 November 2016)
- (d) expiry date: 30 October 2022 (2016 – 30 October 2021)
- (e) share price at grant date: CU6.12 (2016 – CU5.83)
- (f) expected price volatility of the company's shares: 35% (2016 – 30%)
- (g) expected dividend yield: 3.8% (2016 – 3.2%)
- (h) risk-free interest rate: 6% (2016 – 5.5%)

IFRS2(47)(a)(ii) The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

21(b) Deferred shares – executive short-term incentive scheme

IFRS2(45)(a)

Under the group's short-term incentive (STI) scheme, executives receive 50% of the annual STI achieved in cash and 50% in the form of rights to deferred shares of VALUE IFRS Plc. The rights are granted on the 28 February of the following year and vest after two years from the grant date. They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executives do not receive any dividends and are not entitled to vote in relation to the deferred shares during the vesting period. If an executive ceases to be employed by the group within this period, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

The deferred shares are administered by the VALUE IFRS Employee Share Trust. This trust is consolidated in accordance with [note 25\(b\)\(i\)](#). The shares are acquired on market at the grant date and are held as treasury shares until such time as they are vested. Forfeited shares are reallocated in subsequent grants. Under the terms of the trust deed, VALUE IFRS Plc is required to provide the trust with the necessary funding for the acquisition of the shares at the time of the grant.

IFRS12(14),(17)

IFRS2(47)(b)

The number of rights to be granted is determined based on the currency value of the achieved STI divided by the weighted average price at which the company's shares are traded on the Oneland Stock Exchange during the week up to and include the date of the grant (CU5.94 for the rights granted in February 2017 and CU6.08 for the rights granted in 2016).

	2017	2016
Number of rights to deferred shares granted on 28 February 2017 (28 February 2016)	57,636	52,364
Fair value of rights at grant date	CU5.50	CU5.71

IFRS2(47)(b)

The fair value of the rights at grant date was estimated by taking the market price of the company's shares on that date less the present value of expected dividends that will not be received by the executives on their rights during the two year vesting period.

(i) Net settlement feature for withholding tax obligations

Under Oneland tax law, VALUE IFRS Plc must withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount in cash to the tax authority on the employee's behalf. The deferred shares granted under the group's STI scheme include a net settlement feature under which the trust withholds shares in order to settle the employee's tax obligations.

In previous years, the full number of shares were initially issued to the employees with the trust subsequently selling the required number of shares on-market on behalf of the employees to settle the tax obligation. This allowed the entire award to be accounted for as an equity-settled award.

In 2017, the group has taken advantage of the exception introduced by the amendments to IFRS 2 (see [note 25\(a\)\(iii\)](#) below) and is now settling the deferred share grant on a net basis by withholding the number of shares with a fair value equal to the monetary value of the employee's tax obligation and only issuing the remaining shares on completion of the vesting period. This reduces the dilutive impact of the deferred share scheme.

21(c) Employee share scheme

IFRS2(44),(45)(a)

A scheme under which shares may be issued by the company to employees for no cash consideration was approved by shareholders at the 2013 annual general meeting. All Oneland resident permanent employees (excluding executive directors, other key management personnel of the group and the group company secretary) who have been continuously employed by the group for a period of at least one year are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Since the current reporting period, the employee share scheme is also administered by the VALUE IFRS Employee Share Trust. This Trust is consolidated in accordance with [note 25\(b\)\(i\)](#).

Shares issued by the trust to the employees are acquired on-market prior to the issue. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements (see [note 9\(b\)](#)).

21(c) Employee share scheme

IFRS2(47)(b)

Under the scheme, eligible employees may be granted up to CU1,000 worth of fully paid ordinary shares in VALUE IFRS Plc annually for no cash consideration. The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the company's shares are traded on the Oneland Stock Exchange during the week up to and including the date of grant. The shares are recognised at the closing share price on the grant date (grant date fair value) as an issue of treasury shares by the trust (in 2016 as share capital) and as part of employee benefit costs in the period the shares are granted.

IFRS2(46)

Offers under the scheme are at the discretion of the company, and no offer may be made unless annual profit growth in the financial year prior to the date of the offer was at least 3% greater than the increase in the consumer price index.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment by the group. In all other respects the shares rank equally with other fully-paid ordinary shares on issue (refer to [note 9\(a\)](#)).

		2017	2016
IFRS2(45)(a)	Number of shares issued under the plan to participating employees on 1 June 2017 (2 June 2016)	145,902	142,857

IFRS2(47)(b)

Each participant was issued with shares worth CU1,000 based on the weighted average market price of CU6.42 (2016 – CU5.50). The shares had a grant date fair value of CU6.18 (2016 – CU5.59).

21(d) Share appreciation rights

IFRS2(44),(45)(a)

In September 2017, the remuneration committee decided to reward divisional managers for their contribution to the performance of the group by granting them 200,000 share appreciation rights (SARs). The rights entitle the employees to a cash payment after three years of service. The amount payable will be determined based on the increase of VALUE IFRS Plc's share price between the grant date (25 September 2017: CU5.43) and the vesting date (25 September 2020). The rights must be exercised on vesting date and will expire if not exercised on that date.

IFRS2(46)

The fair value of the SARs was determined using the Black-Scholes model using the following inputs as at 31 December 2017:

	31 December 2017
	CU6.19
Share price at measurement date	
Expected volatility	32%
Dividend yield	3.8%
Risk-free interest rate	6%
IFRS2(51)(b)(i) Carrying amount of liability – included in employee benefit obligations (note 8(g))	CU138,000

IFRS2(51)(b)(ii)

There were no SARs granted in prior years and none of the SARs had vested as at 31 December 2017.

21(e) Expenses arising from share-based payment transactions

IFRS2(50),(51)(a)

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2017 CU'000	2016 CU'000
Options issued under employee option plan	896	330
Deferred shares issued under the short-term incentive scheme	220	225
Shares issued under employee share scheme	902	798
Share appreciation rights	138	-
	2,156	1,353

Share-based payments

Disclosures not illustrated: not applicable to VALUE IFRS Plc

Fair value of goods or services received, or of equity instruments granted

- The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

Issue not illustrated	Relevant disclosures or references
Modification of share-based payment arrangements	Explain the modifications, disclose the incremental fair value granted and how this was measured (see below).
Rebuttal of the presumption that the fair value of goods of services received from parties other than employees can be measured reliably	Disclose that fact and explain why the presumption was rebutted.
The information disclosed does not satisfy the principles in IFRS 2 paragraphs 44, 46 and 50	Provide additional information as necessary.

- The following illustrative disclosure may be useful where relevant to an entity:

Modification of share-based payment arrangements

In May 2017, VALUE IFRS Plc increased the vesting period for the employee share options granted in October 2016 from three to five years and reduced the exercise price to CU4.00 to reflect the recent fall in the company's share price. The fair value of the options at the date of the modification was determined to be CU2.05. The incremental fair value of CU0.25 will be recognised as an expense over the period from the modification date to the end of the extended vesting period. The expense for the original option grant will continue to be recognised as if the terms had not been modified.

The fair value of the modified options was determined using the same models and principles as described above, with the following model inputs: [provide details].

22 Earnings per share ¹

		2017 Cents	2016 Cents
	22(a) Basic earnings per share		
	From continuing operations attributable to the ordinary equity holders of the company	55.2	44.5
IAS33(68)	From discontinued operation	1.2	0.7
	Total basic earnings per share attributable to the ordinary equity holders of the company	56.4	45.2
	22(b) Diluted earnings per share		
	From continuing operations attributable to the ordinary equity holders of the company	54.2	44.3
IAS33(68)	From discontinued operation	1.2	0.7
	Total diluted earnings per share attributable to the ordinary equity holders of the company	55.4	45.0
	22(c) Reconciliations of earnings used in calculating earnings per share		
		2017 CU'000	2016 CU'000
IAS33(70)(a)	<i>Basic earnings per share</i>		
	Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
	From continuing operations	33,531	26,296
	From discontinued operation	755	399
		34,286	26,695
IAS33(70)(a)	<i>Diluted earnings per share</i>		
	Profit from continuing operations attributable to the ordinary equity holders of the company:		
	Used in calculating basic earnings per share	33,531	26,296
IAS33(70)(a)	Add: interest savings on convertible notes	435	-
	Used in calculating diluted earnings per share	33,966	26,296
	Profit from discontinued operation	755	399
	Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	34,721	26,695
	22(d) Weighted average number of shares used as the denominator		
		2017 Number	2016 Number
IAS33(70)(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	60,807,309	59,100,304
IAS33(70)(b)	Adjustments for calculation of diluted earnings per share:		
	Amounts uncalled on partly paid shares and calls in arrears	101,082	90,512
	Options	166,100	87,361
	Deferred shares	101,040	82,358
	Convertible notes	1,455,996	-
IAS33(70)(b)	Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	62,631,527	59,360,535

22(e) Information concerning the classification of securities**(i) Partly paid ordinary shares**

IAS33(72)

Partly paid ordinary shares carry the right to participate in dividends in proportion to the amount paid relative to the total issue price. To that extent they have been recognised as ordinary share equivalents in the determination of basic earnings per share. Amounts uncalled on partly paid shares and calls in arrears are treated as the equivalent of options to acquire ordinary shares and are included as potential ordinary shares in the determination of diluted earnings per share.

(ii) Options

IAS33(72)

Options granted to employees under the VALUE IFRS Employee Option Plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required TSR hurdles would have been met based on the company's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in [note 21](#).

IAS33(70)(c)

The 818,000 options granted on 1 November 2017 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2017. These options could potentially dilute basic earnings per share in the future.

(iii) Deferred shares

IAS33(46),(72)

Rights to deferred shares granted to executives under the group's short-term incentive scheme are included in the calculation of diluted earnings per share assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share. Further information about the rights is provided in [note 21](#).

(iv) Convertible notes

IAS33(72)

Convertible notes issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The notes have not been included in the determination of basic earnings per share. Details relating to the notes are set out in [note 7\(g\)](#).

(v) 7% non-redeemable participating preference shares

IAS33(72)

The 7% non-redeemable participating preference shares were classified as equity and were a separate category of ordinary shares for the purposes of determining earnings per share, rather than potential ordinary shares. The shares were bought back and cancelled during the year (see [note 9\(a\)](#)). They have not been included in the determination of basic or diluted earnings per share as no shares were on issue at year end in this category of ordinary shares.

(vi) 6% cumulative redeemable preference shares

IAS33(72)

The 6% cumulative redeemable preference shares are not ordinary or potential ordinary shares and have not been included in the determination of basic and diluted earnings per share. These shares are classified as liabilities (see [note 7\(g\)](#)).

Earnings per share

Disclosures not illustrated: not applicable to VALUE IFRS Plc

1. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

	Issue not illustrated	Relevant disclosures or references
IAS33(70)(d)	Share transactions after the end of the reporting period	Provide a description of material share transactions that occurred after the end of the reporting period and that were not retrospectively adjusted in the calculation of EPS.
IAS33(73)	EPS based on alternative earnings	Indicate the basis on which the alternative earnings are determined, including whether the amounts are before or after tax. Provide a reconciliation between the earnings used and a line item that is reported in the statement of comprehensive income, where necessary.
IAS1(112)(c)	Major capital restructuring	Consider providing appropriate explanations in the notes where the restructuring had a significant impact on the EPS information that was calculated in accordance with the requirements of IAS 33.
IAS33(64)	The number of ordinary or potential ordinary shares changes as a result of a capitalisation, bonus issue, share split or reverse share split	Retrospectively adjust the calculation of basic and diluted EPS for all periods presented and explain the changes made. This applies regardless of whether the change occurred during the reporting period or after the end of the period before the financial statements are authorised for issue.

23 Offsetting financial assets and financial liabilities^{1-4,7}

IAS32(42)
IFRS7(13A),(13B)

Financial assets and liabilities are offset and the net amount reported in the balance sheet where VALUE IFRS Plc currently has 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. VALUE IFRS Plc has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2017 and 31 December 2016. The column 'net amount' shows the impact on the group's balance sheet if all set-off rights were exercised.

IFRS7(13C)

	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subject to master netting arrangements	Financial instrument collateral	Net amount
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
2017						
Financial assets						
Cash and cash equivalents (c)	57,098	-	57,098	-	(24,678)	32,420
Trade and other receivables (a)(i),(c)	18,329	(999)	17,330	-	(12,410)	4,920
Financial assets at FVPL (c)	11,300	-	11,300	-	(11,300)	-
Other financial assets (a)(ii)	1,000	(1,000)	-	-	-	-
Derivative financial instruments (b),(c)	2,162	-	2,162	(308)	(1,088)	766
Total	89,889	(1,999)	87,890	(308)	(49,476)	38,106
Financial liabilities						
Trade payables (a)(i)	12,589	(999)	11,590	-	-	11,590
Borrowings (a)(ii),(c)	101,444	(1,000)	100,444	-	(52,726)	47,718
Derivative financial instruments (b)	1,376	-	1,376	(308)	-	1,068
Total	115,409	(1,999)	113,410	(308)	(52,726)	60,376
2016						
Financial assets						
Cash and cash equivalents (c)	31,268	-	31,268	-	(11,154)	20,114
Trade and other receivables (a)(i),(c)	11,317	(450)	10,867	-	(9,542)	1,325
Financial assets at FVPL (c)	10,915	-	10,915	-	(10,915)	-
Other financial assets (a)(ii)	1,000	(1,000)	-	-	-	-
Derivative financial instruments (b),(c)	2,129	-	2,129	(621)	(640)	868
Total	56,629	(1,450)	55,179	(621)	(32,251)	22,307
Financial liabilities						
Trade payables (a)(i)	9,670	(450)	9,220	-	-	9,220
Borrowings (a)(ii),(c)	89,080	(1,000)	88,080	-	(32,251)	55,829
Derivative financial instruments (b)	1,398	-	1,398	(621)	-	777
Total	100,148	(1,450)	98,698	(621)	(32,251)	65,826

23(a) Offsetting arrangements

(i) Trade receivables and payables

IFRS7(13B)

VALUE IFRS Manufacturing Limited gives volume-based rebates to selected wholesalers. Under the terms of the supply agreements, the amounts payable by VALUE IFRS Manufacturing Limited are offset against receivables from the wholesalers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet.

(ii) Borrowings

IFRS7(13B)

VALUE IFRS Plc is required to maintain cash on deposit of CU1,000,000 in respect of certain borrowings. The cash cannot be withdrawn or used by the company for liquidity purposes whilst the borrowing is outstanding. Upon maturity of the borrowing, the company and the lender intend to net settle. As a result, VALUE IFRS Plc's borrowings have been presented net of the cash on deposit, as the requirements under IFRS to offset have been met.

23(b) Master netting arrangements – not currently enforceable ⁵

IFRS7(13E),(B50)

Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As Value IFRS Plc does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the table above.

23(c) Collateral against borrowings ⁶

IFRS7(13C)

VALUE IFRS Plc has pledged financial instruments as collateral against a number of its borrowings. Refer to [note 24](#) for further information on financial and non-financial collateral pledged as security against borrowings.

Offsetting financial assets and financial liabilities

Scope

1. Because of the broad scope of the offsetting requirements, the disclosures are relevant not only to financial institutions but also corporate entities.
2. The offsetting disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with paragraph 42 of IAS 32. While there is no definition of “master netting arrangement”, a master netting arrangement will commonly:
 - (a) provide for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract
 - (b) be used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations, and
 - (c) create a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.
3. The offsetting disclosures do not apply to arrangements, such as:
 - (a) financial instruments with only non-financial collateral agreements
 - (b) financial instruments with financial collateral agreements but no other rights of set-off, and
 - (c) loans and customer deposits with the same financial institution, unless they are set off in the balance sheet

Location of disclosures

4. Where the disclosures are provided in more than one note to the financial statements, cross references between the notes shall be included. Entities with significant offsetting arrangements should consider including this information more prominently, for example together with the information about financial risk management or as part of their financial assets/financial liabilities disclosures.

Master netting without offsetting

5. An entity may have entered into one or more master netting arrangements that serve to mitigate its exposure to credit loss but do not meet the criteria for offsetting. When a master netting arrangement significantly reduces the credit risk associated with financial assets not offset against financial liabilities with the same counterparty, the entity must provide additional information concerning the effect of the arrangement.

Collateral arrangements

6. Where an entity has pledged financial instruments (including cash) as collateral, this is only required to be disclosed as part of the offsetting disclosures where there are other set off arrangements currently in place in relation to the same instrument(s). That is, disclosure is not required where the only potential effect of the set off relates to a collateral agreement. VALUE IFRS Plc illustrates an example where cash has been set off against borrowings held by the entity. As a result, it is required to disclose other financial instrument collateral provided in relation to this borrowing.

Offsetting financial assets and financial liabilities

Cash pooling arrangements

IAS32(42)

7. Some groups have cash pooling arrangements in place whereby cash surpluses and overdrafts residing in an entity's or group's various bank accounts are pooled together to create a net surplus or overdraft. The IFRS Interpretations Committee considered these arrangements in April 2016 and concluded that positive cash balances and overdrafts cannot be offset to the extent that the entity does not intend to settle the period end balances on a net basis. Some arrangements are unlikely to satisfy the offsetting requirements in IAS 32 unless the balances are settled or transferred into a netting account as at the reporting date.

24 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Notes	2017 CU'000	2016 CU'000
Current			
Transferred receivables		3,250	-
<i>Floating charge</i>			
IFRS7(14)(a) Cash and cash equivalents	7(e)	24,678	11,154
IFRS7(14)(a) Receivables	7(a)	12,410	9,542
IFRS7(14)(a) Financial assets at fair value through profit or loss	7(d)	11,300	10,915
IFRS7(14)(a) Derivative financial instruments	12(a)	1,088	640
Total current assets pledged as security		52,726	32,251
Non-current			
<i>First mortgage</i>			
IAS16(74)(a) Freehold land and buildings	8(a)	24,950	23,640
IAS40(75)(g) Investment properties	8(b)	13,300	10,050
		38,250	33,690
<i>Finance lease</i>			
IAS16(74)(a) Plant and equipment	8(a)	2,750	2,950
<i>Floating charge</i>			
IFRS7(14)(a) Receivables – non-current	7(a)	1,300	700
IFRS7(14)(a) Available-for-sale financial assets	7(c)	11,110	5,828
IFRS7(14)(a) Held-to-maturity investments	7(b)	1,210	-
IFRS7(14)(a) Derivative financial instruments	12(a)	308	712
IAS16(74)(a) Plant and equipment	8(a)	6,150	4,100
		20,078	11,340
Total non-current assets pledged as security		61,078	47,980
Total assets pledged as security		113,804	80,231

IAS1(117)

25 Summary of significant accounting policies ^{1-5,15,16}

IAS1(112)(a),(b)
(51)(b)

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of VALUE IFRS Plc and its subsidiaries.

IAS1(112)(a),(117)

25(a) Basis of preparation

(i) Compliance with IFRS

IAS1(16)

The consolidated financial statements of the VALUE IFRS Plc group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

IAS1(117)(a)

The financial statements have been prepared on a historical cost basis, except for the following:

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale – measured at fair value less cost of disposal, and
- defined benefit pension plans – plan assets measured at fair value.

(Revised requirement)

(iii) New and amended standards adopted by the group ⁶

IAS8(28)

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12*, and
- *Disclosure initiative – amendments to IAS 7*.

The group also elected to adopt the following amendments early: ⁶

- *Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2*
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*, and
- *Transfers of Investment Property – Amendments to IAS 40*.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods. However, had the amendments to IFRS 2 not been adopted in the current period, there would have been a small increase in the share-based payment expense and an associated reduction in tax expense. Future profits could also be affected through the requirement to remeasure the proportion of the share-based payment that would have had to be accounted for as cash-settled under the old rules, see [note 21\(b\)](#).

The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, see [note 10\(c\)](#).

IAS1(112)(a),(117)

25(a) Basis of preparation**(iv) New standards and interpretations not yet adopted 7-9**

IAS8(30)

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

(Revised requirement)	Title of standard	IFRS 9 <i>Financial Instruments</i>
	Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
	Impact	<p>The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:</p> <p>The majority of the group's debt instruments that are currently classified as available-for-sale will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. However, certain investments in preference shares do not meet the criteria to be classified either as at FVOCI or at amortised cost and CU1,100,000 will have to be reclassified to financial assets at fair value through profit or loss (FVPL). Related fair value gains of CU120,000 will have to be transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.</p> <p>The group also expects that certain investments in listed corporate bonds will qualify for classification at amortised cost going forward. Their fair value of CU150,000 will be deemed to be the starting amortised cost for these assets as at 1 January 2018 and there will therefore be no impact on retained earnings from the reclassification.</p> <p>The other financial assets held by the group include:</p> <ul style="list-style-type: none"> • equity instruments currently classified as AfS for which a FVOCI election is available • equity investments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under IFRS 9, and • debt instruments currently classified as held-to-maturity and measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9. <p>Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, CU646,000 of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.</p> <p>There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and have not been changed.</p> <p>The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9. In addition, the group intends to designate the intrinsic value of foreign currency option contracts as hedging instruments going forward. These are currently accounted as held-for-trading derivatives at FVPL.</p> <p>Changes in the fair value of foreign exchange forward contracts attributable to forward points, and in the time value of the option contracts, will in future be deferred in a new costs of hedging reserve within equity. The deferred amounts will be recognised against the related hedged transaction when it occurs.</p>

IAS1(112)(a),(117)

25(a) Basis of preparation

(Revised requirement)	Title of standard	IFRS 9 <i>Financial Instruments</i>
		<p>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 <i>Revenue from Contracts with Customers</i>, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the group expects a small increase in the loss allowance for trade creditors by approximately 15% and in relation to debt investments held at amortised cost.</p> <p>The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.</p>
	Date of adoption by group	Must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated, except in relation to changes in the fair value of foreign exchange forward contracts attributable to forward points, which will be recognised in the costs of hedging reserve.
(Revised requirement)	Title of standard	IFRS 15 <i>Revenue from Contracts with Customers</i>
	Nature of change	<p>The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>
	Impact	<p>Management has assessed the effects of applying the new standard on the group's financial statements and has identified the following areas that will be affected:</p> <ul style="list-style-type: none"> Accounting for the customer loyalty programme – IFRS 15 requires that the total consideration received must be allocated to the points and goods based on relative stand-alone selling prices rather than based on the residual value method. This will result in higher amounts being allocated to the goods sold and result in an earlier recognition of a portion of the revenue. The group estimates that deferred revenue will have to be reduced by approximately CU50,000, deferred tax assets by CU15,000 and retained earnings increased by CU35,000 on 1 January 2018. Accounting for certain costs incurred in fulfilling a contract – in 2017, the group expensed costs of CU520,000 related to the data transfer for the set-up of an IT platform relating to a long term IT contract, as they did not qualify for recognition as an asset under any of the other accounting standards. However, the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered. They will therefore be eligible for capitalisation under IFRS 15 and recognised as a contract asset as of 1 January 2018. A deferred tax liability of CU156,000 will arise as a consequence and the net impact on retained earnings will be CU464,000. Presentation of contract assets and contract liabilities in the balance sheet – IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to IT consulting contracts and contract liabilities in relation to expected volume discounts, rights to return and the customer loyalty programme which are currently included in other balance sheet line items. <p>The application of IFRS 15 may further result in the identification of separate performance obligations in relation to IT consulting contracts which could affect the timing of the recognition of revenue going forward.</p>
	Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IAS1(112)(a),(117)

25(a) Basis of preparation

(Revised requirement)	Title of standard	IFRS 16 Leases
	Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
	Impact	The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of CU7,090,000, see note 18 . The group estimates that approximately 20-30% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. However, the group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.
	Mandatory application date/ Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

IAS1(119)

25(b) Principles of consolidation and equity accounting**(i) Subsidiaries**

IFRS10(5)-(7),(20),(25)

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

IFRS3(4)

The acquisition method of accounting is used to account for business combinations by the group (refer to [note 25\(i\)](#)).

IFRS10(19),(B86)(c)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

IFRS10(22)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

IAS1(119)

(ii) Associates

IAS28(5),(16)

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

IFRS11(14)

Under IFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. VALUE IFRS Plc has both joint operations and joint ventures.

IAS1(119)	25(b) Principles of consolidation and equity accounting
	Joint operations
IFRS11(20)	VALUE IFRS Plc recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 16(d) .
	Joint ventures
IFRS11(24) IAS28(10)	Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.
	(iv) Equity method
IAS28(10)	Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.
IAS28(38),(39)	When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.
IAS28(28),(30)	Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.
IAS28(42)	The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 25(j) .
	(v) Changes in ownership interests
IFRS10(23)(B96)	The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of VALUE IFRS Plc.
IFRS10(25),(B97)-(B99) IAS28(22)	When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.
IAS28(25)	If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.
IAS1(119)	25(c) Segment reporting
IFRS8(5),(7)	Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.
	The board of VALUE IFRS Plc has appointed a strategic steering committee which assesses the financial performance and position of the group, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.
IAS1(119),(120)	25(d) Foreign currency translation
IAS1(119)	(i) Functional and presentation currency
IAS21(9),(17),(18) IAS1(51)(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 Oneland currency units (CU), which is VALUE IFRS Plc's functional and presentation currency.

IAS1(119),(120)

25(d) Foreign currency translation

IAS1(119)

(ii) Transactions and balancesIAS21(21),(28),
(32)
IAS39(95)(a),
(102)(a)

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

IAS21(23)(c)
IAS21(30)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

IAS1(119)

(iii) Group companies

IAS21(39)

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

IAS21(39)

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this 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 dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

IAS39(102)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

IAS21(47)

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

IAS1(119)

25(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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 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.

The specific accounting policies for the group's main types of revenue are explained in [note 3](#).

IAS1(119)

25(f) Government grants

IAS20(7),(39)(a)

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. [Note 5](#) provides further information on how the group accounts for government grants.

IAS1(119),(120)

25(g) Income tax

IAS12(46)

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

IAS12(12),(46)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period 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.

IAS12(15),(24),(47)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

IAS12(51C)

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

IAS12(24),(34)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

IAS12(39),(44)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

IAS12(71),(74)

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

IAS12(61A)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowances and similar tax incentives

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg the Research and Development Tax Incentive regime in Oneland or other investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

IAS1(119)

25(h) Leases

IAS17(20),(25),(27)

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (**note 8(a)**). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

IAS17(33)
SIC15(5)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (**note 18**). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

IAS17(49),(50)

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term (**note 8(b)**). The respective leased assets are included in the balance sheet based on their nature.

IAS1(119),(120)

25(i) Business combinationsIFRS3(5),(37),(39),
(53),(18),(19)

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

IFRS3(32),(34)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

IFRS3(42)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

IAS1(119)

25(j) Impairment of assets

IAS36(9),(10)

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

IAS1(119)

25(k) Cash and cash equivalents

IAS7(6),(8),(46)

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

IAS1(119)

25(l) Trade receivablesIFRS7(21)
IAS39(46)(a)

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See [note 7\(a\)](#) for further information about the group's accounting for trade receivables and [note 12\(c\)](#) for a description of the group's impairment policies.

IAS1(119)

25(m) Inventories

IAS1(119)

(i) Raw materials and stores, work in progress and finished goodsIAS2(9),(10),(25),
(36)(a)

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

IAS1(119)

(ii) Land held for resaleIAS2(9),(10),(23),
(36)(a)
IAS23(8),(22)

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

IAS1(119)

25(n) Non-current assets (or disposal groups) held for sale and discontinued operations

IFRS5(6),(15)

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

IFRS5(20)-(22)

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

IFRS5(25)

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

IFRS5(38)

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

IFRS5(31),(32),
(33)(a)

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

IAS1(119)
IFRS7(21)**25(o) Investments and other financial assets ¹⁰****(i) Classification**

IAS39(45)

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See [note 7](#) for details about each type of financial asset.

IAS1(119)
IFRS7(21)**25(o) Investments and other financial assets****(ii) Reclassification**

IAS39(50)-(50E)

The group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

IAS39(50F)

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Recognition and derecognitionIAS39(38)
IFRS7(21),(B5)(c)

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iv) Measurement ¹⁰IFRS7(21)
IAS39(43)

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

IAS39(46)(a),(b)

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

IAS39(46),
(55)(a),(b)
IFRS7(21),(B5)(e)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.¹¹

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established.¹¹

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.¹¹

IFRS13(91)

Details on how the fair value of financial instruments is determined are disclosed in [note 7\(h\)](#).

IAS1(119)
IFRS7(21)**25(o) Investments and other financial assets****(v) Impairment**

IAS39(58),(59)

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. 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 considered an indicator that the assets are impaired.

Assets carried at amortised cost

IAS39(63)

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. 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.

IAS39(65)

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 profit or loss.

Impairment testing of trade receivables is described in [note 12\(c\)](#).

IAS39(67)-(70)

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period 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 profit or loss.

(vi) Income recognition

IAS1(119)

*Interest income*IAS18(35)(a)
IAS39(AG93)

Interest income is recognised using the effective interest method. When a 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 loans is recognised using the original effective interest rate.

IAS1(119)

*Dividends*IAS18(35)(a)
IAS27(12)

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer [note 25\(o\)](#).

IAS1(119)
IFRS7(21)
IAS39(46)

25(p) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value 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:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

IAS39(86)

IAS39(88)

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge 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 have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in [note 7\(h\)](#). Movements in the hedging reserve in shareholders' equity are shown in [note 9\(c\)](#). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified 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.

IAS1(119)

(i) Cash flow hedge

IAS39(95),(97),(98)

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 and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.¹¹

IAS39(100)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance 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 profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. 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 reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

IAS39(98)(b)

IAS39(101)

When a hedging instrument expires or is sold or terminated, 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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

IAS1(119)

(ii) Net investment hedges

IAS39(102)

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

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.¹¹

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

IAS1(119)

(iii) Derivatives that do not qualify for hedge accounting

IAS39(55)(a)

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.¹¹

IAS1(119)
IFRS7(21)
IAS39(47)(c)

25(q) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

IAS1(119)

25(r) Property, plant and equipment

IAS16(73)(a),(35)(b),(17)
IAS39(98)(b)

The group's accounting policy for land and buildings is explained in [note 8\(a\)](#). 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 or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

IAS16(12)

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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

IAS16(39)

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

IAS16(50),(73)(b)

The depreciation methods and periods used by the group are disclosed in [note 8\(a\)](#).

IAS16(51)

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

IAS36(59)

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 25\(j\)](#)).

IAS16(68),(71),(41)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

IAS1(119)

25(s) Investment properties

IAS40(75)(a)

The group's accounting policy for investment properties is disclosed in [note 8\(b\)](#).

IAS1(119)

25(t) Intangible assets

IAS1(119)

(i) Goodwill

IFRS3(32)
IAS36(10)

Goodwill is measured as described in [note 25\(i\)](#). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

IAS36(80)

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. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments ([note 2](#)).

IAS1(119)

25(t) Intangible assets

IAS1(119)

(ii) Trademarks, licences and customer contractsIAS38(74),(97),
(118)(a),(b)

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

IAS1(119)

(iii) SoftwareIAS38(57),(66),(74),
(97),(118)(a),(b)

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

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

IAS1(119)

(iv) Research and development

IAS38(54),(71)

Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

IAS1(119)

(v) Amortisation methods and periods

Refer to **note 8(c)** for details about amortisation methods and periods used by the group for intangible assets.

IAS1(119)

25(u) Trade and other payablesIFRS7(21)
IAS39(43)

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

IAS1(119)

25(v) BorrowingsIFRS7(21)
IAS39(43),(47)

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

IAS32(18)

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

IAS32(18),(28),
IAS31(a)

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

IAS39(39),(41)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

IFRIC19(9)

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

IAS1(69)

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 reporting period.

IAS1(119)
IAS23(8)**25(w) Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

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

IAS1(119)

25(x) ProvisionsIAS37(14),(24),
(63)

Provisions for legal claims, service warranties and make good obligations 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 can be reliably estimated. Provisions are not recognised for future operating losses.

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.

IAS37(36),(45),
(47),(60)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

IAS1(119)

25(y) Employee benefits**(i) Short-term obligations ¹²**

IAS19(11),(13)

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

IAS1(119)

25(y) Employee benefits

IAS19(8),(155),(156)

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

IAS1(69)(d)

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Pension obligations

IAS19(57),(67)

The liability or asset 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. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

IAS19(83),(86)

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 approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

IAS19(123)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

IAS19(57)(d)

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

IAS19(103)

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

IAS19(51)

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.

Other post-employment obligations

IAS19(155)

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. Remeasurement 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.

IAS1(119)

25(y) Employee benefits

IAS1(119)

(iv) Share-based payments¹³

Share-based compensation benefits are provided to employees via the VALUE IFRS Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in [note 21](#).

Employee options

IFRS2(15)(b),(19)

The fair value of options granted under the VALUE IFRS Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

IFRS2(21)

- including any market performance conditions (eg the entity's share price)

IFRS2(20)

- excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

IFRS2(21A)

- including the impact of any non-vesting conditions (eg the requirement for employees to save or holdings shares for a specific period of time).

IFRS2(19)

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 period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

The Employee Option Plan is administered by the VALUE IFRS Employee Share Trust, which is consolidated in accordance with the principles in [note 25\(b\)\(i\)](#). When the options are exercised, the trust transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

Employee share scheme

Under the employee share scheme, shares issued by the VALUE IFRS Employee Share Trust to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

Deferred shares

IFRS2(15),(16),(19)

The fair value of deferred shares granted to employees for nil consideration under the short-term incentive scheme is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

IFRS2(19)

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

The deferred shares are acquired by the VALUE IFRS Employee Share Trust on market at the grant date and are held as treasury shares until such time as they are vested (see [note 25\(z\)](#) below).

Share appreciation rights

IFRS2(30)

Liabilities for the group's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as employee benefit obligations in the balance sheet.

IAS1(119)

(v) Profit-sharing and bonus plans

IAS19(19)

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.

IAS1(119)	25(y) Employee benefits
IAS1(119)	<i>(vi) Termination benefits</i>
IAS19(165),(166)	Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.
	<i>(vii) Reclassification of employee benefit obligations ¹⁴</i>
IAS1(41)	The group's liabilities for accumulating sick leave and other long-term employee benefit obligations were previously presented as provisions in the balance sheet. However, management considers it to be more relevant if all employee benefit obligations are presented in one separate line item in the balance sheet. Prior year comparatives as at 31 December 2016 have been restated by reclassifying CU470,000 from current provisions to current employee benefit obligations and CU2,270,000 from non-current provisions to non-current employee benefit obligations (CU440,000 and CU2,196,000 respectively as at 1 January 2016).
IAS1(119)	25(z) Contributed equity
IAS32(18)(a)	Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 7(g)).
IAS32(35),(37)	Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.
IAS32(33)	Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of VALUE IFRS Plc as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of VALUE IFRS Plc.
IAS32(33)	Shares held by the VALUE IFRS Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.
IAS1(119)	25(aa) Dividends
IAS10(12),(13)	Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.
IAS1(119)	25(ab) Earnings per share
	<i>(i) Basic earnings per share</i>
IAS33(10)	Basic earnings per share is calculated by dividing: <ul style="list-style-type: none"> the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 9(b)).
	<i>(ii) Diluted earnings per share</i>
IAS33(30)	Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account: <ul style="list-style-type: none"> the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.
IAS1(119)	25(ac) Rounding of amounts
IAS1(51)(e)	All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

Summary of significant accounting policies

Whether to disclose an accounting policy

IAS1(119)

1. 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. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in IFRS.
2. Some IFRS 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 and IFRS 3 *Business Combinations* requires disclosure of the measurement basis used for non-controlling interest acquired during the period.
3. In this publication, we have disclosed policies that are specific to the entity and relevant for an understanding of individual line items in the financial statements together with the notes for those line items. Other, more general policies are disclosed in [note 25](#). Where permitted by local requirements, entities could consider moving these non-entity specific policies into an Appendix.

Change in accounting policy – new and revised accounting standards

IAS8(28)

4. Where an entity has changed any of its accounting policies either as a result of a new or revised accounting standard or voluntarily it must explain the change in its notes. Additional disclosures are required where a policy is changed retrospectively, see [note 26](#) for further information.

IAS8(28)

5. New or revised accounting standards and interpretations only need to be disclosed if they resulted in a change in accounting policy which had an impact in the current year or could impact on future periods. There is no need to disclose pronouncements that did not have any impact on the entity's accounting policies and amounts recognised in the financial statements. VALUE IFRS Plc has disclosed amendments that could have affected its accounting policies but doesn't mention standards that are not relevant to it (eg on bearer plants or regulatory deferral accounts). A complete list of standards and interpretations that apply for the first time to financial reporting periods commencing on or after 1 January 2017 is set out in [Appendix D](#).

Early adoption of accounting standards

6. VALUE IFRS Plc does not generally adopt any standards or amendments to standards early, unless the amendments are only clarifying existing practice and do not introduce any major changes. An exception this year is the amendments made to IAS 7 in relation to the *Disclosure Initiative*. VALUE IFRS Plc has adopted these amendments early since investors find this information useful and we wanted to show how this could be presented (see [note 10\(c\)](#)). The impact of standards and interpretations that have not been early adopted is disclosed in [note 25\(a\)\(iv\)](#).

Standards and interpretations issued but not yet effective

IAS8(30)

7. Entities must explain if there are any accounting standards and interpretations which are not yet applied but are expected to have a material effect on the entity in the current period and on foreseeable future transactions (eg IFRS 9, IFRS 15 and IFRS 16). Where a pronouncement introduces a new accounting option that was not previously available, the entity should explain whether and/or how it expects to use the option in the future.
8. In our view, where the expected impact is material, entities should make these disclosures even if the new accounting pronouncement is issued after the balance sheet date but before the date of authorisation of the financial statements.
9. The illustrative accounting policy note on [pages 156 to 158](#) only discusses pronouncements that are relevant for VALUE IFRS Plc and that have not been early adopted. It also makes certain assumptions regarding materiality that may not apply to all entities alike and will need to be adapted to the individual circumstances of an entity. For a complete listing of standards and interpretations that were on issue as at 31 May 2017 but not yet mandatory please refer to [Appendix D](#).

ESMA Public Statements on IFRS 9 and IFRS 15

As the mandatory adoption date of major new standards such as IFRS 9, IFRS 15 and IFRS 16 comes closer, regulators expect to see more specific disclosures about the estimated impact of these standards. This applies in particular in the year immediately before the initial application date. The European Securities and Markets Authority (ESMA) has issued separate public statements on the implementation of IFRS 9 and IFRS 15. These statements provide an illustrative timeline and good practices of disclosures for 2016 and 2017 financial reports.

Summary of significant accounting policies

Financial instruments

IFRS7(21),(B5)

10. Disclosure of the measurement bases of financial instruments may include:
- (a) the criteria for designating financial assets as available-for-sale
 - (b) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date
 - (c) how net gains or net losses on each category of financial instruments are determined (eg whether the net gains or losses on items at fair value through profit or loss include interest or dividend income)
 - (d) the criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred
 - (e) when the terms of financial assets that would otherwise be past due or impaired have been renegotiated, the accounting policy for financial assets that are subject to renegotiated terms.

Presentation of fair value gains and losses on financial assets and derivatives

11. VALUE IFRS Plc's accounting policies for financial assets and derivatives ([notes 25\(o\) and \(p\)](#)) specify where in the statement of comprehensive income (or statement of profit or loss, as applicable) the relevant fair value gains or losses are presented. However, IAS 39 does not prescribe the presentation in the statement of comprehensive income. Other ways of presenting the fair value gains and losses may be equally appropriate. For example, fair value changes on interest rate hedges or the ineffective portion of an interest rate hedge may be presented within other expenses.

Employee benefits

Presentation of annual leave obligations

12. VALUE IFRS Plc has presented its obligation for accrued annual leave within current employee benefit obligations. However, it may be equally appropriate to present these amounts either as provisions (if the timing and/or amount of the future payments is uncertain such that they satisfy the definition of 'provision' in IAS 37), or as other payables.

Share-based payments – expense recognition and grant date

IFRS2(IG4)

13. Share-based payment expenses should be recognised over the period during which the employees provide the relevant services. This period may commence prior to the grant date. In this situation, the entity estimates the grant date fair value of the equity instruments for the purposes of recognising the services received during the period between service commencement date and grant date. Once the grant date has been established, the entity revises the earlier estimate so that the amounts recognised for services received is ultimately based on the grant date fair value of the equity instruments. The deferred shares awarded by VALUE IFRS Plc are an example where this is the case. They are expensed over three years and two months, being the period to which the bonus relates and the two subsequent years until the deferred shares vest.

Reclassification

IAS1(41)

14. Where an entity has reclassified comparative amounts because of a change in presentation, it must disclose the nature and reason for the reclassification in the notes. To illustrate this disclosure, we have assumed in this publication that VALUE IFRS Plc has reclassified its employee obligations in the current year from provisions to a separate line item in the balance sheet.

Summary of significant accounting policies

Disclosures not illustrated: not applicable to VALUE IFRS Plc

15. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

Issue not illustrated	Relevant disclosures or references
Fair value determined using valuation technique - difference on initial recognition	Disclose (by class of financial instrument) the accounting policy for recognising that difference in profit or loss
Financial assets and liabilities designated at fair value through profit or loss (FVTPL)	Disclose the nature of the financial assets or liabilities designated as at FVTPL, the criteria for the designation, how the entity has satisfied the conditions for designation and a narrative description of the circumstances underlying the measurement and recognition inconsistency that would otherwise arise, or how the designation is consistent with the entity's documented risk management or investment strategies. See note 7 commentary paragraph 14 for illustrative disclosures.
Financial reporting in hyperinflationary economies	Disclose the fact that the financial statements and comparatives have been restated, which method was used (historical cost or current cost approach) and information about the identity and the level of the price index.

Industry-specific disclosures

16. [Appendix C](#) provides an illustration and explanation of the disclosure requirements of IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IAS 11 *Construction Contracts* and IAS 41 *Agriculture*. Further examples of industry-specific accounting policies and other relevant disclosures can be found in the following PwC publications:

- (a) *IFRS Illustrative Consolidated Financial Statements – Investment property*
- (b) *IFRS Illustrative Consolidated Financial Statements – Investment funds*
- (c) *IFRS Illustrative Consolidated Financial Statements – Private equity funds*
- (d) *IFRS 9 for banks – Illustrative disclosures*

IFRS7(28)
IAS39(AG76)(b)

IAS1(117)
IFRS7(B5)(a)

IAS29(39)

26 Changes in accounting policies ¹⁻⁶

Disclosures removed as not relevant for the current reporting period.

Changes in accounting policies

Disclosures not illustrated: not applicable to VALUE IFRS Plc

1. As there are no new or amended accounting standards that required VALUE IFRS Plc to change its accounting policies for the 2017 financial year, we have not illustrated the relevant disclosures in this year's publication. For a comprehensive illustration of retrospective changes in accounting policies please refer to the 2013 edition of the *Illustrative IFRS consolidated financial statements* (available on PwC Inform). Appendix E also provides selected disclosures for a change in accounting policy in relation to the adoption of IFRS 9 *Financial Instruments* and Appendix F provides illustrative disclosures in relation to the adoption of IFRS 15 *Revenue from Contracts with Customers*. Appendix G shows the disclosures that apply on transition to IFRS 16 *Leases*.

Impact of change on the current period

2. IAS 8 specifically requires disclosure of the effect of a change in accounting policy not only on prior periods but also on the current period, unless it is impracticable to determine the amount of the adjustment. To make this disclosure, entities will need to apply both the old accounting policy and the new policies parallel in the year of adoption. The standard includes a definition of impracticable and a set of criteria that must be satisfied for the exemption to be applied, setting quite a high hurdle for using this exemption.
3. The IASB did consider requiring this disclosure only for voluntary changes of accounting policies and not where the change is a result of changes in the accounting standards. However, they did not proceed with the amendment but decided instead to give relief on a case-by-case basis. For example, relief was provided for the adoption of the new consolidation and joint arrangement standards, IFRS 10 and IFRS 11. Relief will also be available on adoption of the new revenue standard, IFRS 15 *Revenue from contracts with customers*.

Additional comparative information – third balance sheet

4. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements and this had a material effect on the information in the balance sheet (statement of financial position) at the beginning of the preceding period, the entity must present a third balance sheet as at that date (1 January 2016 for entities with a 31 December 2017 year-end). However, it is not necessary to include the additional comparative information in the affected notes, provided the entity has disclosed all of the quantitative information that is required by IAS 8.
5. The third balance sheet must be presented as at the beginning of the preceding period even if the entity presents comparative information for earlier periods.

Impact of change on prior interim financial reports

6. There is no 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 as part of the disclosures made under paragraphs 28 and 29 of IAS 8.

IAS8(28)(f)

IAS1(40A),(40C)

IAS1(40D)

IAS1(112)(c)

Independent auditor's report to the members of VALUE IFRS Plc

The audit report will be provided by the entity's auditor upon completion of the audit of the financial report. As the wording of the report is likely to differ from country to country, we have not included an illustrative report in this publication

Independent auditor's report

Form and content of audit report

1. Standards and guidance on the preparation of reports on audits conducted in accordance with international auditing standards are given in International Auditing Standard ISA 700 *Forming an Opinion and Reporting on a Financial Report*.

ISA700

VALUE IFRS Plc

Illustrative IFRS consolidated financial statements December 2017 – Appendices

Appendix A: Operating and financial review (management commentary)	179
Appendix B: Alternative presentation of primary statements	182
<ul style="list-style-type: none">• Consolidated statement of profit or loss and other comprehensive income – single statement showing expenses classified by nature• Consolidated statement of cash flows – direct method	
Appendix C: Areas not illustrated in the financial statements of VALUE IFRS Plc	185
<ul style="list-style-type: none">• Biological assets• Construction contracts• Oil and gas exploration assets	
Appendix D: New standards and amendments	196
Appendix E: IFRS 9 Financial instruments	201
Appendix F: IFRS 15 Revenue from contracts with customers	239
Appendix G: IFRS 16 Leases	249
Appendix H: Abbreviations	258

Appendix A: Operating and financial review (management commentary)

International Organization of Securities Commissions

1. In 2010, the International Organization of Securities Commissions (IOSCO) issued *Principles for Periodic Disclosure by Listed Entities* which are aimed at facilitating agreement on common high level principles to provide guidance to jurisdictions that are developing or reviewing their periodic disclosure requirements for listed entities. While IOSCO's principles and standards are not mandatory, they are increasingly incorporated in national stock exchange requirements for prospectuses and annual reports. Following is a summary of IOSCO's principles for operating and financial reviews (OFRs) or management's discussion and analysis (MD&A) in annual and interim reports.
2. According to IOSCO, OFRs/MD&As should provide a balanced explanation of factors that have affected the entity's financial condition and results of operations for the periods covered by the financial statements. The disclosures should provide a context within which the financial results and financial position can be interpreted and enable investors to see the entity through the eyes of management. For example, there should be a discussion based on segment information and explanations for material changes from year to year in financial statement line items. In particular, OFRs should cover the following topics:

(a) Operating results

Discuss the significant factors that materially affected the entity's income from operations, including unusual or infrequent events or new developments and the extent to which income was affected by these factors (eg the impact of inflation, the impact of foreign currency fluctuations, and any governmental economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, the company's operations). Information about any significant components of revenues and expenses that are necessary to understand the entity's results of operations can also be useful.

(b) Liquidity and capital resources

Provide information about the entity's short-term and long-term liquidity, i.e., its ability to generate adequate amounts of cash to meet its cash obligations, and its financial key performance indicators (eg the issuer's internal and external sources of liquidity, a discussion of the risk of illiquidity of assets that may be held to settle the liabilities of the issuer, any material, unused sources of liquidity and any material restrictions on all sources of liquidity).

With respect to capital resources, disclose the entity's material commitments for capital expenditures as of the end of its latest financial year, the general purpose of such commitments and the anticipated sources of funds needed to fulfil such commitments.

(c) Trend information

Provide information about the facts and circumstances surrounding known material trends and uncertainties that could affect the entity's prospects (eg the potential impact of currently known trends, events and uncertainties that are reasonably likely to have material effects on the entity's net sales or revenues, income from 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).

(d) Off-balance sheet arrangements

Disclose any material off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on the issuer's financial position. Such arrangements can incur profits and losses that are not fully transparent to investors.

(e) Critical accounting estimates

Explain any estimates and assumptions involved in applying accounting policies that can have a material impact on the entity's reported operating results, financial condition and changes in financial condition, as well as on the comparability of reported information over different reporting periods (eg because of the subjectivity and judgment required to account for highly uncertain matters, or because the estimate or assumption could have a material impact on financial condition or operating performance). Disclose the methodology for determining the critical accounting estimates, and explain why the accounting estimates or assumptions could change, possibly combined with an analysis of the sensitivity of the critical accounting estimates and assumptions to change.

IASB guidance for management commentary

3. The IASB issued a non-mandatory practice statement on management commentary in December 2010 that provides principles for the presentation of a narrative report on an entity's financial performance, position and cash flows.
4. The IASB's practice statement provides a broad framework of principles, qualitative characteristics and elements that might be used to provide users of financial reports with decision-useful information. The practice statement recommends that the commentary is entity-specific and may include the following components:
 - (a) A description of the business including discussion of matters such as the industries, markets and competitive position; legal, regulatory and macro-economic environment; and the entity's structure and economic model.
 - (b) Management's objectives and strategies to help users understand the priorities for action and the resources that must be managed to deliver results.
 - (c) The critical financial and non-financial resources available to the entity and how those resources are used in meeting management's objectives for the entity.
 - (d) The principal risks, and management's plans and strategies for managing those risks, and the effectiveness of those strategies.
 - (e) The performance and development of the entity to provide insights into the trends and factors affecting the business and to help users understand the extent to which past performance may be indicative of future performance.
 - (f) The performance measures that management uses to evaluate the entity's performance against its objectives, which helps users to assess the degree to which goals and objectives are being achieved.

Disclosing alternative performance measures (APMs or non-GAAP measures)

5. Some entities present measures of performance in their OFR that are different to the profit or loss for the period or any of the sub-totals or line items required by IAS 1. Many regulators provide guidance and rules regarding the type and location of APMs, including the European Securities and Markets Authority (ESMA) and the US Securities and Exchange Commission (SEC).
6. Judgement is required to decide what presentations are acceptable. In order for users to properly understand alternative performance measures, in our view, they should be:
 - (a) relevant to the users' understanding of the financial statements
 - (b) transparent and clearly disclosed in the financial statements
 - (c) clearly and accurately defined
 - (d) applied consistently from one year to the next
 - (e) applied in accordance with the definition, and
 - (f) presented in a manner that is fair, unbiased and not misleading.
7. Some alternative performance measures are sub-totals and additional line items that are derived directly from the elements of the IFRS financial statements and are commonly understood by users of the financial statements, for example operating profit or earnings before interest and tax (EBIT). Referring to these measures in the OFR is likely to provide sufficient information for users to properly understand the performance measure.
8. However, other alternative performance measures are not derived directly from the elements of the IFRS financial statements and therefore usually require additional disclosures to be properly understood. Such performance measures might include earnings before interest, tax, depreciation and amortisation (EBITDA), adjusted EBITDA or a sub-total for operating profit that excludes items that would usually be considered operating in nature, such as impairment charges, restructuring costs or other 'exceptional' or 'non-cash' items. In our view, these additional disclosures should include:
 - (a) a description of the basis for the alternative performance measure and how it is derived. This would normally be achieved through a reconciliation of the measure to a profit measure or other measure defined by IFRS; and
 - (b) the purpose and objective of disclosing the measure and, if applicable, a statement that the measure might not be consistent with measures (of similar description) used by other entities.

9. The **ESMA guidelines** require entities to:
 - (a) Define APMs in a clear and readable way and give meaningful labels (impairments and restructuring charges are 'rarely ... unusual or non-recurring').
 - (b) Reconcile APMs to the most directly reconcilable GAAP line item explaining material reconciling items.
 - (c) Explain the use of APMs so users understand relevance and reliability.
 - (d) Not display APMs with more prominence, emphasis or authority than GAAP measures.
 - (e) Present APMs with comparatives which also need to be reconciled.
 - (f) Define APMs consistently over time and justify any changes made.
10. The **SEC's interpretative guidance** on the use of non-GAAP financial measures provides examples of potentially misleading non-GAAP measures and examples disclosures that would cause a non-GAAP measure to be more prominent than the most directly comparable GAAP measure. The guidance also clarifies that non-GAAP liquidity measures cannot be presented on a per share basis in documents filed or furnished with the Commission and describes how income tax effects of non-GAAP measures should be presented and calculated.

Appendix B: Alternative presentation of primary statements

Consolidated statement of profit or loss and other comprehensive income – single statement, showing expenses by nature

			2017	2016
			CU'000	Restated * CU'000
	Notes			
IAS1(10)(b),(10A)		Continuing operations		
		Revenue	197,650	161,610
	3	Finance income	1,616	905
	5(d)	Other income	11,344	12,033
	5(a)	Other gains/(losses) – net	5,545	(125)
	5(b)	Changes in inventory	6,681	5,255
		Expenses		
		Raw materials	(62,221)	(54,668)
		Employee benefit expenses	(56,594)	(52,075)
		Advertising	(14,265)	(6,662)
		Transportation	(8,584)	(6,236)
	8(a),8(c)	Depreciation and amortisation	(10,985)	(8,880)
		Operating leases	(1,215)	(1,010)
	8(c)	Impairment of goodwill	(2,410)	-
		Write off of assets damaged by fire	(1,210)	-
		Other	(5,157)	(3,791)
IAS1(82)(b)	5(d)	Finance costs	(7,213)	(6,272)
IAS1(82)(c)		Share of net profit of associates and joint ventures accounted for using the equity method	340	355
	16(e)			
		Profit before income tax	52,322	40,439
IAS1(82)(d)		Income tax expense	(16,786)	(11,824)
IAS12(77)	6			
		Profit from continuing operations	36,536	28,615
IFRS5(33)(a)		Profit from discontinued operation (attributable to equity holders of the company)	755	399
IAS1(82)(ea)	15			
IAS1(81A)(a)		Profit for the period	37,291	29,014
		Other comprehensive income		
IAS1(82A)(b)		<i>Items that may be reclassified to profit or loss</i>		
IAS1(82A),(7)(d)		Changes in the fair value of available-for-sale financial assets	274	(830)
IAS39(55)(b)	9(c)			
IAS1(82A),(7)(e)		Cash flow hedges	(387)	516
IAS39(95)(a)	9(c)			
IAS1(82A)		Share of other comprehensive income of associates and joint ventures	20	15
IAS1(82A),(7)(c)	9(c)			
IAS21(32)		Exchange differences on translation of foreign operations	(617)	185
IFRS5(38)		Other comprehensive income arising from discontinued operation	130	58
	15			
IAS1(82A),(7)(c)		Net investment hedge	190	-
IAS39(100)	9(c)			
IAS1(91)		Income tax relating to these items	40	89
IAS1(82A)(a)	9(c)			
IAS1(82A),(7)(a)		<i>Items that will not be reclassified to profit or loss</i>		
IAS1(82A)		Gain on revaluation of land and buildings	7,243	5,840
	9(c)			
		Share of other comprehensive income of associates and joint ventures	300	100
	9(c)			
IAS1(82A),(7)(b)		Remeasurements of post-employment benefit obligations	119	(910)
IAS19(120)(c)	9(c)			
IAS1(91)		Income tax relating to these items	(2,298)	(1,509)
	9(c)			
IAS1(81A)(b)		Other comprehensive income for the period, net of tax	5,014	3,554
IAS1(81A)(c)		Total comprehensive income for the period	42,305	32,568

IAS1(10)(b),(10A)	Consolidated statement of profit or loss and other comprehensive income – single statement, showing expenses by nature		
IAS1(51)(c),(e) IAS1(113)		2017 CU'000	2016 Restated * CU'000
	Notes		
IAS1(81B)(a)	Profit is attributable to:		
	Owners of VALUE IFRS Plc	34,286	26,695
	Non-controlling interests	3,005	2,319
		37,291	29,014
IAS1(81B)(b)	Total comprehensive income for the period is attributable to:		
	Owners of VALUE IFRS Plc	39,399	29,992
	Non-controlling interests	2,906	2,576
		42,305	32,568
	Total comprehensive income for the period attributable to owners of VALUE IFRS Plc arises from:		
	Continuing operations	38,514	29,535
IFRS5(33)(d)	Discontinued operations	885	457
		39,399	29,992
IAS33(66)	Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:		
	Basic earnings per share	22 55.2	44.5
	Diluted earnings per share	22 54.2	44.3
IAS33(66)	Earnings per share for profit attributable to the ordinary equity holders of the company:		
	Basic earnings per share	22 56.4	45.2
	Diluted earnings per share	22 55.4	45.0
	* See note 11(b) for details regarding the restatement as a result of an error.		
Not mandatory	The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.		

Consolidated statement of cash flows – direct method

		Notes	2017 CU'000	2016 CU'000
IAS1(10)(d) IAS7(1),(10) IAS1(113)				
IAS7(10),(18)(a)	Cash flows from operating activities			
IAS7(14)(a)	Receipts from customers (inclusive of goods and services tax)		198,202	184,863
IAS7(14)(c),(d)	Payments to suppliers and employees (inclusive of goods and services tax)		(140,354)	(141,442)
			57,848	43,421
IAS7(14)(g)	Payments for financial assets at fair value through profit or loss		(135)	(1,235)
IAS7(14)(g)	Proceeds from disposal of financial assets at fair value through profit or loss		600	-
IAS7(14)(b)	Insurance recovery relating to fire	4(b)	300	-
IAS7(16)	Transaction costs relating to acquisition of subsidiary	14	(750)	-
IAS7(14)(b)	Other revenue		7,490	7,484
IAS7(31)-(33)	Interest received		1,262	905
IAS7(31)-(33)	Interest paid		(6,617)	(4,044)
IAS7(14)(f),(35),(36)	Income taxes paid		(16,443)	(12,264)
	Net cash inflow from operating activities		43,554	34,267
IAS7(10),(21)	Cash flows from investing activities			
IAS7(39)	Payment for acquisition of subsidiary, net of cash acquired	14	(2,600)	-
IAS7(16)(a)	Payments for property, plant and equipment	8(a)	(25,387)	(17,602)
IAS7(16)(a)	Payments for investment property	8(b)	(1,900)	-
IAS7(16)(c)	Payments for available-for-sale financial assets		(259)	(2,029)
IAS7(16)(c)	Payments for held-to-maturity investments		-	(1,175)
IAS7(16)(a)	Payment of software development costs		(880)	(720)
IAS7(16)(e)	Loans to related parties		(1,180)	(730)
IAS7(39)	Proceeds from sale of engineering division	15	3,110	-
IAS7(16)(b)	Proceeds from sale of property, plant and equipment		9,585	639
IAS7(16)(d)	Proceeds from sale of available-for-sale financial assets		1,375	820
IAS7(16)(f)	Repayment of loans by related parties		469	626
IAS7(38)	Dividends from joint ventures and associates	16(e)	160	220
IAS7(31),(33)	Other dividends		3,300	4,300
IAS7(31),(33)	Interest received on available-for-sale financial assets		254	249
	Net cash (outflow) from investing activities		(13,953)	(15,402)
IAS7(10),(21)	Cash flows from financing activities			
IAS7(17)(a)	Proceeds from issues of shares and other equity securities	9(a)	12,413	-
	Proceeds from calls on shares and calls in arrears	9(a)	1,500	-
IAS7(17)(c)	Proceeds from borrowings	10(c)	45,903	25,796
IAS7(17)(b)	Payments for shares bought back	9(a)	(1,350)	-
IAS7(17)(b)	Acquisition of treasury shares		(1,217)	(299)
	Share issue and buy-back transaction costs	9(a)	(245)	-
IAS7(17)(d)	Repayment of borrowings	10(c)	(33,334)	(24,835)
IAS7(17)(e)	Finance lease payments	10(c)	(805)	-
IAS7(42A),(42B)	Transactions with non-controlling interests	16(c)	(1,500)	-
IAS7(31),(34)	Dividends paid to company's shareholders	13(b)	(22,271)	(10,470)
IAS7(31),(34)	Dividends paid to non-controlling interests in subsidiaries	16(b)	(3,017)	(1,828)
	Net cash (outflow) from financing activities		(3,923)	(11,636)
	Net increase in cash and cash equivalents		25,678	7,229
IAS7(28)	Cash and cash equivalents at the beginning of the financial year		29,018	21,573
	Effects of exchange rate changes on cash and cash equivalents		(248)	216
	Cash and cash equivalents at end of year	7(e)	54,448	29,018
IAS7(43) IFRS5(33)(c)	Non-cash financing and investing activities	10(b)		
	Cash flows of discontinued operation	15		
Not mandatory	The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.			

Appendix C: Areas not illustrated in the financial statements of VALUE IFRS Plc

Biological assets

IAS1(10)(b),(10A)

Consolidated statement of profit or loss (extract)

	Notes	2017 CU'000	2016 CU'000
Revenue	3	26,240	27,548
IAS41(40) Change in fair value of biological assets	8(b)	22,500	18,028
Cost of sales of livestock and palm oil		(23,180)	(24,348)

IAS1(10)(a)

Consolidated balance sheet (extract)

	Notes	31 Dec 2017 CU'000	31 Dec 2016 CU'000	1 January 2016 CU'000
Non-current assets				
IAS1(54)(a) Property, plant and equipment	8(a)	X	X	X
IAS1(54)(f) Biological assets	8(b)	4,300	5,760	3,500
Current assets				
IAS1(54)(f) Biological assets	8(b)	19,188	12,437	18,920

2 Segment information

2(a) Description of segments and principal activities

IAS1(138)(b)
IAS41(46)(a)

The group is engaged in the business of farming sheep primarily for sale to meat processors. The group is also engaged in the business of growing and managing palm oil plantations for the sale of palm oil. The group earns ancillary income from various agricultural produce, such as wool.

IFRS8(22)(a),(b),(aa)

The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, receives separate reports for each sheep farm and palm oil plantation. However, the farms and the plantations have been aggregated into two operating segments, being sheep and palm oil, as they have the same economic characteristics.

3 Revenue

IFRS8(23)(a)

The group derives the following types of revenue by operating segment:

	2017 CU'000	2016 CU'000
Sheep		
IAS18(35)(b)(i) Sale of livestock (note 8(b))	9,225	12,096
IAS18(35)(b)(i) Sale of wool	2,500	2,350
IAS18(35)(b)(i) Sale of palm oil (note 8(b))	14,515	13,102
Total revenue	26,240	27,548

8 Non-financial assets and liabilities

8(a) Property, plant and equipment

		Mature oil palm trees CU'000	Immature oil palm trees CU'000	Freehold land CU'000	Freehold buildings CU'000	Other corporate assets CU'000	Total CU'000
Non-current							
At 1 January 2016							
IAS16(73)(d)	Cost or fair value	8,200	2,000	X	X	X	X
IAS16(73)(d)	Accumulated depreciation	-	-	X	X	X	X
	Net book amount	8,200	2,000	X	X	X	X
Year ended 31 December 2016							
IAS16(73)(e)	Opening net book amount	8,200	2,000	X	X	X	X
IAS16(73)(e)(i),(74)(b)	Additions		2,503	X	X	X	X
IAS16(73)(e)(ix)	Transfer	3,000	(3,000)				
IAS16(73)(e)(vii)	Depreciation charge	(2,000)	-	X	X	X	X
IAS16(73)(e)	Closing net book amount	9,200	1,503	X	X	X	X
At 31 December 2016							
IAS16(73)(d)	Cost or fair value	11,200	1,503	X	X	X	X
IAS16(73)(d)	Accumulated depreciation	(2,000)	-	X	X	X	X
IAS1(77)	Net book amount	9,200	1,503	X	X	X	X
Year ended 31 December 2017							
IAS16(73)(e)	Opening net book amount	9,200	1,503	X	X	X	X
IAS16(73)(e)(i),(74)(b)	Additions	-	4,309	X	X	X	X
IAS16(73)(e)(ix)	Transfer	2,700	(2,700)				
IAS16(73)(e)(vii)	Depreciation charge	(2,400)	-	X	X	X	X
IAS16(73)(e)(v)	Impairment loss	-	-	X	X	X	X
IAS36(126)(a),(b)							
IAS16(73)(e)	Closing net book amount	9,500	3,112	X	X	X	X
At 31 December 2017							
IAS16(73)(d)	Cost or fair value	13,900	3,112	X	X	X	X
IAS16(73)(d)	Accumulated depreciation and impairment	(4,400)	-	X	X	X	X
IAS1(77)	Net book amount	9,500	3,112	X	X	X	x

IAS1(117)

(vii) Accounting for land and buildings and palm oil trees

IAS16(73)(a)

Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity (note 9(b)). All other property, plant and equipment, including oil palm trees is recognised at historical cost less depreciation.

IAS16(50),(73)(b)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

IAS16(73)(c)

- Buildings 25-40 years
- Oil palm trees 25 years
- Corporate assets 3-10 years

The group's oil palm trees qualify as bearer plants under the definition in IAS 41 *Agriculture* and are therefore accounted for under the rules for plant and equipment. The trees are classified as immature until the produce can be commercially harvested. At that point they are reclassified and depreciation commences. Immature palm oil trees are measured at accumulated cost.

8(b) Biological assets ²*(i) Analysis by group of biological assets*

IAS41(41)	Biological assets comprise sheep and oil palm fresh fruit bunches (FFB) growing on palm trees.						
IFRS13(93)(e)		2017			2016 Restated		
		Sheep	Oil palm FFB	Total	Sheep	Oil palm FFB	Total
		CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
IAS41(50)	Opening balance at 1 January	11,450	6,747	18,197	18,781	3,639	22,420
IAS41(50)(b)	Increase due to purchases	5,971	-	5,971	2,097	-	2,097
IAS41(50)(a)	Livestock losses	(480)	-	(480)	(350)	-	(350)
IAS41(50)(a),(51)	Change in fair value due to biological transformation	3,444	18,006	21,450	1,430	15,500	16,930
IAS41(50)(a),(51)	Change in fair value due to price changes	1,180	350	1,530	1,088	360	1,448
IAS41(50)(d)	Transfer of harvested fresh fruit bunches (FFB) to inventory	-	(14,115)	(14,115)	-	(12,752)	(12,752)
IAS41(50)(c)	Decrease due to sale of lambs for slaughter	(9,065)	-	(9,065)	(11,596)	-	(11,596)
IAS41(50)	Closing balance at 31 December	12,500	10,988	23,488	11,450	6,747	18,197
	Current assets:						
	- Sheep held for slaughter	8,200	-	8,200	5,690	-	5,690
	- Oil palm FFB on trees	-	10,988	10,988	-	6,747	6,747
		8,200	10,988	19,188	5,690	6,747	12,437
	Non-current assets:						
	- Breeding stock – mature	3,950	-	3,950	5,190	-	5,190
	- Breeding stock – immature	350	-	350	570	-	570
	Total non-current	4,300	-	4,300	5,760	-	5,760
IAS41(46)(b)	As at 31 December 2017 the group had 6,500 sheep (2016 – 5,397 sheep) and 3,123 sheep were sold during the year (2016 – 4,098 sheep sold).						
	As at 31 December 2017 there were 2,600,000 hectares of palm oil plantations (2016 – 2,170,000 hectares). During the year the group sold 550,000 kgs of palm oil (2016 – 545,000 kgs).						
	<i>(ii) Accounting for biological assets</i>						
	Biological assets are measured at fair value less cost to sell, see (iii) below for further information on determining the fair value.						
IAS1(117)	Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but excludes finance costs and income taxes.						
IAS41(43)	Sheep held for slaughter are classified as immature until they are ready for slaughter. Livestock are classified as current assets if they are to be sold within one year.						
IAS41R(7),(13) IAS16R(8)	The palm oil trees are bearer plants and are therefore presented and accounted for as property, plant and equipment, see note 8(a). However, the FFB growing on the trees is accounted for as biological assets until the point of harvest. Harvested FFB are transferred to inventory at fair value less costs to sell when harvested.						
IAS41(26)	Changes in fair value of livestock and oil palm FFB on trees are recognised in the statement of profit or loss.						
	Farming costs such as feeding, labour costs, pasture maintenance, veterinary services and sheering are expensed as incurred. The cost of purchase of sheep plus transportation charges are capitalised as part of biological assets.						

8(b) Biological assets

IAS1(117)

(iii) Measuring biological assets at fair value

IFRS13(93)(d)

Sheep are measured at fair value less cost to sell, based on market prices at auction of livestock of similar age, breed and genetic merit with adjustments, where necessary, to reflect the differences. Market prices are obtained from the weekly auctions at the local market, which is considered the principal market for the purpose of the valuation.

IFRS13(93)(d)

The fair value of growing oil palm FFB is determined using a discounted cash flow model based on the expected palm oil yield by plantation size, the market price for crude palm oil and palm kernel oil and after allowing for harvesting costs, contributory asset charges for the land and palm trees owned by the entity and other costs yet to be incurred in getting the fruit bunches to maturity.

IAS1(122),(125)
IFRS13(93)(d)**Significant estimates and judgements**

In measuring the fair value of sheep and oil palm FFB various management estimates and judgements are required:

Sheep

Estimates and judgements in determining the fair value of sheep relate to market prices, average weight and quality of animals and mortality rates.

The sheep grow at different rates and there can be a considerable spread in the quality and weight of animals that affects the price achieved. An average weight is assumed for the slaughter sheep livestock that are not yet at marketable weight.

Oil palm FFB on oil palm trees

Estimates and judgements in determining the fair value of the FFB growing on palm trees include the volume and stages of maturity of FFB at balance date, palm oil yield, the long term crude palm oil price, palm kernel oil price and the discount rates. See below for key assumptions about unobservable inputs and their relationship to fair value.

(iv) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the biological assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 7(h).

IFRS13(93)(a),(b)

At 31 December 2017	Notes	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Sheep					
Mature – breeding stock		-	3,950	-	3,950
Immature – breeding stock		-	350	-	350
Held for slaughter		-	8,200	-	8,200
Oil palm FFB on trees		-	-	10,988	10,988
Total biological assets		-	12,500	10,988	23,488

IFRS13(93)(a),(b)

At 31 December 2016	Notes	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Sheep					
Mature – breeding stock		-	5,190	-	5,190
Immature – breeding stock		-	570	-	570
Held for slaughter		-	5,690	-	5,690
Oil palm FFB on trees		-	-	6,747	6,747
Total biological assets		-	11,450	6,747	18,197

There were no transfers between any levels during the year.

8(b) Biological assets

The quality of livestock sold at the local markets is considered to approximate the group's breeding and slaughter livestock. Sheep have therefore been classified as level 2 in the fair value hierarchy, since no significant adjustments need to be made to the prices obtained from the local markets.

IFRS13(93)(e)

The movements in the fair value of assets within level 3 of the hierarchy, being the FFB growing on trees, can be seen from the table in (i) above. The gains or (losses) recognised in relation to the palm fruit bunches are as follows:

		2017 CU'000	2016 Restated CU'000
IFRS13(93)(e)(i)	Total gains for the period recognised in profit or loss under 'Change in fair value of biological assets'	18,356	15,860
IFRS13(93)(f)	Change in unrealised gains or losses for the period recognised in profit or loss attributable to palm fruit bunches held at the end of the reporting period	9,300	5,900

(v) Valuation inputs and relationships to fair value

IFRS13(93)(d),(99)

The following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurements of the palm fruit bunches on trees. The fair values are determined based on discounted cash flows.

IFRS13(91)(a),(93)(d),(h)(i)

Description	Fair value at		Unobservable inputs *	Range of inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
	31 Dec 2017 CU'000	31 Dec 2016 CU'000		2017	2016	
Oil palm FFB on trees	10,988	6,747	Palm oil yield – tonnes per hectare	20-30 (24) per year	20-30 (25) per year	The higher the palm oil yield, the higher the fair value
			Crude palm oil price	US\$800-\$1,100 (\$900) per tonne	US\$750-\$1,070 (\$900) per tonne	The higher the market price, the higher the fair value
			Palm kernel oil price	US\$1,000 - \$1,200 (\$1,050) per tonne	US\$900 - \$1,150 (\$1,030) per tonne	
			Discount rate	9%-11% (10.5%)	9%-11% (10.5%)	The higher the discount rate, the lower the fair value

(vi) Valuation processes

IFRS13(93)(g)

The group's finance department includes a team that performs the valuations of the group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the group's half-yearly reporting requirements.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Palm oil yield is determined based on the age of the plantation, historical yields, climate-induced variations such as severe weather events, plant losses and new areas coming into production.
- Crude palm oil prices and palm kernel oil prices are quoted prices for the relevant region.
- Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

The cash outflows include notional cash flows (contributory asset charges) for the land and palm trees owned by the entity. They are based on market rental payable for orchards of similar size and maturity.

12 Financial risk management (extracts)

12(a) Financial risk management strategies for biological assets

IAS41(49)(c)

The group is exposed to risks arising from environmental and climatic changes, commodity prices and financing risks.

The group's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as droughts and floods and disease outbreaks. The group has strong environmental policies and procedures in place to comply with environmental and other laws.

The group is exposed to risks arising from fluctuations in the price and sales volume of sheep. Where possible, the group enters into supply contracts for sheep to ensure sales volumes can be met by meat processing companies. The group has long-term contracts in place for supply of palm oil to its major customers.

The seasonal nature of the sheep farming business requires a high level of cash flow in the second half of the year. The group actively manages the working capital requirements and has secured sufficient credit facilities to meet the cash flow requirements.

18 Commitments

IAS41(49)(b)

The group has entered into a contract to acquire 250 breeding sheep at 31 December 2017 for CU1,250,000 (2016 – nil).

IAS1(117)

25 Summary of significant accounting policies (extracts)

IAS1(112)(a),(117)

25(a) Basis of preparation

(ii) Historical cost convention

IAS1(117)(a)

The financial statements have been prepared on a historical cost basis, except for the following:

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale – measured at fair value less cost of disposal
- certain biological assets – measured at fair value less cost to sell, and
- defined benefit pension plans – plan assets measured at fair value.

Biological assets

Disclosures not illustrated: not applicable to VALUE IFRS Agriculture Plc

1. The following disclosure requirements of IAS 41 *Agriculture* are not illustrated above:

IAS41(49)(a)

IAS41(50)(e),(f)

IAS41(53),IAS1(97)

IAS41(54)-(56)

IAS41(57)

Item	Nature of disclosure
Biological assets with restricted title and/or pledged as security	Disclose existence and carrying amount.
Reconciliation of carrying amount of biological assets	Show separately increases due to business combinations and net exchange differences.
Material items of income or expense as result of climatic, disease and other natural risks	Disclose amount and nature.
The fair value of biological assets cannot be measured reliably	Provide additional information.
Government grants received in relation to agricultural activity	Disclose the nature and extent of the grants, any unfulfilled conditions and other contingencies and if there are significant decreases expected in the level of government grants.

Construction contracts

IAS1(10)(b),(10A)

Consolidated statement of profit or loss (extract)

		2017 CU'000	2016 CU'000
IAS11(39)(a)	Contract revenue	58,115	39,212
IAS11(16)	Contract costs	(54,729)	(37,084)
IAS1(103)	Gross profit	3,386	2,128
IAS1(103)	Selling and marketing costs	(386)	(128)
IAS1(103)	Administrative expenses	(500)	(400)

IAS1(10)(a)

Consolidated balance sheet (extract)

	31 December 2017 CU'000	31 December 2016 CU'000
Current assets		
Trade and other receivables	23,303	20,374
Current liabilities		
Trade and other payables	17,667	13,733

7 Financial assets and financial liabilities (extracts)

7(a) Trade and other receivables (extracts)

	2017			2016		
	Current CU'000	Non- current CU'000	Total CU'000	Current CU'000	Non- current CU'000	Total CU'000
IAS1(77),(78)(b) IFRS7(6)						
Trade receivables	18,174	-	18,174	16,944	-	16,944
Provision for impairment (see note 12(c))	(109)	-	(109)	(70)	-	(70)
	18,065	-	18,065	16,874	-	16,874
IAS11(42)(a)						
Amounts due from customers for contract work (i)	1,216	-	1,216	920	-	920
Loans to related parties	2,668	-	2,668	1,388	-	1,388
Other receivables	54	-	54	46	-	46
Prepayments	1,300	-	1,300	1,146	-	1,146
	23,303	-	23,303	20,374	-	20,374

IAS11(40)(c)

Trade and other receivables include retentions of CU232,000 (2016 – CU132,000) related to construction contracts in progress.

(i) Construction contracts

IAS11(43),(44)

On the balance sheet, the group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

7(a) Trade and other receivables (extracts)

The net balance sheet position for ongoing construction contracts is as follows:

	2017 CU'000	2016 CU'000
Amounts due to from customers for contract work	1,216	920
Amounts due to customers for contract work (note 7(f))	(997)	(1,255)
	219	(355)

The net position relates to:

	2017 CU'000	2016 CU'000
IAS11(40)(a) Aggregate costs incurred and recognised profits (less recognised losses) to date	69,804	56,028
Less: progress billings	(69,585)	(56,383)
	219	(355)

IAS1(117)

Measurement of construction contract revenue and expense

IAS11(39)(b),(c)

The group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

7(f) Trade and other payables

	2017 CU'000	2016 CU'000
Current liabilities		
IAS1(77) Trade payables	10,983	9,495
Amounts due to related parties	2,202	1,195
IAS11(42)(b) Amounts due to customers for contract work (note 7(a))	997	1,255
Payroll tax and other statutory liabilities	2,002	960
IAS1(77) Other payables	1,483	828
	17,667	13,733

IAS11(40)(b)

Trade and other payables include customer advances of CU142,000 (2016 – CU355,000) related to construction contracts in progress.

IAS1(117)

25 Summary of significant accounting policies (extracts)

IAS1(112)(a),(117)

25(#) Construction contracts

IAS11(22)

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion.

IAS11(22),(36)

Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

See note 7(a) for information on how the group determines the stage of completion.

IAS11(32)

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.

IAS11(11)

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.

Please refer to the *Engineering and construction industry supplement* to the in-depth guide on *Revenue from contracts with customers* for possible impacts from the adoption of IFRS 15.

Oil and gas exploration assets

8 Non-financial assets and liabilities

8(a) Property, plant and equipment (extracts)

IAS16(73)
IFRS6(24)(b),(25)

	Capitalised exploration and evaluation expenditure CU'000	Capitalised development expenditure CU'000	Subtotal – assets under construction CU'000	Production assets CU'000	Other businesses and corporate assets CU'000	Total CU'000
At 1 January 2017						
Cost	218	12,450	12,668	58,720	3,951	75,339
Accumulated amortisation and impairment	(33)	-	(33)	(5,100)	(77)	(5,210)
	185	12,450	12,635	53,620	3,874	70,129
Year ended 31 December 2017						
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)	(1,867)	(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	(1,063)
At 31 December 2017						
Cost	264	12,027	12,291	67,019	4,330	83,640
Accumulated amortisation and impairment	(45)	-	(45)	(5,825)	(77)	(5,947)
	219	12,027	12,246	61,194	4,253	77,693

(i) Accounting for oil and gas assets

IFRS6(24)(a)
IAS1(117)

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.

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.

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.

Depreciation/amortisation

No depreciation or amortisation is charged during the exploration and evaluation phase.

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.

8(a) Property, plant and equipment (extracts)*Impairment – exploration and evaluation assets*

IFRS6(18)

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.

Impairment – proved oil and gas production properties and intangible assets

IAS36(9),(18),(59)

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.

(ii) Other exploration and evaluation assets and liabilities

IFRS6(24)(b)

In addition to the exploration and evaluation assets disclosed above, the group also has the following assets and liabilities relating to exploration:

	2017 CU'000	2016 CU'000
Receivables from joint venture partners (note 7(a))	35	22
Payable to subcontractors and operators (note 7(f))	32	34

(iii) Amounts recognised in profit or loss

IFRS6(24)(b)

Exploration and evaluation activities have led to total expenses of CU5,900,000 (2016 – CU5,700,000), of which CU5,200,000 (2016 – CU4,300,000) are impairment charges to write off costs of unsuccessful exploration activities.

In 2017, the disposal of a 16.67% interest in an offshore exploration stage 'Field X' resulted in post-tax profits on sale of CU3,000,000 (2016: nil).

Cash payments of CU41,500,000 (2016 – CU39,500,000) have been incurred related to exploration and evaluation activities. The cash proceeds due to the disposal of the interest in Field X were CU8,000,000 (2016 – nil).

8(c) Intangible assets (extracts)IAS38(118)
IFRS6(24)(b),(25)

	Capitalised exploration and evaluation expenditure CU'000	Capitalised development expenditure CU'000	Subtotal – assets under construction CU'000	Produc- tion assets CU'000	Goodwill CU'000	Other CU'000	Total CU'000
At 1 January 2017							
Cost	5,192	750	5,942	3,412	9,475	545	19,374
Accumulated amortisation and impairment	(924)	-	(924)	(852)	(75)	(19)	(1,870)
	<u>4,268</u>	<u>750</u>	<u>5,018</u>	<u>2,560</u>	<u>9,400</u>	<u>526</u>	<u>17,504</u>
Year ended 31 December 2017							
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 to production	(548)	(302)	(850)	104	-	-	(745)
Disposals	-	(28)	(28)	(15)	-	-	(43)
Amortisation charge	-	-	-	(98)	-	(42)	(140)
Impairment charge	(45)	-	(45)	-	(175)	(5)	(225)
Closing net book amount	<u>4,234</u>	<u>468</u>	<u>4,702</u>	<u>2,767</u>	<u>9,648</u>	<u>598</u>	<u>17,715</u>
At 31 December 2017							
Cost	5,203	468	5,671	3,717	9,898	659	19,945
Accumulated amortisation and impairment	(969)	-	(969)	(950)	(250)	(61)	(2,230)
	<u>4,234</u>	<u>468</u>	<u>4,702</u>	<u>2,767</u>	<u>9,648</u>	<u>598</u>	<u>17,715</u>

Oil and gas exploration assets**Comparatives required***Disclosure objectives*

1. This appendix does not show any comparative information for the illustrative disclosures. However, readers should note that comparative amounts must be disclosed to comply with the requirements of IAS 1.

IAS1(38)

Appendix D: New standards and amendments

This appendix provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2017 (ie years ending 31 December 2017) and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2017.

(a) New standards and amendments – applicable 1 January 2017

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2017:

Title	Key requirements	Effective Date *
Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12	<p>Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:</p> <ul style="list-style-type: none"> A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period. An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit. Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type. Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. 	1 January 2017
Disclosure Initiative – Amendments to IAS 7	<p>Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.</p> <p>Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.</p> <p>Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.</p> <p>The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.</p>	1 January 2017
<i>Annual improvements 2014-2016 cycle: Amendments to IFRS 12</i>	The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for the summarised financial information.	1 January 2017

* applicable to reporting periods commencing on or after the given date

(b) Forthcoming requirements

As at 31 May 2017, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending 31 December 2017. For more recent information please refer to our web site at www.pwc.com/ifrs.

Title	Key requirements	Effective Date *
IFRS 9 Financial Instruments and associated amendments to various other standards	<p>IFRS 9 replaces the multiple classification and measurement models in IAS 39 <i>Financial instruments: Recognition and measurement</i> with a single model that has initially only two classification categories: amortised cost and fair value.</p> <p>Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.</p> <p>All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.</p> <p>All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).</p> <p>For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.</p> <p>The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.</p> <p>In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce:</p> <ul style="list-style-type: none"> • a third measurement category (FVOCI) for certain financial assets that are debt instruments • a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. <p>For financial years commencing before 1 February 2015, entities could elect to apply IFRS 9 early for any of the following:</p> <ul style="list-style-type: none"> • the own credit risk requirements for financial liabilities • classification and measurement (C&M) requirements for financial assets • C&M requirements for financial assets and financial liabilities, or • C&M requirements for financial assets and liabilities and hedge accounting. <p>After 1 February 2015, the new rules must be adopted in their entirety.</p>	1 January 2018

* applicable to reporting periods commencing on or after the given date

(b) Forthcoming requirements

Title	Key requirements	Effective Date *
IFRS 15 <i>Revenue from contracts with customers</i> and associated amendments to various other standards	<p>The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.</p> <p>A new five-step process must be applied before revenue can be recognised:</p> <ul style="list-style-type: none"> • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligation is satisfied. <p>Key changes to current practice are:</p> <ul style="list-style-type: none"> • Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal. • The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. • There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few. • As with any new standard, there are also increased disclosures. <p>These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.</p> <p>Entities will have a choice of full retrospective application, or prospective application with additional disclosures.</p>	1 January 2018
IFRS 16 <i>Leases</i>	<p>IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.</p> <p>The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.</p> <p>Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.</p> <p>The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p>	1 January 2019 Early adoption is permitted only if IFRS 15 is adopted at the same time.

(b) Forthcoming requirements

Title	Key requirements	Effective Date *
<i>Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2</i>	<p>The amendments made to AASB 2 in July 2016 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. They also introduce an exception to the classification principles in AASB 2. Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature.</p> <p>Entities with the following arrangements are likely to be affected by these changes:</p> <ul style="list-style-type: none"> equity-settled awards that include net settlement features relating to tax obligations cash-settled share-based payments that include performance conditions, and cash-settled arrangements that are modified to equity-settled share-based payments. 	1 January 2018
<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4</i>	<p>In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 <i>Financial instruments</i> and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.</p> <p>IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective.</p>	1 January 2018 or when the entity first applies IFRS 9
<i>Annual improvements 2014-2016 cycle</i>	<p>The following improvements were finalised in December 2016:</p> <ul style="list-style-type: none"> IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant. IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. 	1 January 2018
<i>Transfers of Investment Property – Amendments to IAS 40</i>	<p>The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.</p> <p>The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples to help illustrate the principle.</p> <p>The Board provided two option for transition:</p> <ul style="list-style-type: none"> prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or retrospectively - only permitted without the use of hindsight. <p>Additional disclosures are required if an entity adopts the requirements prospectively.</p>	1 January 2018

(b) Forthcoming requirements

Title	Key requirements	Effective Date *
<i>Interpretation 22 Foreign Currency Transactions and Advance Consideration</i>	<p>The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.</p> <p>For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).</p> <p>If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.</p> <p>Entities can choose to apply the interpretation:</p> <ul style="list-style-type: none"> retrospectively for each period presented prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or prospectively from the beginning of a prior reporting period presented as comparative information. 	1 January 2018
IFRS 17 <i>Insurance Contracts</i>	<p>IFRS 17 was issued in May 2017 as replacement for IFRS 4 <i>Insurance Contracts</i>. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:</p> <ul style="list-style-type: none"> discounted probability-weighted cash flows an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. <p>The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.</p> <p>An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.</p> <p>There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.</p> <p>The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.</p>	1 January 2021
<i>Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28</i>	<p>The IASB has made limited scope amendments to IFRS 10 <i>Consolidated financial statements</i> and IAS 28 <i>Investments in associates and joint ventures</i>.</p> <p>The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 <i>Business Combinations</i>).</p> <p>Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.</p> <p>** In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.</p>	n/a **

* applicable to reporting periods commencing on or after the given date

Appendix E: IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* amends the previous requirements in three main areas: (a) classification and measurement of financial assets, (b) impairment of financial assets, mainly by introducing a forward looking expected loss impairment model and (c) hedge accounting including removing some of the restrictions on applying hedge accounting in IAS 39.

The mandatory date of application is annual reporting periods beginning on or after 1 January 2018. The standard can be applied early.

This appendix illustrates the types of disclosures that would be required if our fictional group consisting of VALUE IFRS Plc and its controlled entities ('the group') had decided to adopt IFRS 9 for its reporting period ending 31 December 2017. Only those disclosures which are **incrementally** required as a result of adopting IFRS 9 are illustrated in this publication.* Disclosure requirements which exist independently of the adoption of IFRS 9 including fair value disclosures required by IFRS 13 *Fair Value Measurement*; disclosures about transferred receivables; financial risk management and offsetting disclosures as per IFRS 7 are not illustrated as these can be found in the main body of this publication.

Disclosures not illustrated

Depending on individual facts and circumstances, other disclosures may be relevant that are not applicable to VALUE IFRS Plc. These are listed in the commentary section at the end of this Appendix and some are also illustrated there. References to the relevant commentary are included as **superscript numbers** at the beginning of each section. The disclosures in this publication must be read in the context of the assumptions set out below. Different facts and circumstances could result in different classifications, measurements and disclosures.

Assumptions made ¹⁻⁴

In compiling these illustrative disclosures, we have made the following assumptions:

- VALUE IFRS Plc has chosen 1 January 2017 as the date of initial application for the adoption of the new standard.
- The group has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence:
 - any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings;
 - financial assets are not reclassified in the balance sheet for the comparative period;
 - provisions for impairment have not been restated in the comparative period;
 - the transition is a change in accounting policy, and disclosures required by IAS 8 are illustrated;
 - a third balance sheet as at 1 January 2016 is not presented. The retrospective application of the accounting for the forward element of forward contracts does not impact the balance sheet for the year ended 31 December 2015, other than on retained earnings and reserves which are disclosed in the statement of changes in equity. For the inventory that is subject to hedge accounting, the group has decided not to restate inventory to the extent that the hedge relationship came to an end before the date of initial application if the inventory is still held at that time;
 - disclosure requirements arising from the consequential amendments made to IFRS 7 by IFRS 9 have not been presented in relation to the comparative period. To the extent relevant, the comparative period disclosures would be those presented in VALUE IFRS Plc for the previous period (ie in the financial statements for the year ended 31 December 2016) ⁴;
 - new accounting policies have been disclosed, and references to the old policies included, which are applied to the amounts presented in the comparative period.
- Investments in financial assets are classified as either debt or equity investments by reference to the requirements for the issuer in IAS 32 *Financial Instruments: Presentation*.

* The illustrated disclosures are contained within the following paragraphs of IFRS 7 *Financial Instruments – Disclosures*: 3-5A, 8-12D, 14, 16A, 20-24G, 28-30, 35A-36, 42C-42E, 42I-42S, 44Z-44ZA.

- The group has adopted the simplified expected credit loss model for its trade receivables, as permitted by IFRS 9, paragraph 5.5.15, and the general expected credit loss model for debt investments carried at amortised cost and debt investments carried at fair value through other comprehensive income. All of the group's debt investments have low credit risk at both the beginning and end of the reporting period.
- The group has hedged the foreign exchange risk on forecast purchases of inventory using forward contracts. Under IAS 39 *Financial Instruments: Recognition and Measurement* the group applied hedge accounting in prior periods and designated as the hedging instrument only the change in the spot rate. As permitted by IFRS 9, paragraph 7.2.26, the group has elected to restate prior periods for the change in fair value relating to forward points by:
 - reclassifying the change in fair value relating to forward points from the statement of profit or loss to the statement of other comprehensive income; and
 - ultimately including the forward points in the initial cost of inventory when it is recognised.
- As required by IFRS 9 paragraph 7.2.26, the restatement has been applied to those forward contracts which are outstanding at the prior period end. The comparative periods presented for the statement of profit and loss, statement of other comprehensive income and statement of changes in equity for the year ended 31 December 2016 have been restated for the impact of this change in policy. The retrospective impact on the year ended 31 December 2015 has been reflected as a reclassification from retained earnings to reserves.
- The retrospective restatement applied only to the fair value of the forward points. The deferred hedging gains and losses were reclassified from the cash flow hedge reserve to inventory through other comprehensive income in the year ending 31 December 2016.
- From 1 January 2017 (the date of initial application of IFRS 9) onwards the group designated all of its foreign currency option contracts as hedges of the foreign exchange risk on forecast purchases of inventory. It designates only the intrinsic value of the options as hedging instruments. Prior to 1 January 2017 options were classified as held-for-trading and measured at fair value through profit or loss. On designation all options were out-of-the-money and hence the intrinsic value (i.e. the part of the option used as hedging instrument) was zero. The critical terms of the option contracts matched the hedged item and there was no hedge ineffectiveness.³
- VALUE IFRS Plc does not have any non-derivative liabilities that are measured at fair value. Adoption of IFRS 9 did not affect the measurement or classification of the group's existing borrowings. Relevant disclosures are illustrated in the main body of this publication.

Illustrative disclosures relevant for financial liabilities measured at fair value through profit or loss and for entities that have applied the general expected credit loss model to financial assets that are not considered to be low risk are provided at the end of the commentary in this appendix.

Index

The following notes to the financial statements are affected by the adoption of IFRS 9 for VALUE IFRS Plc and are included within this document:

- 7 Financial assets and liabilities
- 9 Equity
- 12 Financial risk management
- 25 Summary of significant accounting policies
- 26 Change in accounting policies

IAS1(10)(b),(10A)

Statement of profit or loss (extract)

		2017	Restated*
		2016	
IAS1(51)(c),(e) IAS1(113)	Notes	CU'000	CU'000
Continuing operations			
Gross profit		95,208	77,602
Other expenses, not related to financial instruments (disclosed in the main body of the publication)		(53,603)	(44,059)
Other income	5(a) *	11,348	12,033
Other (losses)/gains – net	5(b) *	4,586	(85)
Operating profit		57,539	45,491
Finance costs – net	5(d) **	(5,597)	(5,367)
Net profit of associates and joint ventures accounted for using the equity method		340	355
Profit before income tax		52,282	40,479
Income tax expense	6 *	(16,477)	(11,836)
Profit from continuing operations		35,805	28,643
Profit from discontinued operations		727	399
Profit for the period		36,532	29,042
IAS1(81A)(a)			
Profit is attributable to:			
Owners of VALUE IFRS Plc		33,527	26,723
Non-controlling interests		3,005	2,319
		36,532	29,042

* See the main body of this publication for this note disclosure, but note that the amounts are different as a result of interest accrued on financial assets that were previously accounted for as available-for-sale financial assets (other income) and the foreign currency option contracts that are now designated as cash flow hedges under IFRS 9 (other gains/(losses)).

** See the main body of this publication for this note disclosure.

IAS1(10)(b),(10A)

Statement of comprehensive income (extract)

			2017 CU'000	Restated* 2016 CU'000
	Notes			
IAS1(81A)(a)		Profit for the period	36,532	29,042
		Other comprehensive income		
IAS1(82A)(a)(ii)		<i>Items that may be reclassified to profit or loss</i>		
IFRS7(20)(a)(viii)		Changes in the fair value of debt instruments at FVOCI	7(a) 126	-
		Changes in the fair value of AfS financial assets	7(c)** -	(1,378)
		Loss reclassified to profit or loss from OCI on sale of equity security classified as AfS	7(c)** -	548
		Deferred gains and losses on cash flow hedges	9(c) 176	70
		Deferred hedging losses reclassified to profit or loss	9(c) (155)	(195)
		Net investment hedge	9(c)** 190	-
		Other items, not relating to financial instruments (for completeness only; see main body of this publication)	(427)	258
		Income tax relating to these items	(21)	305
IAS1(82A)(a)(i)		<i>Items that will not be reclassified to profit or loss</i>		
IFRS7(20)(a)(vii)		Changes in the fair value of equity investments at FVOCI	7(a) 632	-
		Deferred hedging gains and losses transferred to inventory purchased during the year	9(c) -	642
		Other items, not relating to financial instruments (for completeness only; see main body of this publication)	7,662	5,030
		Income tax relating to these items	(2,488)	(1,702)
IAS1(81A)(b)		Other comprehensive income for the period, net of tax	5,607	3,501
IAS1(81A)(c)		Total comprehensive income for the period	42,139	32,543

* In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26)(b) comparative figures have only been restated with respect to certain aspects of hedge accounting; see [note 26](#) for details about changes in accounting policies.

** See the main body of this publication for this note disclosure.

IAS1(10)(a),(54)

Balance sheet (extract)

			2017 CU'000	Restated* 2016 CU'000
IAS1(51)(c),(e) IAS1(113)	Notes			
		ASSETS		
		Non-current assets		
IAS1(60),(66) IFRS7(8)		Financial assets at fair value through other comprehensive income	7(a) 6,782	-
		Held-to-maturity investments	7(b)** -	1,175
		Available-for-sale financial assets	7(c)** -	8,228
		Other financial assets at amortised cost	7(e) 3,515	1,380
		Financial assets at fair value through profit or loss	7(f) 2,390	-
		Derivative financial instruments	12(a) 308	712
		Deferred tax assets	7,364	4,979
		Other non-current assets	173,035	139,350
		Total non-current assets	193,394	155,824
		Current assets		
IAS1(60)		Trade and other receivables	7(d) 17,222	10,867
		Other financial assets at amortised cost	7(e) 1,100	842
		Derivative financial instruments	12(a) 1,854	1,417
		Other financial assets at fair value through profit or loss	7(f) 11,300	10,915
		Cash and cash equivalents (excluding bank overdrafts)	7(g) 57,098	31,268
		Other current assets	22,903	25,102
		Total current assets	111,477	80,411
		LIABILITIES		
		Derivative financial instruments (current)	12(a) 1,376	1,398
		Deferred tax liabilities (non-current)	12,346	6,660
		Trade and other payables (current)	7(f)** 16,700	12,477
		Borrowings (current and non-current)	7(g)** 100,444	88,080
		Other liabilities	14,418	10,378
		Total liabilities	145,284	118,993
		EQUITY		
		Other equity (for completeness only)	9(a),9(b)** 84,828	63,426
		Reserves relating to financial instruments ^	9(c) 651	613
IAS1(54)(r)		Other reserves ^	9(c)** 16,407	10,900
		Retained earnings	9(d) 48,239	36,614
IAS1(54)(q)		Non-controlling interests	16(b)** 9,462	5,689
		Total equity	159,587	117,242

* In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26)(b) comparative figures have only been restated with respect to certain aspects of hedge accounting; see note 26 for details about changes in accounting policies.

** See the main body of this publication for this note disclosure.

^ Reserves split up for purpose of illustration in this Appendix only.

IAS1(10)(c),(106)

Consolidated statement of changes in equity (extract)

		Attributable to owners of VALUE IFRS Plc						
		Share capital and premium	Other equity	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Notes								
IAS1(106)(d)	Balance at 31 December 2015	62,619	(251)	7,311	21,298	90,977	4,940	95,917
IAS1(106)(b)	Adjustment on adoption of IFRS 9 (net of tax)	-	-	(25)	25	-	-	-
26(b)								
IAS1(106)(d)	Balance at 1 January 2016	62,619	(251)	7,286	21,323	90,977	4,940	95,917
IAS1(106)(d)(i)	Profit for the period	-	-	-	26,723	26,723	2,319	28,042
IAS1(106)(d)(ii)	Other comprehensive income	-	-	3,637	(403)	3,234	257	3,501
	Total comprehensive income for the period	-	-	3,647	26,320	29,967	2,576	32,543
	Costs of hedging transferred to the carrying value of inventory purchased during in the year	-	-	25	-	25	-	25
9(c)								
IAS1(106)(d)(iii)	Transactions with owners in their capacity as owners: *	1,357	(299)	555	(11,029)	(9,416)	(1,827)	(11,243)
IAS1(106)(d)	Balance at 31 December 2016	63,976	(550)	11,513	36,614	111,553	5,689	117,242
IAS1(106)(b)	Adjustment on adoption of IFRS 9 (net of tax)	-	-	(70)	33	(37)	-	(37)
26(b)								
IAS1(106)(d)	Balance at 1 January 2017	63,976	(550)	11,443	36,647	111,516	5,689	117,205
IAS1(106)(d)(i)	Profit for the period	-	-	-	33,527	33,527	3,005	36,532
IAS1(106)(d)(ii)	Other comprehensive income	-	-	5,399	307	5,706	(99)	5,607
IAS1(106)(a)	Total comprehensive income for the period	-	-	5,399	33,834	39,233	2,906	42,139
	Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during in the year	-	-	74	-	74	-	74
9(c)								
	Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	-	(452)	452	-	-	-
9(c)								
IAS1(106)(d)(iii)	Transactions with owners in their capacity as owners: *	19,078	2,324	594	(22,694)	(698)	867	169
IAS1(106)(d)	Balance at 31 December 2017	83,054	1,774	17,058	48,239	150,125	9,462	159,587

* This line has been aggregated for the purpose of this appendix. Please refer to the statement of changes in equity in the main body of this publication for an illustration of the required disclosures.

7 Financial assets and financial liabilities (extracts) ⁶⁻¹⁰

Not mandatory

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved [see [note 7\(h\)](#) in the main body of this publication].

Not mandatory

The group holds the following financial instruments:

IFRS7(8)

Financial assets	Notes	2017 CU'000	2016 CU'000
Financial assets at amortised cost			
Trade receivables	7(d)	17,222	10,867
Other financial assets at amortised cost	7(e)	4,615	-
Other loans and receivables	7(e)	-	2,222
Held-to-maturity investments	7(b)*	-	1,175
Cash and cash equivalents	7(g)	57,098	31,268
Financial assets at FVOCI	7(a)	6,782	-
Available-for-sale financial assets	7(c)*	-	8,228
Financial assets at fair value through profit or loss	7(f)	13,690	10,915
Derivative financial instruments	12(a)		
Used for hedging		2,162	809
Held for trading at FVPL		-	1,320
		101,569	66,804

Financial liabilities	Notes	2017 CU'000	2016 CU'000
Liabilities at amortised cost			
Trade and other payables **	7(f)*	15,130	11,270
Borrowings	7(g)*	100,444	88,080
Derivative financial instruments	12(a)		
Used for hedging		766	777
Held for trading at FVPL		610	621
		116,950	100,748

* see the main body of this publication for this note disclosure

The group's financial instruments resulted in the following income, expenses and gains and losses recognised in the statement of profit or loss:

		Notes	2017 CU'000	2016 CU'000
IFRS7(11A)(d)	Dividends from equity investments held at FVOCI	5(a)*,7(a)	1,605	-
	Related to investments derecognised during the period		963	-
	Related to investments held at the end of the reporting period		642	-
IAS39(55)(b)	Dividends from equity investments held at AfS	7(c)	-	1,384
IFRS7(20)(b)	Interest from debt investments held at FVOCI	7(a)	141	-
IAS39(55)(b)	Interest from debt investments held at AfS	7(a)	-	194
IFRS7(20)(b)	Interest from assets held at amortised cost		1,733	960
IFRS7(20)(a)(viii)	Loss reclassified from OCI to profit or loss on sale of equity investments classified as available for sale	7(c)*	-	(548)
IFRS7(20)(a)(i)	Fair value gains on equity investments at FVPL	7(f)	835	(690)
IFRS7(20)(a)(i)	Fair value gains on debt instruments at FVPL	7(f)	120	-
IFRS7(20)(a)(vi)	Net impairment expense recognised on trade receivables	12(c)	(818)	(615)
IFRS7(20)(a)(vi)	Impairment expense recognised on debt investments at amortised cost	12(c)	(23)	-
	Hedging gains/losses	12(b)		
	Hedge ineffectiveness		4	2
	Net gains on derivatives held for trading	5(b)*	11	543
IAS21(52)(a)	Total net foreign exchange (losses) recognised in profit before income tax for the period, included in other income and finance costs	5(b),5(d)*	(604)	(1,069)

* see the main body of this publication for these note disclosures

7(a) Financial assets at fair value through other comprehensive income

IAS1(117)

(i) Classification of financial assets at fair value through other comprehensive income ⁵

Financial assets at fair value through other comprehensive income comprise:

IFRS7(11A)(b),(21)
IFRS9(4.1.4),(5.7.5)

- equity securities which are not held for trading, and for which the group has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss as these are strategic investments and the group considered this to be more relevant, and
- debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

IFRS9(4.1.2A)

(ii) Equity investments at fair value through other comprehensive income

IFRS7(11A)(a),(c)

Equity investments at fair value through other comprehensive income (FVOCI) comprise the following individual investments:

	2017 CU'000	2016* ⁴ CU'000
Non-current assets		
<i>Listed securities</i>		
Furniture Suppliers plc	870	-
Furniture Purchasers Inc	1,305	-
Sleep Willow plc	653	-
Pine Oak Property Fund **	1,522	-
	4,350	-
<i>Unlisted securities</i>		
Softwood Ltd	690	-
Mahogany Ltd	460	-
	1,150	-
	5,500	-

* These investments were classified as available-for-sale in 2016, see [note 7\(c\)](#). All of these investments were also held in the previous period, but the group increased its investment in the Pine Oak Property Fund during the current year at a cost of CU259,000. ⁴

** The units held in the Pine Oak Property Fund are classified as equity instruments by the Fund.

7(a) Financial assets at fair value through other comprehensive incomeIFRS7(21)
IFRS9(B5.7.1)

Upon disposal of these equity investments, any balance within the OCI reserve for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

IAS39(9)

In the prior financial year, the group had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term.

See [note 26](#) for explanations regarding the change of accounting policy and the reclassification of certain equity investments from available-for-sale to financial assets at fair value through profit or loss and [note 25\(o\)](#) for the remaining accounting policies applicable for financial assets.

(iii) Disposal of equity investments

IFRS7(11B),(11A)(e)

Since 1 January 2017, the group has sold its shares held in Hardwood Ltd as a result of a takeover offer for cash. The shares sold had a fair value of CU2,275,000 and the group realised a gain of CU646,000 which is already included in other comprehensive income. This gain has been transferred to retained earnings.

In the previous financial period, the group sold its investment in Super Floors Ltd, as this investment no longer suited the group's investment strategy. The shares sold had a fair value of CU2,143,000 at the time of the sale and the group realised a loss of CU548,000 which was included in other comprehensive income up to the date of sale.

IFRS9(7.2.1)

Since the disposal occurred prior to the date of the initial adoption of IFRS 9 and the entity has elected not to apply IFRS 9 retrospectively, the loss and associated tax impact was reclassified from reserves and included in profit or loss for that period in accordance with the group's accounting policy for the prior period (see [note 9](#)).

(iv) Debt investments at fair value through other comprehensive income ^{5,8}

IAS1(77)

Debt investments at fair value through other comprehensive income (FVOCI) comprise the following investments in listed and unlisted bonds having solely payments of principal and interest:

	2017 CU'000	2016* CU'000
Non-current assets		
<i>Fair value</i>		
Listed bonds	685	-
Unlisted debt securities	597	-
Total	1,282	-

*These investments were classified as available-for-sale in 2016, see [note 7\(c\)](#).

IFRS9(5.7.10)

Upon disposal of these debt investments, any balance within the OCI reserve for these debt investments is reclassified to profit or loss.

Please see [note 26\(a\)\(ii\)](#) for reclassifications of debt investments from available-for-sale (FVOCI) to amortised cost during the comparative period.

7(b) Held-to-maturity financial assets

Please refer to [note 7\(b\)](#) in the main body of this publication for disclosures that apply to held-to-maturity financial assets for 2016. These disclosures continue to be applicable and will not be affected by the adoption of IFRS 9. See also [note 26\(a\)](#).

7(c) Available-for-sale financial assets

Please refer to [note 7\(c\)](#) in the main body of this publication for disclosures that apply to available-for-sale financial assets for 2016. These disclosures continue to be applicable and will not be affected by the adoption of IFRS 9. See also [note 26\(a\)](#).

7(d) Trade receivables

	2017 CU'000	2016* CU'000
Trade receivables	17,855	11,167
Provision for impairment (see note 12(c))	(633)	(300)
	<u>17,222</u>	<u>10,867</u>

Please refer to note 7(a) in the main body of this publication for disclosures that apply to trade receivables. These disclosures continue to be applicable and will not be affected by the adoption of IFRS 9. For credit risk disclosures specific to IFRS 9, please see note 12(c).

7(e) Other financial assets at amortised cost*(i) Classification of financial assets at amortised cost⁹*

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost include the following debt investments:

	2017			2016		
	Current CU'000	Non-current CU'000	Total CU'000	Current CU'000	Non-current CU'000	Total CU'000
Loans to related parties	-	1,300	1,300	-	700	700
Loans to key management personnel	166	551	717	126	480	606
Debenture assets	-	750	750	-	-	-
Zero coupon bonds	-	460	460	-	-	-
Listed corporate bonds	-	104	104	-	-	-
Other receivables (iii)	939	375	1,314	716	200	916
	<u>1,105</u>	<u>3,540</u>	<u>4,645</u>	<u>842</u>	<u>1,380</u>	<u>2,222</u>
Less: impairment provision for debt investments at amortised cost	(5)	(25)	(30)	-	-	-
	<u>1,100</u>	<u>3,515</u>	<u>4,615</u>	<u>842</u>	<u>1,380</u>	<u>2,222</u>

See note 26 for the impact of the change in accounting policy following the adoption of IFRS 9 on the classification of financial assets and note 25(o) for the remaining accounting policies applicable for financial assets.

*These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

(ii) Impairment and risk exposure

Information about the impairment of financial assets, their credit quality and the group's exposure to credit risk can be found in note 12(b).

7(f) Financial assets at fair value through profit or loss ^{6,7}

IAS1(117)

(i) Classification of financial assets at fair value through profit or loss

The group classifies the following financial assets at fair value through profit or loss:

IFRS9(4.1.2)
IFRS9(4.1.2A)

- debt investments that do not qualify for measurement at either amortised cost (see [note 7\(e\)](#) above) or at fair value through other comprehensive income ([note 7\(a\)](#))

IFRS9(5.7.5)

- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

IAS1(77)
IFRS7(6)

Financial assets mandatorily measured at fair value through profit or loss include the following classes of financial assets:

	2017 CU'000	2016* CU'000
Non-current assets		
Unlisted preference shares ⁵	1,100	-
Contingent consideration	1,290	-
	2,390	-
Current assets		
US listed equity securities	5,190	4,035
Oneland listed equity securities	6,110	6,880
	11,300	10,915
	13,690	10,915

* These investments were presented as financial assets at FVPL in the 2016 balance sheet.

See [note 26](#) for explanations regarding the change of accounting policy and the reclassification of certain investments from available-for-sale to financial assets at fair value through profit or loss, and [note 25\(o\)](#) for the remaining accounting policies applicable for financial assets.

IFRS7(20)(a)(i)

(ii) Amounts recognised in profit or loss

	2017 CU'000	2016 CU'000
Fair value gains (losses) on equity investments at fair value through profit or loss recognised in other gains/(losses)	835	(690)
Fair value gains (losses) on debt instruments at fair value through profit or loss recognised in other gains/(losses)	120	-
Fair value gain on contingent consideration recognised in profit from discontinued operations	90	-

7(g) Cash and cash equivalents

Please refer to [note 7\(e\)](#) in the main body of this publication for disclosures that apply to cash and cash equivalents. These disclosures will not be affected by the adoption of IFRS 9.

9 Equity (extract)

IAS1(106)(d)

IAS1(106A)

9(c) Other reserves (extract)

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table. For the purpose of this appendix, the disclosures only focus on reserves relating to financial instruments. Disclosures relevant to other types of reserves are illustrated in the main body of this publication (note 9(c)).

	Notes	AfS financial assets CU'000	Financial assets at FVOCI* CU'000	Cash flow hedge reserve CU'000	Deferral of costs of hedging CU'000	Total reserves relating to financial instruments CU'000
At 1 January 2016 (restated*)		1,173	-	(287)	(25)	861
Costs of hedging transferred to the carrying value of inventory purchased in the year	12(b)	-	-	-	36	36
Deferred tax on transfer	12(b)	-	-	-	(11)	(11)
		-	-	-	25	25
IFRS7(20)(a)(ii), (24C)(b)(i)	7(c) 12(b)	(1,378)	-	70	(77)	(1,385)
IAS12(81)(ab), IAS1(90)		413	-	(21)	23	415
Deferred hedging gains and losses transferred to the carrying value of inventory purchased during the year	12(b)	-	-	642	-	642
IAS12(81)(ab) IAS1(90)		-	-	(193)	-	(193)
IAS1(92), (95) IFRS7(24C)(b)(iv)	7(a)(iii) 12(b)	548	-	(195)	-	353
IAS12(81)(ab), IAS1(90)		(164)	-	59	-	(105)
Other comprehensive income for the period		(581)	-	362	(54)	(273)
At 31 December 2016		592	-	75	(54)	613
IFRS9(7.2.15)	26	(592)	522	-	-	(70)
Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased in the year	12(b)	-	-	29	77	106
IAS12(81)(ab) IAS1(90)	12(b)	-	-	(9)	(23)	(32)
		-	-	20	54	74
IFRS7(11A)(e)	7(a) (iii)	-	(646)	-	-	(646)
IAS12(81)(ab) IAS1(90)		-	194	-	-	194
		-	(452)	-	-	(452)
IFRS7(24C)(b)(i)	7(a) 12(b)	-	750	176	(88)	838
IAS12(81)(ab), IAS1(90)	12(b)	-	(225)	(53)	26	(252)
IFRS9(5.5.2)	12(c)	-	8	-	-	8
Deferred hedging losses transferred to profit or loss	12(b)	-	-	(155)	-	(155)
IAS12(81)(ab), IAS1(90)		-	-	47	-	47
Other comprehensive income for the period		-	533	15	(62)	486
At 31 December 2017		-	603	110	(62)	651

* The opening balance of the deferral of costs of hedging reserve as at 1 January 2016 is after the restatement for the changes in accounting policy disclosed in note 26.

9(c) Other reserves

IAS1(79)(b)

(ii) Nature and purpose of other reserves*Financial assets and liabilities at fair value through other comprehensive income reserve*IFRS9(5.7.5)
IFRS7(11A)(e)

The group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in **note 7(a)**. These changes are accumulated within the Financial assets and liabilities at FVOCI reserve within equity. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

IFRS9(5.7.10)

The group has certain investments classified as debt investments at FVOCI, as explained in **note 7(a)(iv)**. For these investments, changes in fair value are accumulated within the Financial assets and liabilities at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed of.

Cash flow hedge reserve

IFRS9(6.5.11)(d)(i)

The group uses two types of hedging instruments as part of its management of foreign currency risk associated with its highly probable inventory purchases, as described within **note 12 (a)**. These include foreign currency forward contracts and foreign currency option contracts, both of which are designated in cash flow hedge relationships. The group manages its cash flow interest rate risk with floating-to-fixed interest rate swaps which are also designated in cash flow hedge relationships.

To the extent these hedges are effective; the change in fair value of the hedging instrument is recognised in the cash flow hedge reserve. The cash flow hedge reserve is transferred to the initial cost of the related inventory when it is recognised, and the gain or loss relating to the effective portion of the interest rate swaps is reclassified to profit or loss and recognising within 'finance cost'.

Costs of hedging reserve

IFRS9(6.5.15)(b)

The group designates the spot component of foreign currency forward contracts and the intrinsic value of foreign currency option contracts as hedging instruments in cash flow hedge relationships. The group defers changes in the forward element of foreign currency forward contracts and the time value element of foreign currency option contracts in the costs of hedging reserve. The deferred costs of hedging are included in the initial cost of the related inventory when it is recognised.

9(d) Retained earnings

IAS1(106)(d)

Movements in retained earnings were as follows:

	Notes	2017 CU'000	2016 CU'000
Balance 1 January *		36,647	21,323
Net profit for the period		33,527	26,723
Items of other comprehensive income recognised directly in retained earnings			
Remeasurements of post-employment benefit obligation, net of tax	8(g)**	83	(637)
Reclassification of gain on disposal of equity instruments at FVOCI, net of tax	7(a)(iii)	452	-
Dividends	13(b)**	(22,837)	(11,029)
Transfer from share capital on buy-back of preference shares	9(a)**	143	-
Depreciation transfer, net of tax	9(c)**	224	234
Balance 31 December		48,239	36,614

* The opening balance as at 1 January 2017 and as 1 January 2016 is after the restatement for the changes in accounting policy disclosed in **note 26**.

** see the main body of this publication for this note disclosure.

12 Financial risk management (extract)

IFRS7(31)-(33)

The disclosures presented below are those **incremental** disclosures arising from consequential amendments to IFRS 7 as a result of adoption of IFRS 9, or disclosures that are necessary to provide context to these incremental disclosures. The financial risk management disclosures required by IFRS 7 (pre-amendment for IFRS 9) continue to be required, with the exception of IFRS 7 paragraphs 22, 23, 24 and 37 which are deleted by IFRS 9. Please refer to **note 12** in the main body of this publication for these disclosures.

IFRS7(21A)(b),(21C)

The group's activities expose it to foreign currency risk, interest rate risk, price risk and credit risk. In order to minimise any adverse effects on the financial performance of the group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain foreign currency risk exposures, and interest rate swaps are used to fix variable future cash flows. These instruments reduce the uncertainty of interest payments and foreign currency transactions. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

IFRS7(21A)(a)

Risk management is predominately controlled by a central treasury department of VALUE IFRS Plc under policies approved by the board of directors. The central treasury department 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 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.

IFRS7(21A)(c)

Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The effective portion of the change in the fair value of the hedging instrument is deferred into the cash flow hedge reserve through OCI and will be recognised in profit or loss when the hedged item affects profit or loss. This will effectively result in recognising interest expense at a fixed interest rate for the hedged loans and inventory at the fixed foreign currency rate for the hedged purchases.

12(a) Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes below. The group has the following derivative financial instruments:

IAS1(77),IFRS7(24A)(a)

2017 2016
CU'000 CU'000

Current assets

Foreign currency option contracts – held for trading ((b)(i))	-	1,320
Foreign currency option contracts cash flow hedges ((b)(i))	1,709	-
Interest rate swap contracts – cash flow hedges ((b)(ii))	145	97
IFRS7(24A)(b) Total current derivative financial instrument assets	1,854	1,417

Non-current assets

Interest rate swap contracts – cash flow hedges ((b)(ii))	308	712
IFRS7(24A)(b) Total non-current derivative financial instrument assets	308	712

Current liabilities

Forward foreign exchange contracts – held for trading ((b)(i))	610	621
Forward foreign exchange contracts – cash flow hedges ((b)(i))	766	777
IFRS7(24A)(b) Total current derivative financial instrument liabilities	1,376	1,398

IAS1(117)

(i) Classification of derivatives

IAS1(66),(69)

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

IFRS9(6.5.11)(d)(i)

The group's accounting policy for its cash flow hedges is set out in **note 25(p)**. For hedged forecast transactions that result in the recognition of a non-financial asset, the related hedging gains and losses are included in the initial measurement of the cost of the asset.

12(a) Derivatives**(ii) Fair value measurement**

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 7(h).

12(b) Market risk (extracts) 4.11**(i) Foreign exchange risk (extracts)**

IFRS9(21C)

IFRS7(22A)(a)

The group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US\$. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable US\$ expenditures. The objective of the hedges is to minimise the volatility of the Oneland currency cost of highly probable forecast inventory purchases.

IFRS7(22A)(b),(c)

The group treasury's risk management policy is to hedge between 65% and 80% of forecast foreign currency cash flows for inventory purchases up to one quarter in advance in US\$, subject to a review of the cost of implementing each hedge. For the year ended 31 December 2017, approximately 80% of forecast US\$ inventory purchases were hedged in respect of foreign currency risk. At 31 December 2017, 90% of forecasted US\$ inventory purchases during the first quarter of 2018 qualified as 'highly probable' forecast transactions for hedge accounting purposes.

The US dollar denominated bank loans are expected to be repaid with receipts from US dollar denominated sales. The foreign currency exposure of these loans has therefore not been hedged.

IFRS7(22B)(a)
IFRS9(6.5.15),(B6.5.32),
(6.5.16),(B6.5.37)

The group uses a combination of foreign currency option contracts and foreign exchange forward contracts to hedge its exposure to foreign currency risk. Under the group's policy the critical terms of the forward exchange contracts and the options must align with the hedged items. The group designates the spot component of forward contracts and the intrinsic value of foreign currency option contracts as the hedging instrument. The changes in the forward element of the foreign exchange forward contracts and the changes in time value of the options that relate to the hedged item are deferred in the costs of hedging reserve and recognised against the related hedged transaction when it occurs.

Prior to 1 January 2017, the group only designated the spot components of foreign exchange forward contracts in hedge relationships. The forward points of the forward contracts were recognised in profit or loss. Foreign currency option contracts were accounted for as held-for-trading derivatives, at fair value through profit or loss.³

IFRS9(6.5.16)

The spot component of forward contracts is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points.

IFRS9(6.5.15)

The intrinsic value of foreign exchange option contracts is determined with reference to the relevant spot market exchange rate. The differential between the contracted strike rate and the discounted spot market exchange rate is defined as the time value.

IFRS7(7)

The group also entered into forward exchange contracts in relation to projected purchases for the next 12 months that do not qualify as 'highly probable' forecast transactions and hence do not satisfy the requirements for hedge accounting (economic hedges). These contracts are subject to the same risk management policies as all other derivative contracts. However, they are accounted for as held for trading with gains (losses) recognised in profit or loss.

Hedge of net investment in foreign entity

IFRS7(22A)

In 2017, the parent entity has entered into a bank loan amounting to CU1,699,000 which is denominated in Chinese renminbi (RMB) and which was taken out to fund an additional equity investment in the Chinese subsidiary. The forward rate of the loan has been designated as a hedge of the net investment in this subsidiary. There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

12(b) Market risk^u

The effects of the foreign currency related hedging instruments on the group's financial position and performance are as follows: ⁴

		31 December 2017 CU'000	
<i>Derivative financial instruments – foreign currency option contracts</i>			
IFRS7(24A)(b)			
IFRS7(24A)(a)	Carrying amount (asset)	1,709	
IFRS7(24A)(d)	Notional amount	10,000	
IFRS7(23B)(a)	Maturity date	January 2018 – March 2018	
IFRS7(22B)(c)	Hedge ratio*	1:1	
IFRS7(24A)(c)	Change in intrinsic value of outstanding hedging instruments since 1 January	596	
IFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	(596)	
IFRS7(23B)(b)	Weighted average strike rate for the year	US\$0.9612:CU1	
		31 December 2017 CU'000	31 December 2016 CU'000
<i>Derivative financial instruments – foreign exchange forward contracts</i>			
IFRS7(24A)(b)			
IFRS7(24A)(a)	Carrying amount (liability)	(766)	(777)
IFRS7(24A)(d)	Notional amount	11,519	10,612
IFRS7(23B)(a)	Maturity Date	January 2018 – March 2018	January 2017 – March 2017
IFRS7(22B)(c)	Hedge ratio*	1:1	1:1
IFRS7(24A)(c)	Change in discounted spot value of outstanding hedging instruments since 1 January	(218)	(935)
IFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	222	937
IFRS7(23B)(b)	Weighted average hedged rate for the year (including forward points)	US\$0.9674:CU1	US\$0.9428:CU1
IFRS7(22B)(c)	<p>* The foreign exchange forward and option contracts are denominated in the same currency as the highly probable future inventory purchases (US\$), therefore the hedge ratio is 1:1.</p> <p>** The amount deferred in the costs of hedging reserve includes CU19,000 in respect of time value of options and CU29,000 in respect of forward points (2016 – CU40,000 in respect of forward points). All of these deferred costs are in respect of transaction-related items, namely forecast inventory purchases.</p>		
<i>Net investment in foreign operation</i>			
IFRS7(24A)(b)			
IFRS7(24A)(a)	Carrying amount (bank loan)	(1,509)	-
IFRS7(24A)(d)	RMB carrying amount	RMB 6,946,000	-
IFRS7(22B)(c)	Hedge ratio	1:1	-
IFRS7(24A)(c)	Change in carrying amount of bank loan as a result of foreign currency movements since 1 January	190	-
IFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	(190)	-
IFRS7(23B)(b)	Weighted average hedged rate for the year (including forward points)	RMB5.93214:CU1	-

12(b) Market risk ¹¹

		2017 CU'000	2016 CU'000
IFRS7(24E)(a),(24F)	Reserves		
IFRS7(24B)(b)(ii)	<i>Cost of hedging reserve – deferred time value of options and forward points – opening balance</i>	(54)	(25)
IFRS7(24B)(b)	Add: Costs of hedging deferred for the year	(88)	(77)
IFRS9(6.5.9)	Less: Reclassified to the carrying amount of inventory	77	36
	Less: Deferred tax	3	12
	Closing balance**	(62)	(54)
IFRS7(24B)(b)(ii)	<i>Cash flow hedge reserve - intrinsic value of options – opening balance</i>	-	
IFRS7(24E)(b)	Add: change in fair value of hedging instrument recognised in OCI for the year (effective portion)	596	
IFRS9(6.5.9)	Less: reclassified to cost of inventory	(159)	
	Less: Deferred tax	(131)	
	Closing balance	306	
IFRS7(24B)(b)(ii)	<i>Cash flow hedge reserve – spot component of foreign currency forward contracts opening balance</i>	(492)	(287)
IFRS7(24E)(c)	Add: change in fair value of hedging instrument recognised in OCI for the year (effective portion)	(218)	(935)
IFRS9(6.5.9)	Less: reclassified to cost of inventory	188	642
	Less: Deferred tax	9	88
	Closing balance	(513)	(492)
IFRS7(24B)(b)(ii)	<i>Foreign currency translation reserve – hedge of net investment in a foreign operation [^]</i>	-	-
IFRS7(24E)(a)	Add: change in fair value of hedging instrument recognised in OCI for the year (effective portion)	190	-
	Closing balance	190	-

[^] This reserve is disclosed in the main body of this publication, see note 9(c).

Hedging gains/losses recognised in profit or loss

		2017 CU'000	2016 CU'000
IFRS7(24C)(b)(ii),(iii)	Hedge ineffectiveness - Amount recognised in 'Fair value gains/losses on financial instruments' in profit or loss within 'Other income'	4	2
IFRS7(24C)(b)(iv)	There were no reclassifications from the cash flow hedge reserve to profit or loss during the period in relation to the foreign exchange forward and option contracts.		
IFRS7(22B)(b)	Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.		
IFRS7(23D)	Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above foreign currency purchases this may arise if the timing of the transaction changes from what was originally estimated.		

12(b) Market risk ¹¹

IFRS9(21C)

(ii) Cash flow and fair value interest rate risk (extracts)

IFRS7(33)(a),(b)

IFRS7(22A)(a),(c)

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Group policy is to maintain at least 50% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2017 and 2016, the group's borrowings at variable rate were mainly denominated in Oneland currency units and US Dollars.

The group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

IFRS7(22A)(b)

The group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. 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.

IFRS7(34)(a)

IFRS7(22A)(c)

The exposure of the group's borrowing to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2017 CU'000	% of total loans	2016 CU'000	% of total loans
Variable rate borrowings	43,689	44%	40,150	46%
Other borrowings – repricing dates:				
6 months or less	4,500	4%	3,050	3%
6 – 12 months	12,640	13%	14,100	16%
1 – 5 years	28,615	28%	19,780	23%
Over 5 years	11,000	11%	11,000	12%
	100,444	100%	88,080	100%

An analysis by maturities is provided in [note 12\(d\)](#) below. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

Instruments used by the group

IFRS7(22B)(a),(23B)

Swaps currently in place cover approximately 11% (2016 – 8%) of the variable loan principal outstanding. The fixed interest rates of the swaps used to hedge range between 7.8% and 8.3% (2016 – 9.0% and 9.6%) and the variable rates of the loans are between 0.5% and 1.0% above the 90 day bank bill rate which at the end of the reporting period was 8.2% (2016 – 9.4%).

IFRS7(22B)(a)

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

IFRS7(22B)(a),(b)

The group enters into swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective. If due to certain circumstances one or more critical terms do not match, the economic relationship and the hedge effectiveness will be assessed quantitatively using a cumulative dollar-offset test.

IFRS7(22B)(c),(23D)

Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

IFRS7(24C)(b)(iii)

There was no ineffectiveness during 2017 in relation to the interest rate swaps.

12(b) Market risk ¹¹

The effects of the interest rate swaps on the group's financial position and performance are as follows:

		31 December 2017 CU'000	31 December 2016 CU'000
	<i>Derivative financial instruments – interest rate swaps</i>		
IFRS7(24A)(b)			
IFRS7(24A)(a)	Carrying amount (asset)	453	809
IFRS7(24A)(d)	Notional amount	5,010	3,440
IFRS7(23B)(a)	Maturity Date	2018	2018
IFRS7(22B)(c)	Hedge ratio*	1:1	1:1
IFRS7(24A)(c)	Change in fair value of outstanding hedging instruments since 1 January	(202)	1,005
IFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	202	1,005
IFRS7(23B)(b)	Weighted average hedged rate for the year	8.1%	9.3%
		2017 CU'000	2016 CU'000
IFRS7(24E)(a),(24F)	<i>Reserves</i>		
IFRS7(24B)(b)(ii)	Cash flow hedge reserve – interest rate swaps opening balance	567	-
IFRS7(24B)(b)	Add: Change in fair value of hedging instrument recognised in OCI for the year (effective portion)	(202)	1,005
IFRS9(6.5.9) IFRS7(24C)(b)(iv)	Less: Reclassified from other comprehensive income to profit or loss as the hedged item has affected profit or loss (included in finance costs, see notes 5(d) and 9(c))	(155)	(195)
	Less: Deferred tax	107	(243)
	Closing balance**	317	567

12(c) Credit risk ^{4,12}

The group is exposed to credit risk if counterparties fail to make payments as they fall due in respect of:

- payment of trade receivables as invoices fall due 60 days after being raised (note 7(d))
- contractual cash flows of debt investments carried at amortised cost (note 7(e)), and
- contractual cash flows of debt investments carried at FVOCI (note 7(a)).

(c) Credit risk ^{4,12}**(i) Trade receivables**IAS1(117)
IFRS7(35F)(c)
IFRS9(5.5.15)

The group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2017 is determined as follows; the expected credit losses below also incorporate forward looking information.

IFRS7(35N)

2017	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	1.6%	5%	15%	51%	
Gross carrying amount	15,177	1,428	893	357	17,855
Loss allowance provision	243	71	136	183	633

IFRS7(35K)(a)

IFRS7(35H)(b)(iii)

The loss allowance provision for trade receivables as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows:

	2017 CU'000	2016 ^{*,4} CU'000
At 1 January – calculated under IAS 39	300	100
Amounts restated through opening retained earnings	45	-
Opening loss allowance as at 1 January 2017 - calculated under IFRS 9	345	-
Increase in loan loss allowance recognised in profit or loss during the period	843	540
Receivables written off during the year as uncollectible	(530)	(285)
Unused amount reversed	(25)	(55)
At 31 December (2016 amounts calculated under IAS 39) *	633	300

IFRS7(42P)

IFRS7(35I)(c)

IFRS7(35I)(c)

IFRS7(35L)

Loans with a contractual amount of CU180,000 written off during the period are still subject to enforcement activity.

IFRS7(35K)(a)

The gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, is CU17,855,000 (2016 – CU11,167,000).

Amounts recognised in profit or loss

IFRS7(20)(a)(vi)

During the year, the following gains/(losses) were recognised in profit or loss in other expenses in relation to impaired receivables.

	2017 CU'000	2016 ^{*,4} CU'000
Impairment losses		
- individual receivables written off directly	-	(130)
- movement in provision for impairment	(843)	(540)

* In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present: ⁴

- significant financial difficulties for of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue).

12(c) Credit risk¹²**(ii) Other financial assets at amortised cost**

Other financial assets at amortised cost include debenture assets, zero coupon bonds and listed corporate bonds (previously held-to-maturity), loans to related parties and key management personnel and other receivables.

The loss allowance provision for other financial assets at amortised cost as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows:

	Related parties CU'000	Key managem. personnel CU'000	Deben- tures and bonds CU'000	Other recei- vables CU'000	Total CU'000
Closing loss allowance as at 31 December 2016 (calculated under IAS 39)	-	-	-	-	-
IFRS7(42P) Amounts restated through opening retained earnings	-	1	4	2	7
Opening loss allowance as at 1 January 2017 (calculated under IFRS 9)	-	1	4	2	7
IFRS7(20)(a)(vi) Increase in the provision recognised in profit or loss in other expenses during the period	2	1	17	3	23
As at 31 December 2017	2	2	21	5	30

IFRS7(35F)(a)(i) All of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the period was limited to 12 months expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(iii) Debt investments at fair value through other comprehensive income

IFRS9(5.5.2) Debt investments at fair value through other comprehensive income include listed and unlisted debt securities. The loss allowance provision for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in other comprehensive income.

IFRS7(35H)(a) The loss allowance provision for debt investments at FVOCI as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows:

	31 December 2017 CU'000
Closing loss allowance as at 31 December 2016 (calculated under IAS 39)	-
IFRS7(42P) Amounts restated through opening retained earnings *	-
Opening loss allowance as at 1 January 2017 (calculated under IFRS 9)	-
IFRS7(20)(a)(viii) Increase in the provision recognised in profit or loss in other expenses during the period	8
IFRS7(16A) As at 31 December 2017	8

IFRS7(35F)(a)(i) All of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the period was limited to 12 months expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

* The restatement on transition to IFRS 9 as a result of applying the expected credit risk model was immaterial.

12(c) Credit risk¹²*Significant estimates and judgements**Impairment of financial assets*IFRS9(5.5.17)
IAS1(125)

The impairment provisions for financial assets disclosed in **note 12(c)(i)-(iv)** are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see **note 12(c)** above.

[Please refer to **Note 7(h)** of the main body of this publication for significant estimates and judgements relating to the fair value of financial instruments.]

IAS1(117)

25 Summary of significant accounting policies (extract)

IAS1(112)(a),(117)

25(a) Basis of preparation (extract)IAS8(28)
IFRS9(7.1.1)*(iii) New and amended standards adopted by the group*

The group has elected to apply IFRS 9 *Financial Instruments* as issued in July 2014, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting. See **note 26** for further details on the impact of the change in accounting policy.

IAS1(119)
IFRS7(21)**25(o) Investments and other financial assets*****Accounting policies applied from 1 January 2017***

IFRS9(4.1.1)

(i) Classification

From 1 January 2017, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

IFRS9(4.1.4),(5.7.1)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See **note 7** for details about each type of financial asset.

IFRS9(4.4.1)

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

IFRS9(5.1.1)

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

IFRS9(4.3.2),(4.3.3)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

25(o) Investments and other financial assets*Debt instruments*

- IFRS9(5.1.1) Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:
- IFRS9(4.1.2)
- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- IFRS9(4.1.1),(4.1.2A),(5.7.10)
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.
- IFRS9(4.1.1),(4.1.4)
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

Equity instruments

- IFRS9(5.7.5),(5.7.6) The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.
- IFRS9(5.7.1) Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

- IFRS9(5.5.17) The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. **Note 12(b)** details how the group determines whether there has been a significant increase in credit risk.
- IFRS9(5.5.15) For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Accounting policies applied prior to 1 January 2017

- IAS1(110) The group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.
- Please refer to **note 25(o)** in the main body of this publication for details.

IAS1(119)
IFRS7(21)
IFRS9(4.1.4),(5.2.1)

25(p) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

IFRS9(6.3.5)

The group designates approximately half of their currency derivatives as hedges of foreign exchange risk associated with the cash flows of highly probable forecast transactions and all of their interest rate swaps as hedges of interest rate risk associated with the variable interest rate on their borrowings (both cash flow hedges).

IFRS9(6.4.1)(a),(b)

The group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

IAS1(68)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in [note 12\(a\)](#). Movements in the hedging reserve in shareholders' equity are shown in [note 9\(c\)](#). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified 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.

Accounting policies applied from 1 January 2017

(i) Cash flow hedges that qualify for hedge accounting

IFRS9(6.5.11)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income (expenses).

IFRS9(6.5.15)

When option contracts are used to hedge forecast transactions, the group designates only the intrinsic value of the option contract as the hedging instrument.

IFRS9(6.5.15)(c)

Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

IFRS9(6.5.16)

When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

IFRS9(6.5.15)

- The gain or loss relating to the effective portion of the intrinsic value of option contracts is treated as follows: Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred aligned time value of the option contracts are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example, through cost of sales).

IFRS9(6.5.16)

- The gain or loss relating to the effective portion of the spot component of forward contracts is treated as follows: Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred aligned forward points are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example, through cost of sales).

IFRS9(6.5.11)

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance cost'.

25(p) Derivatives and hedging activities

IFRS9(6.5.12)

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Hedge ineffectiveness is recognised in profit or loss within other expenses.

26 Changes in accounting policies

IAS8(28)(a),(b)

As explained in [note 25\(a\)](#) above, the group has adopted IFRS 9 as issued in July 2014, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting.

IAS8(28)(c)

The accounting policies were changed to comply with IFRS 9 as issued by the IASB in July 2014. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures*.

26(a) Classification and measurement of financial instruments

The total impact on the group's retained earnings due to classification and measurement of financial instruments (excluding adjustment in the context of hedge accounting at 1 January 2016; see [note 26\(b\)](#)) as at 1 January 2017 is as follows:

IAS8(28)(f)(i)
IFRS7(42L)

		CU'000
Opening retained earnings - IAS 39	Notes	36,614
Reclassify investments from AfS to FVPL	(a)(i)	70
Increase in provision for trade receivables	(c)(i)	(45)
Increase in provision for debt investments at amortised cost	(c)(ii)	(7)
Increase in provision for debt investments at FVOCI		-
Increase in deferred tax assets relating to impairment provisions	c(i),(ii)	15
Adjustment to retained earnings from adoption of IFRS 9		33
Opening retained earnings - IFRS 9		36,647

26(a) Classification and measurement of financial instruments

On 1 January 2017, the group's management has assessed which business models apply to the financial assets held by the group at the date of initial application of IFRS 9 (1 January 2017) and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

IAS8(28)(f)(i)
IFRS9(42L)

Financial assets – 1 January 2017	Notes	FVPL CU'000	FVOCI (Available-for-sale 2016) CU'000	Amortised cost (Held-to-maturity 2016)** CU'000	Total financial assets CU'000
Opening balance – IAS 39 *		10,915	8,228	45,532	64,675
Reclassify investments from AfS to FVPL	(i)	980	(980)	-	-
Reclassify listed corporate bonds from AfS to amortised cost	(ii)	-	(100)	100	-
Reclassify non-trading equities from AfS to FVOCI	(iii)	-	-	-	-
Reclassify debentures and zero-coupon bonds from HTM to amortised cost*	(iv)	-	-	-	-
Reclassify listed and unlisted debt securities from AfS to FVOCI*	(v)	-	-	-	-
Opening balance - IFRS 9		11,895	7,148	45,632	64,675

* The opening balances as at 1 January 2017 show available-for-sale financial assets under FVOCI and held-to-maturity investments under amortised cost, see the table in (viii) below for details. These reclassifications have no impact on the measurement categories.

** Includes cash and cash equivalents.

The impact of these changes on the group's equity is as follows:

IAS8(28)(f)(i)
IFRS9(42L)

	Notes	Effect on AfS reserves CU'000	Effect on FVOCI reserve CU'000	Effect on retained earnings* CU'000
Opening balance – IAS 39		592	-	36,614
Reclassify investments from AfS to FVPL	(i)	(70)	-	70
Reclassify non-trading equities from AfS to FVOCI	(iii)	(302)	302	-
Reclassify listed and unlisted bonds from AfS to FVOCI	(v)	(220)	220	-
Total impact		(592)	522	70
Opening balance - IFRS 9		-	522	36,684

* Before adjustment for impairment. See note 26(c) below.

(i) Reclassification from available-for-sale to FVPLIAS8(28)(f)
IFRS7(42J)

Certain investments in preference shares were reclassified from available-for-sale to financial assets at fair value through profit or loss (CU980,000 as at 1 January 2017). They do not meet the criteria to be classified as at amortised cost in accordance with IFRS 9, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of CU70,000 were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2017. In the 2017 financial year, fair value gains related to these investments amounting to CU120,000 were recognised in profit or loss, along with related deferred tax expense of CU36,000.

26(a) Classification and measurement of financial instruments**(ii) Reclassification from available-for-sale to amortised cost**IAS8(28)(f)
IFRS7(42J)

Certain investments in listed corporate bonds were reclassified from available-for-sale to amortised cost (CU100,000 as at 1 January 2017). At the date of initial application the group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of CU100,000 as at 1 January 2017 was equivalent to the amortised cost for these assets. There was no impact on retained earnings at 1 January 2017.

IFRS9(7.2.11)(b)

IFRS7(42M),(12D)

The fair value at 31 December 2017 of the listed corporate bonds is CU150,000 and a fair value gain of CU50,000 would have otherwise been recognised in OCI as at 31 December 2017, had the listed corporate bonds not been reclassified to amortised cost.

The effective interest rate determined on 1 January 2017 for these listed bonds is 4% and interest income of CU4,000 was recognised during the period to 31 December 2017.

(iii) Equity investments previously classified as available-for-saleIAS8(28)(f)
IFRS7(42J)

The group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are not held for trading. As a result, assets with a fair value of CU5,748,000 were reclassified from available-for-sale financial assets to financial assets at fair value through OCI and fair value gains of CU302,000 were reclassified from the available-for-sale financial assets reserve to the financial assets at fair value through OCI reserve on 1 January 2017. Other income for the 2017 financial year was CU646,000 lower as there is no longer any reclassification of accumulated amounts from reserves to profit or loss on the disposal of these investments (tax impact CU194,000).

(iv) Reclassification from held-to-maturity to amortised costIAS8(28)(f)
IFRS9(4.1.2)
IFRS7(42J)

Debenture assets and zero-coupon bonds that would have previously been classified as held-to-maturity are now classified at amortised cost. The group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 January 2017 to be recognised in opening retained earnings. An increase of CU7,000 in the provision for impairment of these assets was recognised in opening retaining earnings for the period.

(v) Available-for-sale debt instruments classified as FVOCIIAS8(28)(f)
IFRS7(42J)

Listed and unlisted bonds were reclassified from available for sale to fair value through other comprehensive income, as the group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, listed and unlisted bonds with a fair value of CU1,400,000 were reclassified from available-for-sale financial assets to financial assets at fair value through OCI and fair value gains of CU220,000 were reclassified from the available-for-sale financial assets reserve to the financial assets at fair value through OCI reserve on 1 January 2017.

(vi) Other financial assetsIAS8(28)(f)
IFRS9(4.1.4)

Equity securities – held for trading and contingent consideration are all required to be held as FVPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

26(a) Classification and measurement of financial instruments*(viii) Reclassifications of financial instruments on adoption of IFRS 9*

IFRS7(8)

On the date of initial application, 1 January 2017, the financial instruments of the group were as follows, with any reclassifications noted:

IFRS7(42)(a),(b)

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original CU'000	New CU'000	Difference #
Non-current financial assets					
Equity securities	Available for sale	FVOCI*	5,748	5,748	-
Listed and unlisted debt securities	Available for sale	FVOCI*	1,400	1,400	-
Debentures and zero coupon bonds held to maturity	Held to maturity	Amortised cost	1,175	1,175	-
Listed corporate bonds	Available for sale	Amortised cost	100	100	-
Other receivables	Amortised cost	Amortised cost	1,380	1,373	(7)
Preference shares	Available for sale	FVPL**	980	980	-
Derivatives	FVPL	FVPL	809	809	-
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	10,867	10,822	(45)
Equity securities – held for trading	FVPL**	FVPL**	10,915	10,915	-
Cash and cash equivalents	Amortised cost	Amortised cost	31,268	31,268	-
Other receivables	Amortised cost	Amortised cost	842	842	-
Derivatives	FVPL**	FVPL**	1,320	1,320	-
Current financial liabilities					
Derivatives	FVPL**	FVPL**	1,398	1,398	-

* FVOCI = Investments in equity instruments and debt instruments

** FVPL = financial assets measured at fair value through profit or loss

The differences noted in this column are the result of applying the new expected credit loss model. The reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements.

26(b) Derivatives and hedging activities

IAS8(28)(c)

IFRS9(7.2.26)(b)

Consistent with prior periods, the group has elected to designate only the spot component of the change in fair value of foreign exchange forward contracts in cash flow hedge relationships. In prior periods, the change in fair value related to forward points was recognised in the statement of profit or loss.

Upon adoption of IFRS 9, the group now recognises changes in the fair value of foreign exchange forward contracts attributable to forward points in the costs of hedging reserve within equity. The deferred costs of hedging are included within the initial cost of the related hedged item (inventory) when it is recognised. This change has been applied retrospectively for foreign exchange forward contracts in cash flow hedge relationships resulting in a retrospective reclassification of a loss of CU25,000 from retained earnings to the costs of hedging reserve as of 1 January 2016. For the inventory that is subject to hedge accounting, the group has decided not to restate inventory to the extent that the hedge relationship comes to an end before the date of initial application if the inventory is still held at that time.

IFRS9(7.2.24)

The foreign exchange forward contract hedges and interest rate swaps in place as at 31 December 2016 qualified as cash flow hedges under IFRS 9. The group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and are thus treated as continuing hedges.

26(c) Impairment of financial assets

IAS8(28)(c)

The group has three types of financial assets subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of inventory
- debt investments carried at fair value through OCI, and
- debt investments carried at amortised cost.

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

The impact of the change in impairment methodology on the group's equity is disclosed in [the table on page 226](#) above.

(i) Trade receivablesIAS1(117)
IFRS9(5.5.15)

For trade receivables, the group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

(ii) Debt investmentsIAS1(117)
IFRS7(B8A)(a)

Debt investments at amortised cost and those at FVOCI are considered to be low risk, and thus the impairment provision is determined as 12 months expected credit losses.

IFRS 9 Financial instruments**Scope of illustrated disclosures**

IFRS9(C17)-(C19)

1. For the purpose of this appendix, we have assumed that VALUE IFRS Plc ('the group') has applied the complete version of IFRS 9 *Financial Instruments* as issued by the IFRS in July 2014. Where an entity chose a date of initial application which was prior to 1 February 2015, it could have adopted earlier versions of IFRS 9, for example the version of IFRS 9 without the guidance on expected credit losses. This scenario is not illustrated in this appendix. Furthermore, the disclosures in this appendix do not cover all of the disclosure requirements of IFRS 7 (as applicable when IFRS 9 is adopted), but rather those which are relevant to the circumstances of VALUE IFRS Plc. Where disclosures have been omitted, this is indicated either with a reference to the main body of this publication if the disclosure has been illustrated there, or to the corresponding commentary provided below, which describes the omitted disclosure.

Disclosure of comparative informationIFRS7(42Q)
IFRS9(7.2.15)
IFRS9(7.2.22),(7.2.26)(b)

2. The entity has elected not to restate prior periods except in relation to the fair value of forward points of foreign exchange forward contracts. For the inventory that is subject to hedge accounting the group has decided not to restate inventory to the extent that the hedge relationship came to an end before the date of initial application if the inventory is still held at that time (see [note 26\(b\)](#)). The group is therefore not required to restate comparative line items or present disclosures which would have been presented if the entity had applied IFRS 9 in the period prior to the period of initial application. If the group had not applied this accounting policy the impact on those line items would need to be disclosed and a third balance sheet as of 1 July 2016 would need to be included with the financial statements.
3. The intrinsic value of foreign currency options contracts has been designated as a hedging instrument from 1 January 2017 onwards only. If the group had already used the instruments as hedging instruments under IAS 39 and changed the accounting for the time value of options, it would have to apply these changes retrospectively and restate prior periods.
4. As a general rule, entities must provide comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. However, where the entity did not adopt the new requirements retrospectively, the disclosures for the comparative period should reflect the accounting treatment applied in that period and be provided in accordance with IFRS 7 pre-amendment by IFRS 9. This applies also to the hedging and impairment disclosures which are illustrated in the main body of this publication and have not generally been repeated here. Disclosures that apply to particular measurement categories, eg financial assets at FVOCI, do not need to be provided for the prior period if the entity has reclassified the assets only at the beginning of the current period.

IFRS9(7.2.26)(a)

IAS1(38)
IFRS9(7.2.15)

IFRS 9 Financial instruments**Classifying preference shares**IFRS9(4.1.2)(b)
(B4.1.7)-(B4.1.26)
IAS1(122)

5. Preference shares must be analysed carefully to determine if they contain features that cause the instrument not to meet the definition of an equity. If such shares meet the definition of equity, the entity may elect to carry them at FVOCI without recycling to profit or loss if not held for trading. If they do not, they must be further analysed to determine the underlying business model and whether the contractual cash flows are solely payments of principal and interest. VALUE IFRS Plc undertook this analysis and concluded that the preference shares should be held at fair value through profit or loss, as the shares do not meet the definition of equity and their cash flows relating to interest payments can be deferred and such deferral does not result in interest accruing on the deferred amount (such that the contractual cash flows are not solely payment of interest and principal). Where the classification involves significant judgement and the relevant amounts are material, the entity should consider disclosing the rationale for classifying such shares as debt instruments.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

The following requirements of IFRS 7 and IFRS 9 are not illustrated in this Appendix:

6. Initial application

IFRS7(42I)(c),(42J)
(42M-N)

Issue not illustrated	Relevant disclosures or reference
The entity has financial assets or financial liabilities which were previously measured at FVPL but are no longer so designated.	Distinguish between those which had to be reclassified on adoption of IFRS 9 and those where reclassification was optional on the date of initial application. Disclose the reasons for the de-designation and provide the additional disclosures required by IFRS 7 (41M) and (41N).
The entity has applied either of the two practical expedients provided on transition in relation to the solely payments of principal and interest assessment (IFRS 9 paragraph 7.2.4 and 7.2.5).	Provide the additional disclosures required by IFRS 7 (42R) and (42S).

IFRS7(42R),(42S)

7. Financial assets and liabilities at FVPL

IFRS7(8)(a),(20)(a)(i)

Issue not illustrated	Relevant disclosures or reference
The entity has financial assets measured at FVPL of which: <ul style="list-style-type: none"> some were designated as such upon initial recognition some were designated as such in accordance with IFRS 9 (6.7.1) some are mandatorily measured at FVPL in accordance with the requirements of IFRS 9. 	Disclose each of these financial assets and the associated gains/losses separately. All of VALUE IFRS Plc's financial assets are mandatorily measured at FVPL; hence this disclosure does not apply.
The entity has designated financial assets at FVPL which would otherwise be measured at FVOCI or amortised cost.	Provide additional disclosures as per IFRS 7(9).
The entity believes that the disclosures on how credit risk is calculated in relation to financial assets or liabilities designated at FVPL do not faithfully represent the fair value changes due to credit risk.	Disclose the reason for reaching this conclusion and what alternative factors would be relevant.
The entity has financial liabilities designated at FVPL.	A number of additional disclosures apply as set out in IFRS 7 paragraphs 8, 10, 10A, 11 and 20. Some, but not all of these, are illustrated below.

IFRS7(9)

IFRS7(11)(b)

IFRS7(10),(10A),(11)

IFRS 9 Financial instruments

8. Financial assets and liabilities at FVOCI

IFRS7(20)(a)(viii)

Issue not illustrated	Relevant disclosures or reference
A gain or loss recognised on disposal of debt instruments held at FVOCI.	Show separately: <ul style="list-style-type: none"> the amount of gain or loss recognised in other comprehensive income during the period, and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.

9. Financial assets at amortised cost

IFRS7(20A)

Disposal of financial assets at amortised cost.	Disclose an analysis of the gain or loss recognised and the reasons for derecognising the financial assets.
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IFRS7(42N)

Disclosure in future periods for financial assets held at fair value reclassified to be held amortised cost, where the new carrying amount is deemed to be the current fair value.	Disclose the effective interest rate determined at the date of reclassification and the interest revenue or expense recognised, each period, until the financial asset is derecognised.
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IFRS7(12B)-(12D)

Reclassification of financial assets from one measurement category to another.	Provide the information required under IFRS 7 (12B) – (12D).
--	--

10. Transfer of financial assets

IFRS7(42D)-(42H)

Issue not illustrated	Relevant disclosures or reference
Transfer of financial assets which did not qualify for derecognition, or only partially qualified for derecognition.	Provide the information required under IFRS 7 (42D)-(42H).

11. Hedge accounting disclosures

IFRS7(22C)

Issue not illustrated	Relevant disclosures or reference
The entity has designated a specific risk component of an asset in a hedge relationship (e.g. the movement in crude oil price of a barrel of crude oil).	Provide information about how the entity has determined the risk component that is designated as the hedged item and how this component relates to the item in its entirety. See paragraph 13 below for a disclosure example.

IFRS7(23C)

The entity frequently resets hedging relationships (dynamic hedging).	Provide the additional disclosures required by IFRS 7 paragraph 23C.
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IFRS7(24B),(24C)

The entity has designated fair value hedges	Provide the disclosures required by IFRS 7 (24B(a)) and (24C(a)).
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IFRS 9 Financial instruments		
IFRS7(23F)	The entity designated forecast future transactions in hedge relationships which are no longer expected to occur.	Provide the information required by IFRS 7 (23F).
IFRS7(24C)(b)(iv)		The entity would also need to disclose:
IFRS7(24C)(b)(v)		<ul style="list-style-type: none"> any amount reclassified from the cash flow hedge reserve and/or costs of hedging reserve into profit or loss as a reclassification adjustment, differentiating between amounts reclassified due to future transactions no longer being expected to occur and hedge ineffectiveness, and the line item in the statement of comprehensive income containing the reclassification adjustment.
IFRS7(24C)(b)(vi)		Disclose the hedging gains or losses recognised in each separate line item in the statement of comprehensive income.
IFRS7(24G)-(30)	The entity has a credit derivative to manage the credit risk of a financial instrument and has designated the financial instrument, or a proportion of it, as measured at FVPL.	Provide the information required by IFRS 7 (24G) to (30).
IFRS7(24B)(b)(iii)	Cessation of hedging relationships during the year.	Disclose the balances remaining in the cash flow hedge reserve and the foreign currency translation reserve for any hedge relationships which have been terminated.
IFRS7(23E)	There are new sources of hedge ineffectiveness emerging in the hedge relationship that are not already disclosed in note 12(a).	Disclose the new sources of hedge ineffectiveness by risk category and explain the nature of the ineffectiveness.
IFRS7(24D)	The entity believes that the volume of hedge relationships at the end of the reporting period is unrepresentative of normal volumes during the period.	Disclose that fact and the reason why the entity believes the volumes are unrepresentative.

IFRS 9 Financial instruments

12. Credit risk and impairment disclosures

	Issue not illustrated	Relevant disclosures or reference
IFRS7(42P) IFRS7(35H)-(35L)	Reconciliation of IAS 39 loan loss allowance to IFRS 9 loan loss allowance in subsequent years after the initial application.	The IAS 39 loan loss allowance must be reconciled to the IFRS 9 loan loss allowance in the year initial application of IFRS 9, as illustrated in Note 12(b). In future periods, the entity need only provide details of movements in the IFRS 9 loan loss allowance as required by IFRS 7 (35H) – (35L).
IFRS7(35F)-(35M)	The entity has adopted the general expected credit loss model for material financial assets, eg in relation to customer loans.	Provide the disclosures required by IFRS 7 (35F)-(35M), see illustration in paragraph 13 below.
IFRS7(35F)(f),(35I)(b),(35J)	The entity has financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows.	Provide the disclosures required by IFRS 7 (35F(f)), (35I)(b) and (35J).
IFRS7(35H)(c) IFRS7(35I)(a)	The entity has purchased or originated financial assets which are credit impaired.	Disclose the information required by IFRS 7 (35H(c)) and (35I).
IFRS7(35K)	The entity has received collateral or other credit enhancements in relation to its financial assets.	Explain the effect of the collateral and other credit enhancements on the amounts arising from expected credit losses by disclosing the information set out in IFRS 7 (35K).
IFRS7(36)	The entity has financial assets that are within the scope of IFRS 7 but which are not subject to the impairment requirements of IFRS 9.	Disclose the amount that best represent the maximum exposure to credit risk and describe any collateral held as security and other credit enhancements and their financial effect.
IFRS7(35E)	The entity believes that the credit risk disclosures are not sufficient to meet the objective of IFRS 7(35B).	Provide additional disclosures relevant to the users of the financial statements.

13. The following disclosure examples may be useful where relevant to an entity

Financial liabilities designated at FVPL

IFRS7(21) IFRS9(4.3.5)	The company has convertible debentures which are classified entirely as liabilities because they were issued in a currency other than the functional currency of the company. As the instrument contains an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair value through profit or loss are expensed as incurred
IFRS9(5.7.7)	Upon adoption of IFRS 9, the component of fair value changes relating to the company's own credit risk is recognised in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

IFRS 9 Financial instruments		
	2017 CU'000	2016 CU'000
Carrying amount	104,715	88,863
Includes:		
IFRS7(10)(a) Cumulative change in fair value of convertible debentures attributable to changes in credit risk, recognised in the financial assets and liabilities at FVOCI reserve	225	210
Amount the company is contractually obligated to pay to holders of the convertible debentures at maturity	102,620	87,086
IFRS7(10)(b) Difference between carrying amount and the amount the company is contractually obligated to pay to holders of convertible debentures at maturity	2,095	1,777
IFRS7(11)(a) The company determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the convertible debentures. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are included in the assessment of market risk fair value changes.		
IFRS7(11)(b) The company believes that this approach most faithfully represents the amount of change in fair value due to the company's own credit risk, as the changes in factors contributing to the fair value of the convertible debentures other than changes in the benchmark interest rate are not deemed to be significant.		
IFRS7(22C) <i>Designation of a specific risk component of an asset in a hedge relationship</i>		
<p>The company purchases fuel for use in its manufacturing process. The fuel supplier charges the company for fuel delivered based on a formula which includes the spot price of Brent Crude oil at the delivery date. The future purchases of fuel are subject to market price risk, which the company hedges using Brent Crude Oil futures with critical terms matching the terms of the forecast purchase.</p> <p>Brent Crude oil is a separately identifiable component of the forecast purchase as it is explicitly specified in the supply contract price. As there is a market for Brent Crude oil futures, the exposure is considered to be reliably measurable.</p> <p>Accordingly, the Brent Crude oil futures are designated as cash flow hedges of the forecast purchases of fuel.</p> <p>Historically, the Brent Crude oil component has accounted for 80% of the cost of fuel supplied.</p>		
IFRS7(35F)(a) <i>Credit risk disclosures – customer loans, general expected credit loss model applied</i>		
IFRS9(B.5.5.17) The company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:		
	<ul style="list-style-type: none"> - internal credit rating - external credit rating (as far as available) - actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations 	

IFRS 9 Financial instruments

- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 120 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

(i) Loans to customers

The company uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor, Moody's and Fitch.

A summary of the assumptions underpinning the company's expected credit loss model is as follows

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery.	Asset is written off

Interest bearing loans are provided to small-business customers to assist them with new business start-up costs as part of the company's ongoing support for local entrepreneurs. The company does not require the small-business customers to pledge collateral as security against the loan.

Over the term of the loans, the company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data. The company provides for credit losses against loans to customers as follows:

IFRS7(35F)(b)

IFRS7(35F)(e)

IFRS7(35F)(a)

IFRS7(35F)(b),(d)-(e)
IFRS7(35G)(a)

IFRS7(35G)(b)

IFRS7(35F)(b),(d)-(e),
(35G)(a),(35M)

IFRS 9 Financial instruments						
Company internal credit rating	External credit rating*	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default	Carrying amount (net of impairment provision)	Basis for calculation of interest revenue
Performing	AAA	0.9%	12 month expected losses	45,775	45,374	Gross carrying amount
	AA	1.3%		31,668	31,272	
	A	2.2%		14,117	13,806	
Underperforming	BBB	7.3%	Lifetime expected losses	1,137	1,054	Gross carrying amount
	BB	10.0%		219	197	
	B	12.2%		65	57	
Not performing	CCC	14.0%	Lifetime expected losses	380	327	Amortised cost carrying amount (net of credit allowance)
	CC	18.0%		89	73	
	C	30.0%		30	21	
Write off	D	50.0%	Asset is written off through profit or loss to the extent of expected losses	20	10	None
Total loans					92,191	

IFRS7(35M)

*or equivalent internal rating.

IFRS7(35G)(c)

No significant changes to estimation techniques or assumptions were made during the reporting period.

IFRS7(35H)

The loss allowance provision for loans to customers as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows:

IFRS7(42P)

	Performing CU'000	Under- performing CU'000	Non- performing CU'000	Total CU'000
Closing loss allowance as at 31 December 2016 (calculated under IAS 39)	666	12	162	840
Amounts restated through opening retained earnings	55	70	30	155
Opening loss allowance as at 1 January 2017 (calculated under IFRS 9)	721	82	192	995
Individual financial assets transferred to under- performing (lifetime expected credit losses)*	(25)	33		8
Individual financial assets transferred to non - performing (credit-impaired financial assets)	-	(2)	2	-
New financial assets originated or purchased	367	-	-	367
Write-offs	-	-	(109)	(109)
Recoveries	(14)	(5)	(12)	(31)
Change in risk parameters**	53	-	-	53
Other changes	6	5	5	16
Closing loss allowance as at 31 December 2017 (calculated under IFRS 9)	1,108	113	78	1,299

IFRS7(35I)(d)

* The increase in the loss allowance of 8 is due to moving assets being measured at 12-month expected credit losses to lifetime expected credit losses.

** The increase in the loss allowance is due to an increase in the probability of default (PD) used to calculate the 12-month expected credit loss for the performing loans.

IFRS 9 Financial instruments

IFRS7(35L)

Loans with a contractual amount of CU 60,000 written off during the period are still subject to enforcement activity.

IFRS7(35K)(a)

The gross carrying amount of loan receivables, and thus the maximum exposure to loss, is as follows:

	31 December 2017 CU'000
Performing	91,560
Underperforming	1,421
Non-performing	499
Loans written off	20
Total gross loan receivables	93,500
Less: Loan loss allowance	(1,299)
Less: Write off	(10)
Loan receivables net of expected credit losses	92,191

Appendix F: IFRS 15 Revenue from contracts with customers

IFRS 15 was first issued in May 2014. It was amended in September 2015 to defer the effective date to 1 January 2018 and in April 2016 to provide clarifications in relation to a number of issues raised with the *Joint IASB/FASB Transition Resource Group for Revenue Recognition*. The standard can be applied early where permitted by the entity's local jurisdiction.

This appendix illustrates the types of disclosures that would be required if our fictional company, VALUE IFRS Plc, decided to first apply IFRS 15 for its reporting period ending 31 December 2017. Other circumstances might require additional disclosures that are not applicable to VALUE IFRS Plc. These are explained in the commentary at the end of this document. The disclosures in this document must be read in the context of the assumptions set out below. Different facts and circumstances could result in different measurements and classifications. Footnote references point to additional commentary at the end of this document.

Assumptions made

In compiling these illustrative disclosures, we have made the following assumptions:

- VALUE IFRS Plc has applied IFRS 15 for the first time in the 2017 financial report (initial application date: 1 January 2017) and has chosen a full retrospective application of IFRS 15 in accordance with IFRS 15.C3(a) without using the practical expedients for completed contracts in IFRS 15.C5(a) and (b).
- The adoption of IFRS 15 required changes in the group's accounting policies and affected the recognition, measurement and presentation of certain amounts recognised in the statement of profit or loss and the balance sheet. See [note 26](#) for explanations.
- The group does not incur material costs to obtain contracts with customers such as sales commissions.
- Disclosures required under other standards such as IFRS 7 that could be necessary (for example, for receivables arising from contracts with customers) are not illustrated.
- The effect of the adoption of IFRS 15 on the line items in the balance sheet has been illustrated but not all of the disclosures that are required following a change in accounting policy have been provided. For an illustration of the disclosures that are required for changes in accounting policies, please refer to [Appendix C](#) which shows a change in accounting for bearer plants (Biological assets).
- The amendments made in April 2016 did not affect any of the accounting policies or disclosures included in this Appendix.

IAS1(10)(b),(f),(10A)

Consolidated statement of profit or loss (extract)

IAS1(51)(c),(e)
IAS1(113)

			2017 CU'000	2016 Restated * CU'000
	Notes			
Continuing operations				
IAS1(82)(a) Revenue	3		204,890	148,680

IAS1(10)(a),(54)

Consolidated balance sheet

IAS1(51)(c),(e)
IAS1(113)

		31 Dec 2017 CU'000	31 Dec 2016 Restated * CU'000	1 Jan 2016 Restated * CU'000
	Notes			
ASSETS				
Current assets				
IAS1(54)(h) IFRS7(8)(c) Trade and other receivables	7(a) **	17,388	9,587	6,346
Contract assets	3(b)	1,859	3,117	1,897
Current liabilities				
IAS1(60),(69) IAS1(54)(k) Contract liabilities	3(b)	2,527	1,760	934

* See [note 26](#) for details about changes in accounting policies

** Please refer to [note 7\(a\)](#) in the main body of this publication for this disclosure.

3 Revenue from contracts with customers ^{1,10}

IFRS15(113)

The group has recognised the following amounts relating to revenue in the statement of profit or loss:

			2017	2016
	Notes		CU'000	Restated * CU'000
IFRS15(113)(a)		Revenue from contracts with customers	(a) 197,650	141,440
		Revenue from other sources: Rental and sub-lease rental income	8(b)** 7,240	7,240
		Total revenue	204,890	148,680

* See note 26 for details about changes in accounting policies

** Please refer to note 8(b) in the main body of this publication for this disclosure.

3(a) Disaggregation of revenue from contracts with customers ²⁻⁴

IFRS15(114)

The group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

		Furniture – manufacture		Furniture-retail	IT Consulting		Electronic equipment	All other segments	Total
	2017	Oneland CU'000	China CU'000	Oneland CU'000	US CU'000	Europe CU'000	Oneland CU'000	CU'000	CU'000
IFRS15(115)	Segment revenue	55,100	35,100	31,600	33,300	16,900	13,850	16,600	202,450
IFRS8(23)(b)	Inter-segment revenue	(1,200)	(700)	(900)	(800)	(300)	(500)	(400)	(4,800)
IFRS8(23)(a),(28)(a)	Revenue from external customers	53,900	34,400	30,700	32,500	16,600	13,350	16,200	197,650
	Timing of revenue recognition								
IFRS15(B87)-(B89)	At a point in time	53,900	34,400	30,700	1,000	600	13,350	16,200	150,150
	Over time	-	-	-	31,500	16,000	-	-	47,500
		53,900	34,400	30,700	32,500	16,600	13,350	16,200	197,650
	2016	Furniture – manufacture		Furniture-retail	IT Consulting		Electronic equipment	All other segments	Total
		Oneland CU'000	China CU'000	Oneland Restated CU'000	US CU'000	Europe CU'000	Oneland CU'000	CU'000	CU'000
IFRS15(115)	Segment revenue	60,350	22,560	14,300	22,600	14,790	-	10,400	145,000
IFRS8(23)(b)	Inter-segment revenue	(1,150)	(800)	(300)	(600)	(610)	-	(100)	(3,560)
IFRS8(23)(a),(28)(a)	Revenue from external customers	59,200	21,760	14,000	22,000	14,180	-	10,300	141,440
	Timing of revenue recognition								
IFRS15(B87)-(B89)	At a point in time	59,200	21,760	14,000	800	500	-	10,300	106,560
	Over time	-	-	-	21,200	13,680	-	-	34,880
		59,200	21,760	14,000	22,000	14,180	-	10,300	141,440

3(b) Contract assets and liabilities

IFRS15(116)(a)

The group has recognised the following revenue-related contract assets and liabilities

	Notes	31 Dec 2017 CU'000	31 Dec 2016* CU'000	1 Jan 2016 * CU'000
IAS1(77)	Contract assets relating to IT consulting contracts	(b)(i),(c)(iv) 1,547	2,597	1,897
	Asset recognised for costs incurred to fulfil contracts	(b)(iv) 312	520	-
	Total contract assets	1,859	3,117	1,897
IAS1(77)	Contract liability – expected volume discounts	(b)(i),(c)(i) 350	125	100
IAS1(77)	Contract liability – expected refunds to customers	(c)(i),(ii) 145	110	179
IAS1(77)	Contract liabilities – customer loyalty programme	(c)(iii) 602	536	450
IAS1(77)	Contract liabilities – IT consulting contracts	(b)(iii),(c)(iv) 1,430	989	205
	Total contract liabilities	2,527	1,760	934

* Reclassified and remeasured amounts – see note 26 for explanations

(i) Significant changes in contract assets and liabilities

IFRS15(118),(113)(b)

Contract assets have decreased as the group has provided fewer services ahead of the agreed payment schedules for fixed-price contracts. There was also an impairment write-down of CU77,000 recognised in relation to the asset for costs to fulfil contracts, see (iv) for further information.

Contract liabilities for expected volume discounts and IT consulting contracts have increased by CU473,000 following the acquisition of VALUE IFRS Electronics Group, see note 14*.

* This disclosure is illustrated in the main body of this publication.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	31 Dec 2017 CU'000	31 Dec 2016 Restated CU'000
IFRS15(116)(b)	<i>Revenue recognised that was included in the contract liability balance at the beginning of the period</i>	
	IT consulting contracts	230 178
	Customer loyalty programme	190 272 *
IFRS15(116)(c)	<i>Revenue recognised from performance obligations satisfied in previous periods</i>	
	Consideration from furniture wholesale contract, not previously recognised due to the constraint, see c(i) below.	150 -

* See note 26 for details about changes in accounting policies

(iii) Unsatisfied long-term consulting contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term IT consulting contracts.

	31 Dec 2017 CU'000	31 Dec 2016 * CU'000
IFRS15(120)	Aggregate amount of the transaction price allocated to long-term IT consulting contracts that are partially or fully unsatisfied as at 31 December	
	8,881	- *

IFRS15(C5)(c),(C6)

* As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2016 is not disclosed.

IFRS15(120)(b),(122)

Management expects that 60% of the transaction price allocated to the unsatisfied contracts as of 31 December 2017 will be recognised as revenue during the next reporting period (CU5,328,000). The remaining 40% (CU3,553,000) will be recognised in the 2018 financial year. The amount disclosed above does not include variable consideration which is constrained.

3(b) Contract assets and liabilities (continued)

IFRS15(121),(122)

All other IT consulting contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the group has also recognised an asset in relation to costs to fulfil a long-term IT contract. This is presented within contract assets in the balance sheet.

		31 Dec 2017 CU'000	31 Dec 2016 * Restated CU'000
IFRS15(128)(a)	Asset recognised from costs incurred to fulfil a contract at 31 December	312	520
IFRS15(128)(b)	Amortisation and impairment loss recognised as cost of providing services during the period	208	131

* See [note 26](#) for details about changes in accounting policies

IFRS15(127)

In adopting IFRS 15, the group recognised an asset in relation to costs incurred in developing an IT platform that is used to fulfil an IT consulting fixed-price contract. These costs had been expensed as incurred in 2016, see [note 26\(iii\)](#) for further explanations. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. Due to an increase in expected costs by 30% in the financial year 2017, management does not expect the capitalised costs to be completely recovered. An impairment loss of CU77,000 has therefore been recognised for the excess of the capitalised cost over the expected remaining consideration less any directly related costs not yet recognised as expense.

IFRS15(119)

3(c) Accounting policies and significant judgements*(i) Sale of goods - wholesale*IFRS15(119)(a),(c),
(123)(a),(125)

The group manufactures and sells a range of furniture and electronic equipment in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered 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 occurs when the products have been shipped to the specific 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.

IFRS15(119)(b),(d)
(123)(b),(126)

The furniture is often sold with volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. The group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision, see [note 8\(h\)](#)* for details.

IFRS15(117)

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

* This disclosure is illustrated in the main body of this publication.

IFRS15(119)

3(c) Accounting policies and significant judgements (continued)

IFRS15(123)

Critical judgements in recognising revenue

The group has recognised revenue amounting to CU2,950,000 for sale of furniture to a wholesale customer in December 2017. The buyer has the right to rescind the sale if there is 5% dissatisfaction with the quality of the first 100 pieces of furniture sold. This specific concession was made because this is a new product line specifically designed for this customer. However, consistent with other contracts, the group does not have a right to payment until the furniture has been delivered to the customer. Based on the quality assurance system implemented, the group is confident that the quality of the product is such that the dissatisfaction rate will be well below 5 %. Management have determined that it is highly probable that there will be no rescission of the contract and a significant reversal in the amount of revenue recognised will not occur. It is therefore appropriate to recognise revenue on this transaction during 2017 as control of the product is transferred to the customer. The profit recognised for this sale was CU1,625,000. The group would suffer an estimated pre-tax loss of CU1,760,000 in its 2018 financial statements if the sale is cancelled (CU1,625,000 for the reversal of 2017 profits and CU135,000 of costs connected with returning the stock to the warehouse).

In 2016, the group did not recognise revenue of CU280,000 in relation to a wholesale contract with volume discounts for a new customer and new product line. The group did not have any experience with the customer's purchase pattern and the product line. Management therefore determined that it was not highly probable that a portion of the revenue will not reverse. Of the CU280,000 of revenue not recognised in 2016, CU150,000 was recognised in the current financial year based on the actual volume sold for the contract period, see (b)(ii) above.

*(ii) Sale of goods – retail*IFRS15(119)(a),(c)
(123),(125)

The group operates a chain of retail stores selling household furniture. Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

IFRS15(117),(119)(b),(d)
(123)(b),(126)

Payment of the transaction price is due immediately when the customer purchases the furniture. It is the group's policy to sell its products to the end customer with a right of return within 28 days. Therefore, a contract liability (refund liability) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

*(iii) Sale of goods – customer loyalty programme*IFRS15(119)(a),(c)
(123),(125)

The group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire 12 months after the initial sale.

IFRS15(123)
(126)(c)IFRS15(119)(b),(d)
(123)(b),(126)*Critical judgements in allocating the transaction price*

The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience.

The stand-alone selling price of the product sold is estimated on the basis of the retail price. Discounts are not considered as they are only given in rare circumstances.

IFRS15(117)

A contract liability is recognised until the points are redeemed or expire.

IFRS15(119)

3(c) Accounting policies and significant judgements (continued)

(iv) IT Consulting services

IFRS15(119)(a),(c)
(124),(125)

The IT consulting division provides business IT management, design, implementation and support services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours.

IFRS15(22),(73),(79)

Some contracts include multiple deliverables, such as the installation of hardware and software. In most cases, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

IFRS15(119)(b),(d)
(123)(b)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

IFRS15(117)

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by VALUE IFRS Plc exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

IFRS15(117),(B16)

If the contract includes an hourly fee, revenue is recognised in the amount to which VALUE IFRS Plc has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

IFRS15(123),(126)(c)

Critical judgements in allocating the transaction price

Some fixed-price IT support contracts include an allowance for one free of charge hardware replacement per contract period up a specified value. Because these contracts include two performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis.

Management estimates the stand-alone selling price at contract inception based on observable prices of the type of hardware likely to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices.

(v) Land development and resale

IFRS15(119)(a),(c)
(123),(125)

The group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

IFRS15(119)(b),(d)
(123)(b),(126),(129),(63)
IFRS15(117)

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

(vi) Financing components

IFRS15(129),(63)

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

12 Financial risk management (extract)

12(c) Credit risk (extract)

(iv) Impaired trade receivables (extract)

Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired receivables.

		2017 CU'000	2016 CU'000
IFRS7(20)(e)	Impairment losses		
	- individually impaired receivables	(200)	(130)
	- movement in provision for impairment	(580)	(540)
IFRS7(20)(e)	Reversal of previous impairment losses	35	125

IFRS15(113)(b) Of the above impairment losses, CU739,000 (2016 – CU647,000) relate to receivables arising from contracts with customers (see [note 3](#)).

IAS1(117) 25 Summary of significant accounting policies (extract)

25(a) Basis of preparation (extract)

IAS1(112)(a),(117)

(iii) New and amended standards adopted by the group

IAS8(28)(b),(d)
IFRS15(C3)

The group has elected to apply IFRS 15 *Revenue from Contracts with Customers* as issued in May 2014. In accordance with the transition provisions in IFRS 15 the new rules have been adopted retrospectively and comparatives for the 2016 financial year have been restated. See [note 26](#) below for further details on the impact of the change in accounting policy.

IAS1(119)

25(e) Revenue recognition

The accounting policies for the group's main types of revenue are explained in [note 3](#).

26 Changes in accounting policies 5-8,10

IAS8(28)(c)

As indicated in [note 25\(a\)](#) above, the group has adopted IFRS 15 as issued in May 2014, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The main changes are explained below.

(i) Accounting for refunds

When the customer has a right to return the product within a given period, the group previously recognised a provision for returns which was measured on a net basis at the margin on the sale (CU100,000 at 31 December 2015 and CU72,000 at 31 December 2016). Revenue was adjusted for the expected value of the returns and cost of sales were adjusted for the value of the corresponding goods expected to be returned.

Under IFRS 15, if the customer returns a product, the entity is obliged to refund the purchase price. Therefore, a gross contract liability (refund liability) for the expected refunds to customers is recognised as adjustment to revenue (CU179,000 at 1 January 2016 and CU110,000 at 31 December 2016). At the same time, VALUE IFRS Plc has a right to recover the product from the customer where the customer exercises his right of return and recognises an asset and a corresponding adjustment to cost of sales (CU79,000 at 1 January 2016 and CU38,000 at 31 December 2016). The asset is measured by reference to the former carrying amount of the product. The costs to recover the products are not material because the customer usually returns the product in a saleable condition at the store.

To reflect this change in policy, the group reclassified CU100,000 from provisions to contract liabilities of CU179,000 and contract assets of CU79,000 at 1 January 2016 (CU72,000 from provisions to contract liabilities of CU110,000 and contract assets of CU38,000 as at 31 December 2016).

(ii) Accounting for customer loyalty programme

In previous reporting periods, the consideration received from the sale of goods was allocated to the points and the goods sold using the residual method. Under this method, a part of the consideration equalling the fair value of the points was allocated to the points. The residual part of the consideration was allocated to the goods sold.

Under IFRS 15, the total consideration must be allocated to the points and goods based on the relative stand-alone selling prices. Using this new method, the amounts allocated to the goods sold are, on average, higher than the amounts allocated under the residual value method. As a consequence, the contract liability recognised in relation to the customer loyalty programme on 1 January 2016 (CU450,000) was CU40,000 lower than the amount recognised as deferred revenue under the previous policy, with a corresponding reduction of deferred tax assets by CU12,000 and a net adjustment to retained earnings of CU28,000. Revenue for 2016 increased by CU6,000 and the restated contract liability at 31 December 2016 was CU34,000 lower than the amount previously recognised as deferred revenue. This reduced the related deferred tax assets by CU10,000 and retained earnings increased by CU24,000 as a consequence.

(iii) Accounting for costs to fulfil a contract

In 2016, costs amounting to CU520,000 related to data transfer for the set-up of an IT platform relating to a long term IT contract were expensed as they did not qualify for recognition as an asset under any of the other accounting standards. However, the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered. They were therefore capitalised as costs to fulfil a contract following the adoption of IFRS 15 and included in contract assets in the balance sheet as at 31 December 2016. A deferred tax liability of CU156,000 was recognised, resulting in net adjustment to retained earnings of CU364,000.

(iv) Presentation of contract assets and contract liabilities ⁹

Value IFRS Plc has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15:

- Contract assets recognised in relation to IT consulting contracts were previously presented as part of trade and other receivables (CU1,897,000 as at 1 January 2016 and CU2,597,000 at 31 December 2016).
- Contract liabilities in relation to expected volume discounts and refunds to customers were previously presented as current provisions (CU200,000 as at 1 January 2016 and CU197,000 at 31 December 2016).
- Contract liabilities in relation to IT consulting contracts were previously included in trade and other payables (CU205,000 as at 1 January 2016 and CU989,000 at 31 December 2016).
- Contract liabilities in relation to the customer loyalty programme were previously presented as deferred revenue, see (ii) above.

In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2016) and at the end of the comparative period (31 December 2016):

	Notes	IAS 18 carrying amount 31 Dec 2015 CU'000	Reclassi- fication CU'000	Remeasure- ments CU'000	IFRS 15 carrying amount 1 January 2016 CU'000	Retained earnings effect 1 January 2016 CU'000
Trade and other receivables	(iv)	8,243	(1,897)	-	6,346	-
Other current assets	(i)	-	-	79	79	-
Contract assets	(iv)	-	1,897	-	1,897	-
Contract liabilities	(i),(ii),(iv)	-	855	79	934	-
Deferred revenue	(ii),(iv)	490	(450)	(40)	-	40
Trade and other payables	(iv)	12,930	(205)	-	12,725	-
Provisions	(iv)	730	(200)	-	530	-
Deferred tax assets	(ii)			(12)		(12)

		IAS 18 carrying amount 31 Dec 2016 CU'000	Reclassi- fication CU'000	Remeasure- ments CU'000	IFRS 15 carrying amount 1 January 2017 CU'000	Retained earnings effect 1 January 2017 CU'000
Trade and other receivables	(iv)	12,184	(2,597)	-	9,587	-
Other current assets	(i)	-	-	38	38	-
Contract assets	(iii),(iv)	-	2,597	520	3,117	520
Contract liabilities	(i),(ii),(iv)	-	1,722	38	1,760	-
Deferred revenue	(ii),(iv)	570	(536)	(34)	-	34
Trade and other payables	(iv)	12,477	(989)	-	11,488	-
Provisions	(iv)	1,240	(197)	-	1,043	-
Deferred tax assets	(ii)			(10)		(10)
Deferred tax liabilities	(iii)			156		(156)

IFRS 15 Revenue from contracts with customers

Objectives of disclosures

- Users of the financial statements should be given sufficient information to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve this, entities must provide qualitative and quantitative information about their contracts with customers, significant judgement made in applying IFRS 15 and any assets recognised from the costs to obtain or fulfil a contract with customers.

Disaggregation of revenue

- Entities must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will depend on the specific circumstances of each entity as to how much detail is disclosed. VALUE IFRS Plc has determined that a disaggregation of revenue using existing segments and the timing of the transfer of goods or services (at a point in time vs over time) is adequate for its circumstances. However, this is a judgement and will not necessarily be appropriate for other entities.
- Other categories that could be used as basis for disaggregation include:
 - type of good or service (eg major product lines)
 - geographical regions
 - market or type of customer
 - type of contract (eg fixed price vs time-and-materials contracts)
 - contract duration (short-term vs long-term contracts, or
 - sales channels (directly to customers vs wholesale).
- When selecting categories for the disaggregation of revenue entities should also consider how their revenue is presented for other purposes, eg in earnings releases, annual reports or investors presentation and what information is regularly reviewed by the chief operating decision makers. Where revenue is disaggregated on a basis other than reportable segments, the entity must disclose sufficient information so users of their financial statements can understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each reportable segment.

Disclosure of comparative information and transition requirements

- Entities must apply the revenue standard in the first interim period within annual reporting periods beginning on or after 1 January 2018, following the decision by the IASB in July 2015 to defer the application date by one year. Earlier adoption is permitted under IFRS, but will ultimately depend on the rules in the local jurisdiction of each reporting entity. VALUE IFRS Plc has adopted the standard from 1 January 2017 (date of initial application).
- In the first year of applying IFRS 15, an entity has two options:
 - It can apply the standard retrospectively to each prior reporting period presented (full retrospective method, with restatement of comparatives and third balance sheet where opening balances are affected), or
 - It can apply the standard retrospectively by recognising the cumulative effect of initially applying the standard at the date of initial application in retained earnings (simplified transition method, no restatement of comparatives and third balance sheet required).

IFRS 15 Revenue from contracts with customers

IFRS15(C5)

7. An entity that elects to apply the standard using the full retrospective method can apply certain practical expedients:
- (a) For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.
 - (b) For completed contracts that have variable consideration, an entity can use hindsight and use the transaction price at the date the contract was completed.
 - (c) For all reporting periods presented before the date of initial application (1 January 2017 for VALUE IFRS Plc), an entity is not required to disclose the amount of transaction price allocated to the remaining performance obligations and an explanation of when the entity expect to recognise that amount as revenue.

IFRS15(C7)

8. Where the entity has chosen the simplified transition method, it shall apply IFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 January 2017 for VALUE IFRS Plc).

Presentation and description of contract assets and contract liabilities

IFRS15(BC320),(BC321)

9. VALUE IFRS Plc has decided to reclassify contract assets and contract liabilities and present them as a separate line item in the balance sheet. However, contract assets, contract liabilities and receivables do not have to be referred to as such and do not need to be presented separately in the balance sheet, as long as the entity provides sufficient information so users of financial statements can distinguish them from other items.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

10. The following requirements of IFRS 15 are not illustrated in this Appendix:

Initial application

IFRS15(127)-(129),(94)

Issue not illustrated	Relevant disclosures or reference
Costs incurred to obtain a contract	For assets recognised, provide disclosures as per IFRS 15 paragraphs 127 and 128. Where no asset is recognised because the period of amortisation is one year or less, disclose that fact.
Information about warranties and related obligations	This information is provided in note 8(h) in the main body of this publication.
Full retrospective method: practical expedients used (see paragraph 7 above)	Disclose which expedients have been used and, to the extent reasonably possible, provide a qualitative assessment of the estimated effect of applying each expedient. VALUE IFRS Plc has only used the practical expedient of IFRS 15(C5)(c), see illustrative disclosure on page 241.
Simplified transition method	Disclose the amount by which each financial statement line item is affected by the adoption of the new rules in the current period and explain the reasons for any significant changes.

IFRS15(C8)

Appendix G: IFRS 16 Leases ^{1,5,18}

IFRS 16 was issued in January 2016. This appendix illustrates the types of disclosures that would be required if our fictional company, VALUE IFRS Plc, decided to apply IFRS 16 for its reporting period ending 31 December 2017. Other circumstances might require additional disclosures that are not applicable to VALUE IFRS Plc. These are explained in the commentary at the end of this document. In addition, if a company wishes to adopt IFRS 16 early, it must also apply IFRS 15 at the same time. Please refer to Appendix F for an illustration of the possible impact and associated disclosures.

The disclosures in this document must be read in the context of the assumptions set out below. Different facts and circumstances could result in different measurements and classifications. Footnote references point to additional commentary at the end of this document.

Assumptions made

In compiling these illustrative disclosures, we have made the following assumptions:

- VALUE IFRS Plc has applied IFRS 16 for the first time in the 2017 financial report (initial application date: 1 January 2017) and has chosen to adopt the new rules retrospectively as of 1 January 2017 (ie limited retrospective application) as permitted under IFRS 16 (C5)(b)). As a consequence, a third balance sheet is not required in the year of adoption.
- VALUE IFRS Plc has used the practical expedients in paragraph C3 and has not reassessed whether a contract is, or contains, a lease if the contract was entered into before 1 January 2017.
- The adoption of IFRS 16 required changes in the group's accounting policies and affected the recognition, measurement and presentation of certain amounts recognised in the statement of profit or loss and the balance sheet. See [note 26](#) for explanations.
- VALUE IFRS Plc has chosen to present the right-of-use assets as part of property, plant and equipment and the lease liabilities as other liabilities in the balance sheet. The related detailed information is provided in one single note.
- The primary financial statements reproduced below only show those line items that will be affected by the implementation of IFRS 16.
- Disclosures required under other standards are not illustrated (eg disclosures for property, plant and equipment in accordance with IAS 16 *Property, Plant and Equipment* and for financial instruments under IFRS 7 *Financial Instruments: Disclosures*). Deferred tax consequences arising as a result of the adoption of the new rules have also been ignored.
- VALUE IFRS Plc does not have any rights-of-use assets that would meet the definition of investment property.
- VALUE IFRS Plc does not have any finance leases as lessor. None of the new disclosures that apply to lessors are therefore relevant and have been illustrated. The existing disclosures provided in relation to the operating leases of VALUE IFRS Plc in [note 8\(b\)](#) in the main body of this publication are generally also sufficient under IFRS 16, except that any lease income relating to variable lease payments that do not depend on an index or rate would have to be separately disclosed under IFRS 16.

IAS1(10)(b),(10A)

Consolidated statement of profit or loss (extract)IAS1(51)(c),(e)
IAS1(113)

Notes	2017 CU'000	2016 CU'000
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IAS1(82)(a)

Continuing operations

Depreciation and amortisation	8(a),8(c)	Xxx	-
Operating leases		-	Xxx
Other		xxx	-
Finance costs ⁶	5(d)	xxx	-

IAS1(82)(b)

IAS1(10)(a),(54)

Consolidated balance sheet (extract)IAS1(51)(c),(e)
IAS1(113)

Notes	31 Dec 2017 CU'000	31 Dec 2016 CU'000
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IAS1(60),(66)

ASSETS**Non-current assets**

Property, plant and equipment ^{2,3}	8(a),8(x)	xxx	-
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IAS1(60),(69)

Non-current liabilities

Other liabilities ^{2,4}		Xxx	-
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IAS1(60),(69)

Current liabilities

Other liabilities ^{2,4}		Xxx	-
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IAS1(10)(c),(106)

Consolidated statement of changes in equity (extract)

Notes	Attributable to owners of VALUE IFRS Plc					Non-controlling interests CU'000	Total equity CU'000
	Share capital and premium CU'000	Other equity CU'000	Other reserves CU'000	Retained earnings CU'000	Total CU'000		
	63,976	(550)	11,566	36,561	111,553	5,689	117,242
26	-	-	-	Xx	Xx	-	xx
	63,976	(550)	11,566	Xx,xxx	Xx,xxx	5,689	xxx,xxx

IAS1(10)(d)
IAS7(1),(10)
IAS1(113)**Consolidated statement of cash flows (extract) ⁷**

Notes	2017 CU'000	2016 CU'000
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IAS7(10),(18)(a)

Cash flows from operating activities

Operating lease payments *	-	xxx
Payments for short-term and low value leases *	Xxx	-
Interest paid	Xxx	xxx

IAS7(31)-(33)

IAS7(10),(21)

Cash flows from financing activities

Finance lease payments	-	Xxx
Lease payments	Xxx	-

IAS7(17)(e)

* These payments will generally not be shown separately, but included in payments to suppliers and employees (direct method of cash flow presentation) or cash generated from operations (indirect method).

8 Non-financial assets and liabilities

8(x) Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Notes	2017 CU'000	2016 CU'000
Right-of-use assets * 2,3,9,10			
IFRS16(53)(j) Properties		Xx,xxx	-
IFRS16(53)(j) Equipment		Xx,xxx	-
IFRS16(53)(j) Cars		Xx,xxx	-
IFRS16(53)(j) Others		Xx,xxx	-
IFRS16(47)(a)		<u>Xx,xxx</u>	<u>-</u>
* included in the line item 'Property, plant and equipment' in the balance sheet			
Lease liabilities ** 2,4			
IFRS16(47)(b) Current		Xx,xxx	-
Non-current		Xx,xxx	-
		<u>Xx,xxx</u>	<u>-</u>

** included in the line item 'other liabilities' in the balance sheet. In the previous year, the group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 *Leases*. These were presented as part of the group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2017, please refer to note 26. ⁴

IFRS16(53)(h) Additions to the right-of-use assets during the 2017 financial year were CUxx,xxx,000.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Notes	2017 CU'000	2016 CU'000
Depreciation charge of right-of-use assets			
IFRS16(53)(a) Properties		(X,xxx)	-
Equipment		X,xxx	-
Cars		X,xxx	-
Others		(X,xxx)	-
	5(c)*	<u>(X,xxx)</u>	<u>-</u>
IFRS16(53)(b) Interest expense (included in finance cost)	5(d)*	(Xxx)	-
IFRS16(53)(c) Expense relating to short-term leases (included in other expenses)	5(c)*	(Xxx)	-
IFRS16(53)(d) Expense relating to leases of low-value assets that are not short-term leases (included in other expenses)	5(c)*	(Xxx)	-
IFRS16(53)(e) Expense relating to variable lease payments not included in lease liabilities (included in other expenses)	5(c)*	(Xxx)	-

* See the main body of this publication for these note disclosures.

IFRS16(53)(g) The total cash outflow for leases in 2017 was CUxx,xxx,000.

(iii) The group's leasing activities and how these are accounted for

IFRS16(59)(a),(c) The group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of x to xx years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

IAS1(117) Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

8(x) Leases

IAS1(117)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

IAS1(117)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- any initial direct costs, and
- restoration costs.

IFRS16(60)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(iv) Variable lease payments

IFRS16(59)(b)(i),(B49)

Estimation uncertainty arising from variable lease payments

Some of property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 5% increase in sales across all stores in the group with such variable lease contracts would increase total lease payments by approximately x.x to x.x %.

(v) Extension and termination options

IFRS16(59)(a),(B50)

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by Group and not by the respective Lessor.

Critical judgements in determining the lease term

IFRS16(59)(b)(ii),(B50)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During financial year 2017, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and rights-of-use assets of CUxx,000.

(vi) Residual value guarantees

IFRS16(59)(b)(iii),(B51)

To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases.

Estimating the amount payable under residual value guarantees

The group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period. At the end of reporting period, residual value guarantees included in the lease liabilities amounted to CUxxx,000 (2016 – CUxxx,000).

12 Financial risk management (extract)

12(d) Liquidity risk (extract) ⁸

IFRS7(39)(b),(c),
(B11)

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 31 December 2017	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Lease liabilities	Xxx	Xxx	Xxx	Xxx	Xxx	Xxx	xxx

IFRS16(58)

IAS1(117)

25 Summary of significant accounting policies (extract)

IAS1(112)(a),(117)

25(a) Basis of preparation (extract)

(iii) New and amended standards adopted by the group

IAS8(28)(b),(d)
IFRS15(C5)(b),(C7)

The group has elected to apply IFRS 16 *Leases*. In accordance with the transition provisions in IFRS 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2017. Comparatives for the 2016 financial year have not been restated. See [note 26](#) below for further details on the impact of the change in accounting policy.

IAS1(119)

25(h) Leases (extracts)

As explained in [note 25\(a\)](#) above, the group has changed its accounting policy for leases. The new policy is described in [note 8\(x\)](#) and the impact of the change in [note 26](#).

Until the 2016 financial year, leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases ([note 8\(a\)](#)). [See previous [policy 25\(h\)](#) in the main body of this publication for remainder of the text.]

26 Changes in accounting policies ¹¹⁻¹⁷

IAS8(28)(a)-(d)
IFRS16(C5)(b),(C7)

As indicated in [note 25\(a\)](#) above, the group has adopted IFRS 16 *Leases* retrospectively from 1 January 2017, as permitted under the specific transition provisions in the standard. Comparatives for the 2016 financial year have therefore not been restated.

IFRS16(C8),(C12)(a)

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as of 1 January 2017. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January was xx.x%.

IFRS16(C12)(b)

	2017 CU'000
Operating lease commitments disclosed as at 31 December 2016	X,xxx
Discounted using the group's incremental borrowing rate of xx.x%	X,xxx
Add: finance lease liabilities recognised as at 31 December 2016	X,xxx
(Less): short-term leases recognised on a straight-line basis as expense	(xxx)
(Less): low-value leases recognised on a straight-line basis as expense	(xxx)
(Less): contracts reassessed as service agreements	(xxx)
Add/(less): adjustments as a result of a different treatment of extension and termination options	xx
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	xx
Lease liability recognised as at 1 January 2017	X,xxx

IFRS16(C8)(b)(ii)

The associated rights-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2016. Property, plant and equipment increased by CUx,xxx,000 on 1 January 2017, prepayments reduced by CUxxx,000 and trade and other payables by CUxxx,000. The net impact on retained earnings on 1 January 2017 was CUxxx,000. ¹⁶

26 Changes in accounting policies

IFRS16(C13),(C10)

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard: ¹⁷

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2017 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

IFRS 16 Leases

Objectives of disclosures

IFRS16(51)

1. The objective of the disclosures is for lessees to disclose information in the notes that, together with the information provided in the balance sheet, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

Presentation

IFRS16(47)

2. Rights-of-use assets and lease liabilities must be presented separately from other assets and liabilities, but this can be done in the notes.
3. For the purpose of presentation in the balance sheet, rights-of-use assets can be included within the same line item as that within which the corresponding underlying assets would be presented if they were owned, or in a separate line item. If rights-of-use assets and lease liabilities are not presented as separate line items in the balance sheet, the notes must identify the line items which include these assets and liabilities.
4. While VALUE IFRS Plc has decided to reclassify lease liabilities from borrowings to other liabilities, this is not required under the standard and different presentations may be equally appropriate.

IFRS16(48)

5. Rights-of-use assets that meet the definition of investment property must be presented in the balance sheet as investment property.

IFRS16(49)

6. Interest expense on lease liabilities must be presented as a component of finance cost in the statement of profit or loss and other comprehensive income.

IFRS16(48)

7. Cash flows relating to leases must be presented as follows
 - (a) cash payments for the principal portion of the lease liabilities as cash flows from financing activities
 - (b) cash payments for the interest portion consistent with presentation of interest payments chosen by the group (see the commentary in relation to presentation of interest in the statement of cash flows in the main body of this publication on [page 21](#))
 - (c) short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

IFRS16(58)

8. Lease liabilities must be disclosed separately in the disclosure of maturities of financial liabilities that is required under IFRS 7 paragraphs 39 and B11.

Rights-of-use assets

9. Where rights-of-use assets are presented together with other items of property, plant and equipment entities, will need to consider how this affects the relevant disclosures ([note 8\(a\)](#) in the main body of this publication). Depending on materiality, rights-of-use assets may need to be disclosed as a separate class of assets in the reconciliation that is required under IAS 16 *Property, Plant and Equipment*.
10. Where an entity elects to present rights-of-use assets as separate line items in the balance sheet, the disclosures in IAS 16 do not apply and the illustrative disclosures provided in [note 8\(x\)](#) in this appendix would be sufficient. However, if the entity has significant amounts of rights-of-use assets, readers of the financial statements might find it useful if the entity provides the information set out in [note 8\(x\)\(i\)](#) and [\(ii\)](#) in form of reconciliations from opening to closing balances for the rights-of-use assets and lease liabilities.

IFRS 16 Leases

Transition

- IFRS16(C1) 11. IFRS 16 is effective for reporting periods beginning on or after 1 January 2019. Earlier application is permitted, but only in conjunction with IFRS 15 *Revenue from Contracts with Customers*.
- IFRS16(C3) 12. As practical expedient, entities can elect to apply the new guidance regarding the definition of a lease only to contracts entered into (or changed) on or after the date of initial application. Existing lease contracts will not need to be reassessed. However, this expedient must be consistently applied to all contracts.
- IFRS16(C9),(C10) 13. Other transition exemptions are available for leases with a remaining term of 12 months or less and for low value assets (both on a lease-by-lease basis).
- IFRS16(C5)(b),(C6) 14. The standard further permits the use of a simplified transition approach which is outlined below. Full retrospective application is optional, but if chosen must be applied to all leases. Selective application of the simplified transition approach is not permitted.
- IFRS16(C8) 15. Where a lessee applies the simplified approach, it does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application.

Balance sheet item	Measurement
Leases previously classified as operating leases	
Lease liability	Remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application
Right-of-use asset	Retrospective calculation, using a discount rate based on the lessee's incremental borrowing rate at the date of initial application. Or Amount of lease liability (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease). <i>Lessees can choose one of the alternatives on a lease-by-lease basis.</i>
Leases previously classified as finance leases	
Lease liability	Carrying amount of the lease liability immediately before the date of initial application.
Right-of-use asset	Carrying amount of the lease asset immediately before the date of initial application.

- IFRS16(C12) 16. Entities that apply the simplified approach are not required to disclose the impact of the adoption of the standard on the individual line items of the financial statements that are affected. Having said that, we recommend disclosing the adjustments recognised on the date of initial application at least in the narrative explanations provided.
- IFRS16(C13),(C10) 17. Entities must disclose if they have applied any of the following practical expedients:
- (a) applying a single discount rate to a portfolio of leases with similar characteristics
 - (b) relying on previous assessment of whether a lease is onerous
 - (c) accounting for leases which end within 12 months of the date of initial application as short-term leases
 - (d) excluding initial direct costs from the measurement of the right-of-use asset, and
 - (e) using hindsight, eg in determining the lease term where the contract includes extension or termination options.

IFRS 16 Leases

Disclosures not illustrated: not applicable to VALUE IFRS Plc

18. The following requirements of IFRS 16 are not illustrated in this Appendix:

	Issue not illustrated	Relevant disclosures or reference
IFRS16(53)(i),(B52)	Sale and leaseback transactions	Disclose gain or loss separately in the notes and provide additional information set out in paragraph B52 of the standard
IFRS16(53)(f)	Sub-leasing of rights of use assets	Disclose income from sub-leasing.
IFRS16(55)	Portfolio of short-term leases at the end of the reporting period is dissimilar to the portfolio of short-term leases held during the year	Disclose lease commitments for short-term leases accounted recognised as expenses on a straight-line basis.
IFRS16(56)	Rights-of-use assets that meet the definition of investment property	Apply the disclosure requirements of IAS 40 <i>Investment Property</i> . Lessees are not required to disclose the depreciation charge, income from sub-lease, additions and the carrying amount at the end of the reporting period in relation to these assets.
IFRS16(57)	Rights-of-use assets are measured at revalued amount under IAS 16.	Provide the disclosures required by paragraph 77 of IAS 16 in relation to those assets.
IFRS16(59)(b)(iv)	Leases not yet commenced to which the lessee is committed	Provide information about the future cash outflows to which the lessee is potentially exposed.
IFRS16(C10)(b)	Use of practical expedient on transition to IFRS 16 in relation to onerous leases	Disclose the fact that this exception has been applied.
IFRS16(89)-(97)	The entity is a lessor	<p>Provide information which allows users of the financial statements to assess the effect that leases have on the lessor's financial position, financial performance and cash flows.</p> <p>For finance leases:</p> <ul style="list-style-type: none"> • selling profit or loss • finance income on the net investment in the lease • income relating to variable lease payments not included in the measurement of the net investment • qualitative and quantitative explanation of significant changes in the carrying amount of the net investment in the lease, and • maturity analysis of lease receivable for a minimum of each of the first five years plus a total amount for the remaining years; reconciliation to the net investment in the lease.

IFRS 16 Leases	
The entity is a lessor	<p>For operating leases:</p> <ul style="list-style-type: none"> • lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate • maturity analysis of lease payments for a minimum of each of the first five years plus a total amount for the remaining years • for items of property, plant and equipment that are subject to an operating lease, the disclosures required by IAS 16 separately for the assets subject to an operating lease and for those that are held and used by the lessor. • where applicable, the disclosure required by IAS 36, IAS 38, IAS 40 and IAS 41. <p>Qualitative disclosures for all leases about:</p> <ul style="list-style-type: none"> • the nature of the entity's leasing activities, and • the management of the risks associated with any rights retained in the underlying assets.

Appendix H: Abbreviations

Abbreviations used in this publication are set out below.

AfS	Available-for-sale (financial assets)
AGM	Annual General Meeting
bps	basis points
CGU	Cash-Generating Unit
CODM	Chief operating decision maker
DP	Discussion Papers
ED	Accounting Exposure Drafts
ED securities	Enhanced Disclosure securities
ESMA	European Securities and Markets Authority
Framework	The <i>Conceptual Framework for Financial Reporting</i>
FRS	Financial Reporting Standard (UK)
FVLCD	Fair value less cost of disposal
FVOCI	(Financial assets/liabilities at) fair value through other comprehensive income
FVPL	(Financial assets/liabilities at) fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards ("R" indicates revised standard before its mandatory application date)
IASB	International Accounting Standards Board
IFRIC	Interpretations issued by the IFRS Interpretations Committee of the IASB
IFRS	International Financial Reporting Standards ("R" indicates revised standard before its mandatory application date)
ISA	International Standards on Auditing
ISRE	International Standard on Review Engagements
NCI	Non-controlling interest
OCI	Other comprehensive income
STI	Short-term incentive
TSR	Total shareholder return

