

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 30 April 2015 and that apply to financial years commencing on or after 1 January 2015.

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 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 given our *Illustrative IFRS consolidated financial statements* a makeover this year. Not only has our company changed from IFRS GAAP Plc to VALUE IFRS Plc, but we have also 'streamlined' the financial report to reflect some of the best practices that have been emerging globally over the past year. In particular:

- Information has been reorganised to more clearly tell the story of financial performance and make critical information more prominent and easier to find.
- Additional information has been 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.
- The language used has been simplified, the document reformatted and hyperlinks added to make it easier to navigate between sections and find related information.

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.

New disclosure requirements

Significant changes arising from new or revised requirements are identified with shading in the reference column in the illustrative financial report. For 2015, the only mandatory change relevant for VALUE IFRS Plc arose from the 2010-2012 annual improvements cycle (see below), which required additional disclosures about the aggregation of segments. This is illustrated in *note 2*.

Changes in accounting policies

None of the standards that will apply for the first time from 1 January 2015 required a retrospective change in accounting policy in the consolidated financial statements of VALUE IFRS Plc. However, *Appendix C* illustrates the impact of the amendment made to IAS 41 *Agriculture* regarding the accounting for bearer plants on an entity's accounting policy and the associated disclosures (assuming early adoption).

Readers should also consider whether any of the other standards that are mandatory for the first time for financial years beginning 1 January 2015 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 *Annual Improvements to IFRSs 2012-2014 Cycle* and amendments made to IAS 1 in relation to the *Disclosure Initiative*.

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 2015 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 2015 is included in Appendix D and abbreviations used in this publication are listed in Appendix E.

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 at www.pwc.com/ifrs.

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 2015* useful to identify other disclosures that may be relevant under the circumstances but are not illustrated in this publication.

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*
- *Illustrative IFRS consolidated financial statements – Insurance*

VALUE IFRS Plc

Illustrative IFRS consolidated financial statements December 2015

Financial statements	5
Statement of profit or loss	8
Statement of comprehensive income	9
Balance sheet	15
Statement of changes in equity	18
Statement of cash flows	20
Notes to the financial statements	22
Significant changes in the current reporting period	24
How numbers are calculated	25
Segment information	26
Profit and loss	31
Balance sheet	43
Cash flows	95
Risk	98
Critical estimates, judgements and errors	99
Financial risk management	102
Capital management	115
Group structure	118
Business combinations	119
Discontinued operation	122
Interests in other entities	125
Unrecognised items	131
Contingent liabilities and contingent assets	132
Commitments	133
Events occurring after the reporting period	134
Other information	137
Related party transactions	138
Share-based payments	143
Earnings per share	147
Offsetting financial assets and financial liabilities	150
Assets pledged as security	152
Accounting policies	153
Independent auditor's report	174
Appendices	175

IAS1(49),(51)(a)

VALUE IFRS Plc

Annual financial report – 31 December 2015

IAS1(49)

Financial statements

Consolidated statement of profit or loss

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

Notes to the consolidated financial statements

IAS1(51)(b),(c)

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 13.

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

IAS1(138)(a)

VALUE IFRS Plc is a company limited by shares, incorporated and domiciled in Oneworld. 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 2016. 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.valueifrspic.com

	Notes	2015 CU'000	2014 Restated * CU'000	1 January 2014 Restated * ⁶ CU'000
LIABILITIES				
Non-current liabilities				
IAS1(60),(69)				
IAS1(54)(m) IFRS7(8)(f)	7(g)	91,464	61,525	58,250
IAS1(54)(o),(56)	8(d)	12,566	6,660	4,356
	8(g)	6,749	4,881	4,032
IAS1(54)(l)	8(h)	1,223	-	-
		112,002	73,066	66,638
Current liabilities				
IAS1(60),(69)				
IAS1(54)(k)	7(f)	16,700	12,477	12,930
IAS1(54)(n)		1,700	1,138	989
IAS1(54)(m), IFRS7(8)(f)	7(g)	8,980	8,555	7,869
IAS1(54)(m) IFRS7(8)(e)	12(a)	1,376	1,398	445
	8(g)	690	470	440
IAS1(54)(l)	8(h)	2,472	1,240	730
	3	2,395	2,370	2,290
		34,313	27,648	25,693
IAS1(54)(p) IFRS5(38)	15	-	500	-
		34,313	28,148	25,693
		146,315	101,214	92,331
		159,677	117,087	95,710
EQUITY				
IAS1(54)(r)	9(a)	83,104	63,970	62,619
	9(b)	1,774	(550)	(251)
IAS1(54)(r)	9(c)	18,168	12,439	7,395
	9(d)	47,169	35,533	21,007
IAS1(54)(r)		150,215	111,398	90,770
IAS1(54)(c)	16(b)	9,462	5,689	4,940
		159,677	117,087	95,710

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

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)

- 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
- An entity presents current and non-current assets and current and noncurrent 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.
 - Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve month 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.
 - 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.
 - 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
- 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
- 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.

PwC Manual of Accounting

For further information about the disclosures required in the balance sheet (statement of financial position) please refer to Chapter 4 *Presentation of financial statements: Statement of financial position* of the PwC Manual of Accounting (link will only work for registered users).

2 Segment information 5

(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)

(New requirement)

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 2015.

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 Harbournicity 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 2015. 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)

(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 revenue 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)

	2015 CU'000	2014 Restated CU'000
Furniture manufacture		
Oneland	14,280	16,310
China	12,900	11,990
Furniture retail – Oneland	16,400	-
IT Consulting		
US	16,500	13,480
Europe	8,002	9,880
Electronic equipment - Oneland	2,900	-
All other segments	3,963	3,373
Total adjusted EBITDA	74,945	55,033

IFRS8(23)

(b) Adjusted EBITDA

IFRS8(28)(b)

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

IFRS8(23)

	2015 CU'000	2014 Restated CU'000
Total adjusted EBITDA	74,945	55,033
Intersegment eliminations	(390)	(360)
Finance costs – net	(5,464)	(5,040)
Depreciation	(8,950)	(8,150)
Amortisation	(2,035)	(730)
Legal expenses	-	(370)
Goodwill impairment	(2,410)	-
Restructuring costs	(1,377)	-
Unrealised financial instrument gains/(losses)	835	(690)
Share options and rights granted to directors and employees	(1,116)	(555)
Impairment of other assets	(1,210)	-
Other	250	250
Profit before income tax from continuing operations	53,078	39,388

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

(c) Other profit and loss disclosures

2015	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)	70
China	(3,787)	(2,161)	(3,650)	-
Furniture retail – Oneland	-	(2,274)	(3,965)	-
IT Consulting				
US	1,270	(700)	(2,092)	250
Europe	-	(430)	(750)	-
Electronic equipment -				
Oneland	-	(275)	(800)	-
All other segments	-	895	(556)	130
Unallocated items	-	-	(584)	-
Total	(3,427)	(10,985)	(16,714)	450

2014	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)	(2,170)	-
IT Consulting				
US	-	(1,243)	(2,724)	220
Europe	-	(1,547)	(1,542)	-
All other segments	(370)	(832)	(760)	90
Unallocated items	-	-	(509)	-
Total	345	(8,880)	(11,510)	370

There was no impairment charge or other significant non-cash item recognised in 2014. For details about the material items refer to note 4 below.

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)	(a) Other income	Notes	2015	2014
			CU'000	CU'000
	Rental and sub-lease rental income		7,240	7,240
IAS18(35)(b)(v)	Dividends		3,300	4,300
Not mandatory	Other items (i)		550	244
			11,090	11,784

(i) Government grants

IAS20(39)(b),(c) Export market development grants of CU250,000 (2014 – 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

IAS1(117) 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.

IAS20(12),(29)(a) 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.

(b) Other gains/(losses)

IAS40(76)(d) IFRS7(20)(a)(i)	Notes	2015	2014
		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)
IFRS7(20)(a)(ii)	Net gain/(loss) on sale of available-for-sale financial assets	7(c) 646	(548)
IAS21(52)	Net foreign exchange gains/(losses)	12(b) 518	(259)
Not mandatory	Other items	236	(621)
		5,205	(1,251)

(c) Breakdown of expenses by nature

Not mandatory	Notes	2015	2014
		CU'000	Restated CU'000
	Changes in inventories of finished goods and work in progress	8(e) (6,681)	(5,255)
Not mandatory	Raw materials and consumables used	8(e) 62,221	39,499
IAS1(104),(105)	Employee benefits expenses ²	56,594	47,075
IAS1(104),(105)	Depreciation	8(a) 8,950	8,150
IAS1(104),(105)	Amortisation	8(c) 2,035	730
IAS1(97)	Impairment of goodwill	8(c) 2,410	-
IAS1(97)	Write off of assets damaged by fire	4(b) 1,210	-
Not mandatory	Other expenses	29,004	17,701
Not mandatory	Total cost of sales, distribution cost and administrative expenses	155,743	107,900

(d) Finance income and costs

Notes	2015	2014
	CU'000	Restated CU'000
	Finance income ⁶	
IFRS7(20)(b)	Interest from financial assets not at fair value through profit or loss	1,516 1,154
IFRS7(20)(a)(iv) IAS39(41)	Net gain on settlement of debt	7(g) 355 -
	Finance income	1,871 1,154
	Finance costs ³⁻⁵	
IFRS7(20)(b)	Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	(6,678) (5,904)
IAS37(60)	Provisions: unwinding of discount	8(h) (215) -
IFRS7(23)(d)	Fair value gain on interest rate swaps designated as cash flow hedges – transfer from OCI	12(b) 155 195
IAS21(52)(a)	Net exchange losses on foreign currency borrowings	12(b) (1,122) (810)
		(7,860) (6,519)
	Amount capitalised	(i) 525 325
	Finance costs expended	(7,335) (6,194)
	Net finance costs	5,464 (5,040)

(i) Capitalised borrowing costs

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% (2014 – 7.45%).

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:

- costs that are borrowing costs for the purposes of IAS 23 *Borrowing Costs*:
 - interest expense calculated using the effective interest rate method as described in IAS 39 *Financial Instruments: Recognition and Measurement*
 - finance charges in respect of finance leases (refer to note 25(h)), and
 - exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs

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

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

	2015 CU'000	2014 CU'000
Non-current assets		
Listed securities		
Equity securities	4,168	1,350
Debentures	2,230	1,528
Preference shares	990	590
	<u>7,388</u>	<u>3,468</u>
Unlisted securities (iv)		
Equity securities (i),(v)	1,332	1,280
Debentures	575	560
Preference shares	525	520
	<u>2,432</u>	<u>2,360</u>
Contingent consideration from disposal of discontinued operation (note 15)	1,290	-
	<u>11,110</u>	<u>5,828</u>

(i) Investments in related parties

IAS24(17)

Available-for-sale financial assets includes CU300,000 (2014 – CU280,000) of equity securities held in entities that are controlled by the ultimate parent entity, Lion Plc.

IAS1(117)

(ii) Classification of financial assets as available-for-sale^{2,3}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 estimates²IFRS13(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^{2,3}IFRS12(7),(9)(a)
IAS1(122)

The directors have determined that they do not control a company called VALUE IFRS Trustee Pty Ltd 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 (2014 – CU2) and is included in unlisted securities.

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

In the 2014 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 2014, 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 2014 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 2015 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.

	2015 CU'000	2014 CU'000
Gains/(losses) recognised in other comprehensive income (see note 9(c))	880	(1,378)
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

Refer to note 25 for information on non-current assets pledged as security by the group.

(viii) Fair value, impairment and risk exposure

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.

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).

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

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

	2015 CU'000	2014 CU'000
Current assets		
US listed equity securities	5,190	4,035
Oneland listed equity securities	6,110	6,880
	<u>11,300</u>	<u>10,915</u>

(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

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains/(losses) in profit or loss (2015 – gain of CU835,000; 2014 – loss of CU690,000).

(iii) Risk exposure and fair value measurements

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.

(a) Property, plant and equipment

(ii) 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):

	2015 CU'000	2014 Restated CU'000
Leasehold equipment		
Cost	3,000	3,000
Accumulated depreciation	(250)	-
Net book amount	<u>2,750</u>	<u>3,000</u>

(iii) Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the group.

(iv) 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 (2014 – 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) (v) 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.

(vi) Significant estimates – valuations of land and buildings 2.3

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

IAS16(74)(a) (vii) 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:

	2015 CU'000	2014 CU'000
Freehold land		
Cost	15,800	13,350
Accumulated depreciation	-	-
Net book amount	<u>15,800</u>	<u>13,350</u>
Buildings		
Cost	36,362	29,830
Accumulated depreciation	(6,775)	(4,540)
Net book amount	<u>29,587</u>	<u>25,290</u>

(b) Investment properties

2015
CU'000

2014
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	<u>13,300</u>	<u>10,050</u>

(i) Amounts recognised in profit or loss for investment properties

2015
CU'000

2014
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

(ii) Measuring investment property at fair value

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.

(iv) Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the group.

(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.

(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:

	2015 CU'000	2014 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
	Later than one year but not later than 5 years	9,120
	Later than 5 years	2,370
		<u>15,755</u>
		4,245
		9,050
		<u>2,550</u>
		<u>15,845</u>

(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:

	2015			2014		
	Oneland	US	Total	Oneland	US	Total
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)
	2,113	1,257	3,370	656	1,039	1,695
Impact of minimum funding requirement/asset ceiling	314	-	314	205	-	205
Total liability	2,427	1,257	3,684	861	1,039	1,900

IAS19(137)(a) As at the last valuation date, the present value of the defined benefit obligation included approximately CU3,120,000 (2014 – CU1,371,000) relating to active employees, CU3,900,000 (2014 – CU2,115,000) relating to deferred members and CU1,561,000 (2014 – CU1,006,000) relating to members in retirement.

(iii) Post-employment medical plans

IAS19(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% (2014 – 7.6%) and claim rates of 6% (2014 – 5.2%).

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	Net amount CU'000
1 January 2014	708	(207)	501
IAS19(141)(a) Current service cost	107	-	107
IAS19(141)(b) Interest expense/(income)	25	(13)	12
Total amount recognised in profit or loss	132	(13)	119
IAS19(141)(c) Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(11)	(11)
(Gain)/loss from change in demographic assumptions	3	-	3
(Gain)/loss from change in financial assumptions	7	-	7
Experience (gains)/losses	194	-	194
Total amount recognised in OCI	204	(11)	193
IAS19(141)(e) Exchange differences	(31)	2	(29)
IAS19(141)(f) Employer contributions/premiums paid	-	(73)	(73)
IAS19(141)(g) Benefit payments from plan	(8)	8	-
31 December 2014	1,005	(294)	711

(g) Employee benefit obligations

	Present value of obligation CU'000	Fair value of plan assets CU'000	Net amount CU'000
1 January 2015	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 expense/(income)	-	(33)	(33)
(Gain)/loss from change in demographic assumptions	4	-	4
(Gain)/loss from change in financial assumptions	10	-	10
Experience (gains)/losses	(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 2015	1,235	(528)	707

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

	2015 CU'000	2014 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:

	2015		2014	
	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%	2.8%	3.1%	2.7%
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:

	2015		2014	
	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

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.

19. 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

20. 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
IAS12(82)	Recognition of deferred tax assets where the entity has made a loss either in the current or preceding period	Disclose the amount of recognised deferred tax assets and the nature of evidence supporting its recognition.
IAS2(36)	Inventories at fair value less costs to sell	Disclose amount of inventories carried at fair value less costs to sell, reversal of write-downs and 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.

(b) Correction of error in accounting for leasing contract

	2014 CU'000	Profit Increase/ (Decrease) CU'000	2014 (Restated) CU'000
Statement of profit or loss (extract)			
Cost of sales of goods	(42,385)	(25)	(42,410)
Finance costs	(6,270)	76	(6,194)
Profit before income tax	39,337	51	39,388
Income tax expense	(11,498)	(12)	(11,510)
Profit from discontinued operation	399	-	399
Profit for the period	28,238	39	28,277
Profit is attributable to:			
Owners of VALUE IFRS Plc	25,919	39	25,958
Non-controlling interests	2,319	-	2,319
	28,238	39	28,277
Statement of comprehensive income (extract)			
Profit for the period	28,238	39	28,277
Other comprehensive income for the period	4,343	-	4,343
Total comprehensive income for the period	32,581	39	32,620
Total comprehensive income is attributable to:			
Owners of VALUE IFRS Plc	30,005	39	30,044
Non-controlling interests	2,576	-	2,576
	32,581	39	32,620

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.

(c) Revision of useful lives of plant and equipment

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
2015	740
2016	610
2017	460
2018	430

Critical estimates, judgements and errors**Disclosure not illustrated: not applicable to VALUE IFRS Plc***Sources of estimation uncertainty*

- 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.

- 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

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

- 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.

PwC Manual of Accounting

For further information about the disclosures required in the statement of financial position please refer to Chapter 4 *Presentation of Financial Statements: Accounting policies, judgements and estimates* of the PwC Manual of Accounting (link will only work for registered users).

IAS8(49)(b)(ii)

IAS8(39)

IAS16(76)

IFRIC14(10)

IAS1(123)

IAS1(123)

IAS34(26)

(c) Credit risk**(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)

	2015 CU'000	2014 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
	<u>10,770</u>	<u>6,731</u>
<i>Counterparties without external credit rating *</i>		
Group 1	750	555
Group 2	2,102	2,081
Group 3	2,300	256
	<u>5,152</u>	<u>2,892</u>
Total trade receivables	<u>15,922</u>	<u>9,623</u>
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
	<u>3,581</u>	<u>2,222</u>
Cash at bank and short-term bank deposits		
AAA	38,835	14,690
AA	16,469	10,003
	<u>55,304</u>	<u>24,693</u>
Available-for-sale debt securities		
AAA	2,600	1,300
AA	900	700
BB	820	380
	<u>4,320</u>	<u>2,380</u>
Held-to-maturity investments		
AAA	750	-
AA	460	-
	<u>1,210</u>	<u>-</u>
Derivative financial assets		
AA	1,327	2,129
B	835	-
	<u>2,162</u>	<u>2,129</u>

* 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 23(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.

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

IFRS7(37)(b)

IFRS7(16)

IFRS7(20)(e)

IFRS7(20)(e)

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

IFRS7(37)(a),(b)

(c) Credit risk**(iv) Impaired trade receivables ⁸**

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.

Individually impaired trade receivables relate to four furniture wholesalers that are experiencing unexpected economic difficulties (2014 – 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 (2014 - CU130,000). The ageing of these receivables is as follows: ⁸

Non-current assets	Carrying amounts	
	2015 CU'000	2014 CU'000
1 to 3 months	20	10
3 to 6 months	60	20
Over 6 months	151	128
	<u>231</u>	<u>158</u>

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

	2015 CU'000	2014 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	<u>525</u>	<u>300</u>

Amounts recognised in profit or loss

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

	2015 CU'000	2014 CU'000
Impairment losses		
- individually impaired receivables	(200)	(130)
- movement in provision for impairment	(580)	(540)
Reversal of previous impairment losses	35	125

(v) Past due but not impaired

As at 31 December 2015, trade receivables of CU1,277,000 (2014 – 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:

	2015 CU'000	2014 CU'000
Up to 3 months	1,177	1,108
3 to 6 months	100	99
	<u>1,277</u>	<u>1,207</u>

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.

17 Contingent liabilities and contingent assets²(a) Contingent liabilities¹

The group had contingent liabilities at 31 December 2015 in respect of:

(i) Claims

IAS37(86),(91)

A claim for unspecified damages was lodged against VALUE IFRS Retail Limited in December 2014 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 2015, 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 2016. 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).

(b) Contingent assets

IAS37(89),(91)

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 2015 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

- Careful consideration will need to be given to each potential contingent liability or asset. For example, in the case of an entity that has:
 - 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
 - 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

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

IAS37(86)

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.

IAS37(91)

IAS37(92)

IAS19(152)

Contingent liabilities and contingent assets

PwC Manual of Accounting

For further information about the disclosures required in relation to contingent liabilities and contingent assets please refer to Chapter 21 *Provisions, contingent liabilities and contingent assets: Disclosure requirements – contingent liabilities* of the PwC Manual of Accounting (link will only work for registered users).

18 Commitments¹

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2015 CU'000	2014 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	-

Femwood venture

IFRS12(25)(a)

The above commitments include capital expenditure commitments of CU500,000 (2014 – nil) relating to the Femwood Venture (refer to note 16(d)).

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.

IAS17(35)(a)

IAS17(35)(a)(i)

IAS17(35)(a)(ii)

IAS17(35)(a)(iii)

	2015 CU'000	2014 CU'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	850	750
Later than one year but not later than five years	2,300	2,300
Later than five years	3,940	3,770
	<u>7,090</u>	<u>6,820</u>

IAS17(35)(b)

Sub-lease payments

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases

IAS17(35)(d)(i)

SIC15(5)

IAS17(35)(c)

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.

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 and is reversed on a straight line basis over the lease term.

Rental expense relating to operating leases

	2015 CU'000	2014 CU'000
Minimum lease payments	1,230	1,530
Contingent rentals	430	-
Sub-leases	290	270
Total rental expense relating to operating leases	<u>1,950</u>	<u>1,800</u>

(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:

	2015 CU'000	2014 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

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
FV of equity instruments was not measured on basis of an observable market price	Explain how the FV was determined
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.

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

Modification of share-based payment arrangements

In May 2015, VALUE IFRS Plc increased the vesting period for the employee share options granted in October 2014 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].

PwC Manual of Accounting

For further information about the disclosures required in relation to share-based payments please refer to Chapter 12 *Share-based payment*: Disclosure of the PwC Manual of Accounting (link will only work for registered users).

22 Earnings per share ¹

2015
Cents

2014
Cents

(a) Basic earnings per share

From continuing operations attributable to the ordinary equity holders of the company	54.9	43.2
From discontinued operation	1.1	0.7
Total basic earnings per share attributable to the ordinary equity holders of the company	56.0	43.9

(b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the company	54.0	43.0
From discontinued operation	1.1	0.7
Total diluted earnings per share attributable to the ordinary equity holders of the company	55.1	43.7

(c) Reconciliations of earnings used in calculating earnings per share

2015
CU'000

2014
CU'000

Basic earnings per share

Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	33,359	25,559
From discontinued operation	664	399
	34,023	25,958

Diluted earnings per share

Profit from continuing operations attributable to the ordinary equity holders of the company:		
Used in calculating basic earnings per share	33,359	25,559
Add: interest savings on convertible notes	435	-
Used in calculating diluted earnings per share	33,794	25,559
Profit from discontinued operation	664	399
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	34,458	25,958

(d) Weighted average number of shares used as the denominator

2015
Number

2014
Number

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	60,787,264	59,102,882
Adjustments for calculation of diluted earnings per share:		
Amounts uncalled on partly paid shares and calls in arrears	101,082	90,512
Options	103,108	87,341
Deferred shares	101,040	82,311
Convertible notes	1,455,996	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	62,548,490	59,363,046