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# Foreword

**By Hans Hoogervorst**
**Chairman**
**International Accounting Standards Board**

Much of the work of practising accountants and standard-setters today is concerned with the global harmonisation of financial reporting. More than a hundred countries now require or permit the use of IFRSs, including the majority of G20 members. In the coming months the United States and Japan will consider if and how to incorporate IFRSs into their own financial reporting regimes. A global language of financial reporting is now within touching distance.

In addition to global acceptance of the standards, the ongoing financial crisis has stress-tested modern financial reporting like never before. The associated economic difficulties have, in the last few years, put increased spotlight on accounting standards, especially those dealing with financial instruments. Policymakers have followed developments in financial reporting with keen interest. Difficult though these issues have been, they have at the same time underlined the immense need for and importance of truly global financial reporting standards. Developing and improving these standards is one of our main priorities.

Given the importance of global harmonisation, it is important that the interpretation and application of IFRS is consistent from country to country. IFRSs are principle-based standards that require judgement calls to be made by accounting professionals. Judgement is, of course, most likely to be sound when it is based on experience. In today's rapidly changing environment, I commend this IFRS Manual of Accounting, which gives preparers and practitioners the benefits of the extensive experience and professional judgement of PricewaterhouseCoopers.

October 2011

# Preface

The Manual of Accounting – IFRS is a practical guide to International Financial Reporting Standards. Following the first wave of IFRS in the EU and elsewhere in 2005 an increasing number of companies have adopted IFRS. In the next few years, the application of IFRS will be a new experience for many others. At the same time, the requirements of IFRS continue to develop. Hence, views continue to develop as to how it should be interpreted and applied. The views expressed in this Manual are based on the experience of the PricewaterhouseCoopers' Global Accounting Consulting Services team. The views expressed are a guide to applying IFRS rather than a set of definitive interpretations. The application of IFRS to a specific company is a matter of judgement given its particular facts and circumstances. Moreover, the application of IFRS might be influenced by the views of regulators.

The Manual covers diverse areas of accounting from the recognition and measurement of financial instruments to accounting for deferred taxation, business combinations and share-based payments. It explains in detail the rules that apply to preparing consolidated financial statements and considers the other statements that appear in annual reports such as cash flow statements. The Manual also deals with the reporting requirements for interim reports.

Even in a work of this size it is not possible to cover every aspect of company reporting. For example, this manual does not deal with the issues faced by specific industries, such as banks and insurance companies, although much of the advice given in the text will assist them.

We hope that finance directors, accountants, auditors, analysts and other users of financial statements will find this Manual useful.

John Hitchins
Global Chief Accountant
PricewaterhouseCoopers LLP
London
October 2011

# Introduction

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

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

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

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

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

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

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

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



# Abbreviations

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

*(All amounts in C thousands unless otherwise stated)*

## Consolidated income statement[1]

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

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



[1] This income statement presents expenses by function. See Commentary, paras 12 and 13.
[2] IAS 1 does not prescribe the disclosure of operating profit on the face of the income statement. However, entities are not prohibited from disclosing this or a similar line item.
[3] EPS for discontinued operations may be given in the notes to the accounts instead of in the income statement.

*(All amounts in C thousands unless otherwise stated)*

## Consolidated statement of comprehensive income

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

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

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

### Commentary – income statement and statement of comprehensive income

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

1p81 1. Entities have a choice of presenting all items of income and expense recognised in a period either:
(a) in a single statement of comprehensive income; or
(b) in two statements (as adopted by IFRS GAAP plc) comprising:
(i) a separate income statement, which displays components of profit or loss; and
(ii) a statement of comprehensive income, which begins with profit or loss and displays components of other comprehensive income.

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

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

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

*(All amounts in C thousands unless otherwise stated)*

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

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

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

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

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

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

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

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

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

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

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

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

**Material items of income and expense**

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

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

**Analysis of expenses by nature or function**

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

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

**Operating profit**

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

**Re-ordering of line items**

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

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

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

**Discontinued operations**

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

**Earnings per share**

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

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

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

*(All amounts in C thousands unless otherwise stated)*

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

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

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

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

**Components of other comprehensive income**

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

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

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

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

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

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

**Consistency**

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

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

**Materiality and aggregation**

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

*(All amounts in C thousands unless otherwise stated)*

**Offsetting**

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

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

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

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

**Summary**

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

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

*(All amounts in C thousands unless otherwise stated)*

## Consolidated balance sheet

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

*(All amounts in C thousands unless otherwise stated)*

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

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

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

CD Suede
**Chief Executive**

G Wallace
**Finance Director**



## Commentary – balance sheet

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

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

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

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

**Current/non-current distinction**

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

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

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

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

*(All amounts in C thousands unless otherwise stated)*

**Consistency**

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

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

(b) an IFRS requires a change in presentation.

**Materiality and aggregation**

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

*Current and deferred tax assets and liabilities*

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

**Offsetting**

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

**Three balance sheets required in certain circumstances**

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

## Consolidated statement of changes in equity

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

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