VALUE IFRS Plc

Illustrative consolidated financial statements under IFRS® Accounting Standards.

December 2023

This publication presents the sample annual financial report of a fictional listed company, VALUE IFRS Plc. It illustrates the financial reporting requirements that would apply to such a company under IFRS® Accounting Standards as issued at 30 June 2023. Supporting commentary is also provided. For the purposes of this publication, VALUE IFRS Plc is listed on a fictive Stock Exchange and is the parent entity in a consolidated entity.

VALUE IFRS Plc 2023 is for illustrative purposes only and should be used in conjunction with the relevant financial reporting standards and any other reporting pronouncements and legislation applicable in specific jurisdictions.

Global Corporate Reporting Services
PricewaterhouseCoopers LLP

Introduction

This publication presents illustrative consolidated financial statements for a fictitious listed company, VALUE IFRS Plc for the year ending 31 December 2023. The financial statements comply with IFRS Accounting Standards as issued at 30 June 2023 and that apply to financial years commencing on or after 1 January 2023.

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 disclosures based on materiality. Instead, we have included illustrative disclosures for as many common scenarios as possible. Please note that the amounts disclosed in this publication are purely for illustrative purposes and may not be consistent throughout the publication.

New disclosure requirements and changes in accounting policies

Except for the OECD Pillar Two amendments (see separate section below), there were no changes to the financial reporting requirements this year that affected the disclosures in our example financial statements. While the International Accounting Standards Board (IASB) has made a few amendments to accounting standards that apply from 1 January 2023 (see Appendix D), these are largely clarifications and we have assumed that none of them required a change in VALUE IFRS Plc's accounting policies. However, this assumption will not necessarily apply to all entities. If an entity did change its accounting policies as a result of the amendments and the change had a material impact on the reported amounts, it would need to disclose this in an appropriate manner.

In particular, all entities, including those that are not insurers, will also need to consider whether they have entered into any contracts that meet the definition of insurance contracts and hence could be affected by the adoption of IFRS 17 *Insurance Contracts*. Where this is the case, users may expect to see some information about the entity's assessments, even if the entity has concluded that the impact was not material. We have issued guidance to help non-insurance companies to identify whether they have any contracts within the scope of IFRS 17 – see our In depth INT2022-14 *IFRS 17 affects more than just insurance companies*.

Insurance companies can refer to our separate Insurance webpage on Viewpoint for guidance that will help with the adoption of the new rules. Viewpoint is our global digital platform which provides the latest information on accounting standards and financial and sustainability reporting. Access to Viewpoint is complimentary. Register here where you can indicate your preferences.

Entities will also need to consider whether there were any recent IFRS Interpretations Committee (IFRIC®) agenda decisions that may require changes to their accounting policies. Since this has become more common in recent years, we have included guidance on how to account for those changes and how to develop appropriate disclosures in the commentary to note 26. A list of agenda decisions from the last 12 months is in Appendix D(b).

Early adoption of standards

VALUE IFRS Plc generally only adopts standards early if they clarify existing practice, such as the amendments made by the IASB as part of the improvements programme, but do not introduce substantive changes. This year, we have decided to early adopt the amendments made to IAS 1 in relation to (a) the classification of liabilities as current or non-current, and (b) non-current liabilities with covenants. While we did not have to reclassify any liabilities to current as a consequence of the amendments, we have included additional disclosures about covenants in note 13.

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 2023 is included in Appendix D. For updates after the cut-off date for our publication, see www.viewpoint.pwc.com.

Entities with supplier finance arrangements should consider the additional disclosures that will be required from 1 January 2024 and ensure that their processes and systems are updated to collect the necessary information. For further details, see our In brief INT2022-03 *It's time to get ready: new IFRS disclosures on supplier finance arrangements effective in 2024*.

Impacts of rising inflation and interest rates

Many entities are experiencing the effect of rising inflation and interest rates which touch all aspects of an entity's business, including increasing costs such as raw materials and wages, changes in customer behaviour and credit risk, negotiations of contract terms, and investment and financing decisions. In turn, the effect on the financial statements is likely to be equally widespread, and companies need to consider the accounting implications when preparing financial statements in 2023.

Rising inflation and interest rates will affect fair value measurements, expected future cash flow estimates, discount rates used to determine present value of cash flows, impairment indicators and impairment tests. Rising inflation and interest rates may also cause significant estimation uncertainty in relation to the measurement of both short- and long-duration assets and liabilities. Entities may therefore also need to consider new or expanded disclosures in this area.

We have added commentary to some of the notes or areas that are likely to be most affected, and we have added references to this commentary as part of the disclosures. We have also adapted some disclosures relating to the fair value measurement of financial instruments to reflect the impact of rising inflation and interest rates.

For guidance, see our In depth INT2022-12 *Navigating IFRS Accounting Standards in periods of rising inflation and interest rates*.

Disclosing the impact of climate change

The impact of climate change on financial statements is a high-profile issue. Investors and regulators are increasingly looking for evidence that the entity has incorporated environmental, social and governance (ESG) matters and, in particular, climate-related risk factors when making estimates and judgements in the preparation of the financial statements. Climate-related risk could include both transition impacts, for example additional costs incurred by the entity as a result of transitioning to a low-carbon economy, or physical impacts, such as damage to assets as a result of fires and flooding.

The accounting standards have an overarching requirement to disclose information that users need for them to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Therefore, in light of the current focus on, and impact of, climate change, entities should ensure that they have assessed the impact of climate change and what disclosures are necessary in this context for the financial statements to comply with IFRS.

To help preparers and auditors identify where additional disclosures may be required, we have included a new Appendix E which discusses how climate change could affect certain measurements and therefore the related disclosures in the financial statements. The appendix further outlines what entities should consider when making estimates and judgements and drafting the relevant disclosures to satisfy the current IFRS requirements. We have also provided signposts with hyperlinks throughout the main publication as reminders for readers to refer to this guidance where necessary.

Global implementation of OECD Pillar Two model rules

In December 2021, the Organisation for Economic Co-operation and Development ('OECD') published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS, hereafter referred to as the 'OECD Pillar Two model rules' or 'the rules'. The rules are designed to ensure that large multinational enterprises within the scope of the rules pay a minimum level of tax on the income arising in a specific period in each jurisdiction where they operate. In general, the rules apply a system of top-up taxes that brings the total amount of taxes paid on an entity's excess profit in a jurisdiction up to the minimum rate of 15%.

The rules need to be passed into national legislation based on each country's approach. Based on the OECD's recommendation, a number of territories have already enacted the legislation and we expect that further territories will follow during 2023. For further information, please refer to our *Pillar Two Country tracker.* The rules will impact current income tax when the legislation comes into effect.

Applying the OECD Pillar Two model rules and determining their impact on the IFRS financial statements is complex and poses a number of practical challenges. It is not immediately apparent how entities would apply the principles and requirements in IAS 12 *Income Taxes* in accounting for top-up tax arising from the Pillar Two model rules – specifically, whether the recognition and measurement of deferred tax assets and liabilities would be impacted. If deferred tax assets and liabilities would be impacted by the rules, this would be from the date when the relevant national legislation is enacted or substantively enacted.

Having considered all of the potential challenges, the IASB made narrow-scope amendments to IAS 12 in May 2023. The amendments (a) provide a temporary exception from accounting for deferred taxes arising from legislation enacted to implement the OECD's Pillar Two model rules, and (b) introduce additional disclosure requirements.

The amendments related to deferred tax must be applied immediately, subject to any local endorsement process, and retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Entities must further disclose the fact that they have applied the exception. Disclosures about the known or reasonably estimable exposure to Pillar Two income taxes are required for annual reporting periods beginning on or after 1 January 2023.

For more details, see our In brief INT2023-12 *Global implementation of Pillar Two: proposed amendments to IAS 12*.

For illustrative purposes, we have assumed that

- VALUE IFRS Plc is within the scope of the OECD Pillar Two model rules
- Pillar Two legislation has been enacted in Oneland, VALUE IFRS Plc's jurisdiction, but
- the legislation is not yet effective.

We have included new disclosures in note 6(g) to show what an entity might disclose in these circumstances.

Russian invasion of Ukraine and Russian sanctions

The Russian invasion of Ukraine and the imposition of international sanctions continue to have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by these developments. This continues to necessitate careful consideration of the resulting accounting implications by entities that are affected by these developments.

We have not updated the illustrative disclosures to reflect potential implications, because every entity will be impacted differently. Entities should carefully consider their direct and indirect exposures to the war and provide required IFRS disclosures in a manner that is appropriately tailored to their individual circumstances.

For guidance, see in our In depth INT2022-05 *Accounting implications of the Russian invasion of Ukraine*.

Change of titles of the financial statements

We have changed the titles of the financial statements this year to be consistent with the titles used in the accounting standards. While we are now referring to 'statement of financial position' and 'statement of profit or loss', entities can use other titles such as 'balance sheet' and 'income statement'.

Using this publication

The source for each disclosure requirement is given in the reference column. Shading in this column indicates changes made as a result of new or revised requirements that become applicable for the first time this year and improvements are identified as 'new illustration' or 'revised illustration' in the reference column, but not shaded. 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 2023 is included in Appendix D(a), and abbreviations used in this publication are listed in Appendix F.

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.

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.

Some of the disclosures in this publication would likely be immaterial if VALUE IFRS Plc was a 'real life' company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are for illustrative purposes only. Disclosures should not be included where they are not relevant or not material in specific circumstances. Guidance on assessing materiality is provided in IAS 1 *Presentation of Financial Statements* and the non-mandatory IFRS Practice Statement 2 *Making Materiality Judgements.*

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

Format

To demonstrate what companies could do to improve the readability of their financial report and make it easier for users to find the information they need, we have 'streamlined' VALUE IFRS Plc's financial report. In particular:

- Information is organised to clearly tell the story of financial performance and make critical information more prominent and easier to find.

- Additional information is included where it is important for an understanding of the performance of the company. For example, we have included a summary of significant transactions and events as the first note to the financial statements even though this is not a required disclosure.

Accounting policy information that is material and specific to the entity is disclosed along with other relevant information, generally in the section 'How the numbers are calculated'. While we have still listed other potentially material accounting policies in note 25, this is for completeness purposes. Entities should consider their own individual circumstances and only include policies that are relevant and material 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 and other primary users of their financial statements, such as lenders and creditors, to determine what would be most relevant to them. The structure used in this publication is not meant to be used as a template, but to provide you with possible ideas. It will not necessarily be suitable for all companies.

Specialised companies and industry-specific requirements

VALUE IFRS Plc does not illustrate the disclosures specifically relevant to specialised industries. However, Appendix C provides an illustration and explanation of the disclosure requirements of IFRS 6 *Exploration for and Evaluation of Mineral Resources* 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*

- *IFRS 9 for Banks - Illustrative disclosures*

- *Illustrative IFRS consolidated financial statements – IFRS 17 Insurance contracts.*

The publications can be accessed from Viewpoint using the links provided.

VALUE IFRS Plc

Illustrative consolidated financial statements under IFRS Accounting Standards.
December 2023

IAS1(49),(51)(a)

VALUE IFRS Plc

Annual financial report – 31 December 2023 [1-11]

IAS1(49)

IAS1(51)(b),(d) These financial statements are consolidated financial statements for the group consisting of VALUE IFRS Plc and its subsidiaries. A list of major subsidiaries is included in note 16.

The financial statements are presented in the Oneland currency (CU) which is VALUE IFRS Plc's functional and presentation currency.

IAS1(51)(e) All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

IAS1(138)(a) VALUE IFRS Plc is a company limited by shares, incorporated and domiciled in Oneland. Its registered office and principal place of business is:

VALUE IFRS Plc
350 Harbour Street
1234 Nice Town

IAS10(17) The financial statements were authorised for issue by the directors on 23 February 2024. 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.valueifrsplc.com

Financial statements

Accounting standard for financial statements presentation and disclosures

IAS1(10)

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

Alternative titles for the financial statements

IAS1(10)

2. We have changed the titles of the financial statements this year to be consistent with the titles used in the accounting standards. While we are now referring to 'statement of financial position' and 'statement of profit or loss', entities can use other titles such as 'balance sheet' and 'income statement'.

Comparative information

IAS1(38)

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

IAS1(38B)

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

Three statements of financial position required in certain circumstances

IAS1(40A),(40B)

5. If an entity has:
   (a) applied an accounting policy retrospectively, restated items retrospectively, or reclassified items in its financial statements, and
   (b) the retrospective application, restatement or reclassification has a material effect on the information presented in the statement of financial position at the beginning of the preceding period,

   it must present a third statement of financial position as at the beginning of the preceding period (e.g. 1 January 2022 for 31 December 2023 reporters).

IAS1(40D)

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

IAS1(40C),(41)
IAS8

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

Consistency

IAS1(45)

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

Financial statements

Materiality

IAS1(7),(29)-(31),(BC30F) IFRS PS2

9. Whether individual items or groups of items need to be disclosed separately in the primary financial statements or in the notes depends on their materiality. Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. In particular circumstances, either the nature or the amount of an item or an aggregate of items could be the determining factor. Preparers generally tend to err on the side of caution and disclose rather too much than too little. However, the IASB has emphasised that too much immaterial information could obscure useful information and hence should be avoided. Further guidance on assessing materiality is provided in the non-mandatory IFRS Practice Statement 2 *Making Materiality Judgements.*

Primary financial statements should be read in conjunction with accompanying notes

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

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

	Item	Nature of disclosure
IAS1(38C),(38D)	Additional comparative information (e.g. third statement of profit or loss and other comprehensive income)	Include the additional comparative information also in the relevant notes.
IAS27(17)	Separate financial statements	Disclose why they are prepared, a list of significant investments and the policies applied in accounting for these investments.
IAS27(16)(a)	Exemption from preparing consolidated financial statements	Disclose the fact that the exemption has been used and details about the entity that produces consolidated financial statements which include the reporting entity in question.
IAS21(51),(53)-(57)	Foreign currency translation	Disclose if the presentation currency is different from the functional currency, if there have been changes in the functional currency and clearly identify supplementary information that is presented in a currency other than the parent entity's functional or presentation currency.
IAS1(36)	Reporting period is shorter or longer than one year	Disclose the period covered, the reason for different periods and the fact that the amounts are not entirely comparable.

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

Consolidated statement of profit or loss [1-10,12,14,23-26,29-38]

IAS1(51)(c),(e),(113)

		Notes	2023 CU'000	2022 Restated * CU'000
	Continuing operations			
IAS1(82)(a)	Revenue from contracts with customers	3	**197,659**	161,604
IAS1(99), IAS2(36)(d)	Cost of sales of goods		**(76,992)**	(65,159)
	Cost of providing services		**(25,447)**	(18,288)
	Gross profit		**95,220**	78,157
IAS1(99)	Distribution costs		**(35,794)**	(29,221)
IAS1(99)	Administrative expenses		**(17,897)**	(14,611)
IAS1(82)(ba)	Net impairment losses on financial and contract assets [1-2]	12(c)	**(849)**	(595)
	Other income	5(a)	**11,348**	12,033
	Other gains/(losses) – net	5(b)	**4,593**	(671)
	Operating profit [11]		**56,621**	45,092
	Finance income [3]	5(d)	**1,616**	905
IAS1(82)(b)	Finance costs	5(d)	**(7,491)**	(6,735)
	Finance costs – net		**(5,875)**	(5,830)
IAS1(82)(c)	Share of net profit of associates and joint ventures accounted for using the equity method [13,14]	16(e)	**340**	355
	Profit before income tax		**51,086**	39,617
IAS1(82)(d) IAS12(77)	Income tax expense	6	**(16,182)**	(11,575)
	Profit from continuing operations		**34,904**	28,042
IFRS5(33)(a) IAS1(82)(ea)	Profit from discontinued operation (attributable to equity holders of the company) [15]	15	**727**	399
IAS1(81A)(a)	**Profit for the period**		**35,631**	28,441
IAS1(81B)(a)	Profit is attributable to:			
	Owners of VALUE IFRS Plc		**32,626**	26,123
	Non-controlling interests		**3,005**	2,318
			35,631	28,441
			Cents	Cents
IAS33(66)	**Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company: [16,17]**			
	Basic earnings per share	22	**56.9**	47.3
	Diluted earnings per share	22	**55.8**	47.1
IAS33(66)	**Earnings per share for profit attributable to the ordinary equity holders of the company:**			
	Basic earnings per share	22	**58.2**	48.0
	Diluted earnings per share	22	**57.1**	47.8

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

Not mandatory

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

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

Consolidated statement of comprehensive income

IAS1(113)

		Notes	2023 CU'000	2022 Restated * CU'000
IAS1(81A)(a)	**Profit for the period**		**35,631**	28,441
	Other comprehensive income [18-21,27-28]			
IAS1(82A)(a)(ii)	*Items that may be reclassified to profit or loss*			
IAS1(82A),(7)(da)	Changes in the fair value of debt instruments at fair value through other comprehensive income	9(c)	**126**	(228)
IAS1(82A)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method [19]	9(c)	**20**	15
IAS1(82A),(7)(c) IAS21(32)	Exchange differences on translation of foreign operations	9(c)	**(617)**	185
IFRS5(38)	Exchange differences on translation of discontinued operation [22]	15	**170**	58
IAS1(82A),(7)(e)	Gains on cash flow hedges [20]	12(a)	**326**	1,423
IAS1(82A),(7)(g),(h)	Costs of hedging	12(a)	**(88)**	73
IAS1(82A),(7)(e)	Hedging gains reclassified to profit or loss	12(a)	**(155)**	(195)
IAS1(82A),(7)(c) IFRS9(6.5.13)	Gains on net investment hedge	9(c)	**190**	-
IAS1(91)	Income tax relating to these items	9(c)	**(68)**	(326)
IAS1(82A)(a)(i)	*Items that will not be reclassified to profit or loss*			
IAS1(82A),(7)(a)	Revaluation of land and buildings	9(c)	**7,243**	5,840
IAS1(82A),(7)(d)	Changes in the fair value of equity investments at fair value through other comprehensive income	9(c)	**632**	(1,230)
IAS1(82A)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method [19]	9(c)	**300**	100
IAS1(82A),(7)(b) IAS19(120)(c)	Remeasurements of post-employment benefit obligations	9(c)	**119**	(910)
IAS1(91)	Income tax relating to these items	9(c)	**(2,489)**	(1,140)
IAS1(81A)(b)	**Other comprehensive income for the period, net of tax**		**5,709**	3,665
IAS1(81A)(c)	**Total comprehensive income for the period**		**41,340**	32,106
IAS1(81B)(b)	Total comprehensive income for the period is attributable to:			
	Owners of VALUE IFRS Plc		**38,434**	29,530
	Non-controlling interests		**2,906**	2,576
			41,340	32,106
	Total comprehensive income for the period attributable to owners of VALUE IFRS Plc arises from:			
	Continuing operations		**37,549**	29,073
IFRS5(33)(d)	Discontinued operations		**885**	457
			38,434	29,530

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

Not mandatory

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

Statement of profit or loss and statement of comprehensive income

Disclosure of specified separate line items in the financial statements

1. Consequential amendments made to IAS 1 *Presentation of Financial Statements* following the release of IFRS 9 *Financial Instruments* now require the separate presentation of the following line items in the statement of profit or loss:

IAS1(82)(a) (a) interest revenue calculated using the effective interest rate method, separately from other revenue *

IAS1(82)(aa) (b) gains and losses from the derecognition of financial assets measured at amortised cost *

IAS1(82)(ba) (c) impairment losses determined in accordance with section 5.5 of IFRS 9, including reversals of impairment losses or impairment gains

IAS1(82)(ca) (d) gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss *, and

IAS1(82)(cb) (e) gains and losses reclassified from other comprehensive income (OCI) as a result of a reclassification of financial assets from the fair value through OCI measurement category

IFRS15(Appendix A) to fair value through profit or loss *.

* not illustrated, as not material or not applicable to VALUE IFRS Plc. While VALUE IFRS Plc recognises interest under the effective interest rate method, it does not consider this to be 'revenue' as the earning of interest is not part of the entity's ordinary activities but rather an incidental benefit.

IAS1(29),(30),(30A)
IFRS PS2(40)-(55)

2. Depending on materiality, it may not always be necessary to present these items separately in the primary financial statements. However, items that are of a dissimilar nature or function can only be aggregated if they are immaterial. Further guidance on assessing materiality is provided in the non-mandatory IFRS Practice Statement 2 *Making Materiality Judgements*.

Finance income and finance cost

IAS1(82)(b)

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

Additional line items

IAS1(85)

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

Framework(2.4),(2.12),(2.13)

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

IAS1(85A)

6. IAS 1 specifically provides that additional subtotals must:
   (a) be comprised of items that are recognised and measured in accordance with IFRS
   (b) be presented and labelled such that they are clear and understandable
   (c) be consistent from period to period, and
   (d) not be displayed with more prominence than the mandatory subtotals and totals.

Statement of profit or loss and statement of comprehensive income

7. Earnings before interest and tax (EBIT) may be an appropriate sub-heading to show in the statement of profit or loss, as it usually distinguishes between the pre-tax profits arising from operating and from financing activities. In contrast, a subtotal for earnings before interest, tax, depreciation and amortisation (EBITDA) can only be included where the entity presents its expenses by nature and the subtotal does not detract from the GAAP numbers, either by implying that EBITDA is the 'real' profit or by overcrowding the statement of profit or loss so that the reader cannot determine easily the entity's GAAP performance.
8. 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.
9. Where an entity discloses alternative performance measures, these should not be given greater prominence than the IFRS measure of performance. This might be achieved by including the alternative performance measure in the notes to the financial statements or as a footnote to the primary financial statement. Where an entity presents such a measure on the face of the primary statement, it should be clearly identified. Management should determine the overall adequacy of the disclosures and whether a specific presentation is misleading in the context of the financial statements as a whole. This judgement might be disclosed as a significant judgement in accordance with paragraph 122 of IAS 1.
10. Preparers of financial reports should also consider the view of their local regulator regarding the use of subtotals and disclosure of non-GAAP measures in the financial report where applicable. Appendix A provides guidance on the use of non-GAAP measures in the management commentary.

Operating profit

IAS1(BC56)

11. An entity may elect to include a subtotal for its results from operating activities. While this is permitted, care must be taken that the amount disclosed is representative of activities that would normally be considered to be 'operating'. Items that are clearly of an operating nature, for example inventory write-downs, restructuring or relocation expenses, must not be excluded simply because they occur infrequently or are unusual in amount. Similarly, expenses cannot be excluded on the grounds that they do not involve cash flows (e.g. depreciation or amortisation). As a general rule, operating profit would be the subtotal after 'other expenses', i.e. excluding finance costs and the share of profits of equity-accounted investments.

Re-ordering of line items

IAS1(86)

12. Entities should re-order the line items and change the descriptions of those items where this is necessary to explain the elements of performance. However, entities are again governed by the overall requirement for a 'fair presentation' and should not make any changes unless there is a good reason to do so. For example, it will generally be acceptable to present finance cost as the last item before pre-tax profit, thereby separating financing activities from the activities that are being financed.
13. Another example is the share of profit of associates and joint ventures. Normally, this would be shown after finance cost. However, there may be circumstances where the line item showing the investor's share of the results is included before finance cost. This could be appropriate where the associates and joint ventures are an integral vehicle through which the group conducts its operations and its strategy. In such cases, it may also be appropriate either to insert a subtotal 'profit before finance costs' or to include the share of profits from associates and joint ventures in arriving at operating profit (where disclosed).

IAS1(82)(c), IFRS15(Appendix A)

14. However, the share of the profit or loss of associates and joint ventures accounted for using the equity method should not be included as part of the entity's revenue. Combining the entity's share of the associate's revenue with its own revenue would be inconsistent with the accounting treatment in the statement of financial position where the entity's investment is presented as a separate line item. This is different from the accounting for joint operations where the entity combines its share of the joint operation's revenue with its own. Where a group conducts a significant proportion of its business through equity-accounted investments and wishes to highlight that fact to the reader of the statement of comprehensive income, it may choose to give additional financial information by way of a footnote and cross-reference to the notes.

Statement of profit or loss and statement of comprehensive income

Discontinued operations

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

15. Entities shall disclose a single amount in the statement of comprehensive income (or separate statement of profit or loss) comprising the total of: (i) the post-tax profit or loss of discontinued operations, and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. An analysis of this single amount is also required by paragraph 33 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This analysis may be presented in the notes or in the statement of comprehensive income (separate statement of profit or loss). In the case of VALUE IFRS Plc it is presented in note 15. If it is presented in the statement of profit or loss it must be presented in a section identified as relating to discontinued operations; that is, separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11 of IFRS 5).

Earnings per share

IAS33(73)

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

IAS33(68)

17. An entity that reports a discontinued operation must disclose the basic and diluted amounts per share for the discontinued operation either in the statement of comprehensive income or in the notes to the financial statements. VALUE IFRS Plc provides this information in note 22.

Components of other comprehensive income

IAS1(7)

18. Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments, see paragraph 28 below) that are specifically required or permitted by other IFRS to be included in other comprehensive income and are not recognised in profit or loss. They include:
    (a) revaluation gains and losses relating to property, plant and equipment or intangible assets
    (b) remeasurements of net defined benefit liabilities/(assets)
    (c) gains and losses arising from translating the financial statements of a foreign operation
    (d) gains and losses on remeasuring financial assets that are measured or designated as at fair value through other comprehensive income
    (e) the effective portion of gains and losses on hedging instruments in a cash flow hedge
    (f) for particular liabilities designated as at fair value through profit or loss, the change in the fair value that is attributable to changes in the liability's credit risk
    (g) changes in the value of the time value of options, in the value of the forward elements of forward contracts and in the value of the foreign currency basis spread of financial instruments, where these are not included in the designation of the related instruments as hedging instruments
    (h) the investor's share of the other comprehensive income of equity-accounted investments, and
    (i) current and deferred tax credits and charges in respect of items recognised in other comprehensive income.

IAS1(82A)

19. Items of OCI must be classified by nature and grouped into those which may be reclassified and those that will not be reclassified to profit or loss. The share of OCI of equity accounted investments must be presented in total for the share of items that may be reclassified and the share that will not be reclassified to profit or loss in a subsequent period.

IFRS9(6.5.11)(d)(iii)

20. In our view, only items that are prohibited from being reclassified to profit or loss should be presented as items that will not be reclassified to profit or loss. For cash flow hedges, there is a possibility that some or all of the amounts might need to be reclassified to profit or loss. This could be the case, e.g. if there is a cumulative loss on the hedging instrument and the entity does not expect that all or a portion of the loss will be recovered. As a consequence, gains or losses recognised in relation to cash flow hedging instruments should be presented as items that 'may be reclassified' to profit or loss.

Statement of profit or loss and statement of comprehensive income

Summary

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

Item	Reference	Requirement in standard	Presentation in VALUE IFRS Plc
Each component of OCI recognised during the period, classified by nature	IAS 1(82A)	Statement of comprehensive income	Statement of comprehensive income
Reclassification adjustments during the period relating to components of OCI (see paragraph 28 below)	IAS 1(92)	Statement of comprehensive income or notes	Note 9
Tax relating to each component of OCI, including reclassification adjustments	IAS 1(90)	Statement of comprehensive income or notes	Note 9
Reconciliation for each component of equity, showing separately: • profit/loss • OCI, and • transactions with owners. See commentary paragraphs 1 to 3 on page 24.	IAS 1(106)(d)	Statement of changes in equity and notes, see related commentary	Statement of changes in equity and note 9

Discontinued operations

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

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

Material items of income and expense

IAS1(97) 23. Where items of income and expense are material, their nature and amount must be disclosed separately either in the statement of comprehensive income (statement of profit or loss) or in the notes. In the case of VALUE IFRS Plc these disclosures are made in note 4.

IAS1(86),(97) 24. 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 'significant' or 'unusual' items either in its statement of comprehensive income or in the notes, the accounting policy note should include a definition of the chosen term. The presentation and definition of these items must be applied consistently from year to year.

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

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

Statement of profit or loss and statement of comprehensive income

Reclassification adjustments

IAS1(92),(94)

27. An entity shall also disclose separately any reclassification adjustments relating to components of other comprehensive income either in the statement of comprehensive income or in the notes. VALUE IFRS Plc provides this information in note 9(c).

IAS1(7),(95),(96)

28. 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 and when a hedged forecast transaction affects profit or loss. They do not arise on the disposal of property, plant and equipment measured at fair value under the revaluation model or on the settlement of defined benefit pension schemes. While these components are also recognised in OCI, they are not reclassified to profit or loss in subsequent periods. Reclassification adjustments also do not arise in relation to cash flow hedge accounting, where amounts are removed from the cash flow hedge reserve, or a separate component of equity, and are included directly in the initial cost or other carrying amount of an asset or liability. These amounts are directly transferred to assets or liabilities.

Dividends: statement of changes in equity or notes only

IAS1(107)

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

Classification of expenses

By nature or function

IAS1(99),(100)

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

IAS1(105)

31. The choice of classification between nature and function will depend on historical and industry factors and the nature of the entity. The entity should choose the classification that provides the most relevant and reliable information about its financial performance.
32. Within a functional statement of comprehensive income (statement of profit or loss), costs directly associated with generating revenues should be included in cost of sales. Cost of sales should include direct material and labour costs but also indirect costs that can be directly attributed to generating revenue, e.g. depreciation of assets used in the production. Impairment charges should be classified according to how the depreciation or amortisation of the particular asset is classified. Entities should not mix functional and natural classifications of expenses by excluding certain expenses, such as inventory write-downs, employee termination benefits and impairment charges, from the functional classifications to which they relate. An exception is impairment charges on financial and contract assets, which must be presented separately as per paragraph 82(ba) of IAS 1 if they are material.

IAS1(104),(105)

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

Materiality

IAS1(29)

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

Statement of profit or loss and statement of comprehensive income

Offsetting

IAS1(32)
37. Assets and liabilities, and income and expenses, must not be offset unless required or permitted by an IFRS. Examples of income and expenses that are required or permitted to be offset are as follows:

IAS1(34)(a)
(a) Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses.

IAS1(34)(b)
(b) Expenditure related to a provision that is recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and reimbursed under a contractual arrangement with a third party (e.g. a supplier's warranty agreement) may be netted against the related reimbursement.

IAS1(35)
(c) Gains and losses arising from a group of similar transactions are reported on a net basis (e.g. foreign exchange gains and losses or gains and losses arising on financial instruments held for trading). Such gains and losses are, however, reported separately if they are material.

38. Income which falls under the scope of IFRS 15 *Revenue from Contracts with Customers* cannot be netted off against related expenses. However, this does not preclude an entity from presenting interest income followed by interest expense and a subtotal such as 'net interest expense' on the face of the statement of profit or loss, as we have done in this publication.

IAS1(10)(a),(54)
Revised presentation

Consolidated statement of financial position [1-5]

IAS1(51)(c),(e),(113)

Ref		Notes	2023 CU'000	2022 Restated * CU'000	1 January 2022 Restated *[6] CU'000
	ASSETS				
IAS1(60),(66)	**Non-current assets**				
IAS1(54)(a)	Property, plant and equipment	8(a)	**128,890**	102,080	93,145
IFRS16(47)(a)	Right-of-use assets [11,12]	8(b)	**9,756**	9,508	7,708
IAS1(54)(b)	Investment properties	8(c)	**13,300**	10,050	8,205
IAS1(54)(c)	Intangible assets	8(d)	**24,550**	20,945	20,910
IAS1(54)(o),(56)	Deferred tax assets	8(e)	**7,849**	5,524	4,237
IFRS15(105)	Other assets	3(b)	**312**	520	-
IAS1(54)(e)	Investments accounted for using the equity method	16(e)	**3,775**	3,275	3,025
IFRS7(8)(h)	Financial assets at fair value through other comprehensive income [8-9]	7(c)	**6,782**	7,148	8,397
IFRS7(8)(a)	Financial asset at fair value through profit or loss [8-9]	7(d)	**2,390**	980	-
IFRS7(8)(f)	Financial assets at amortised cost [8-9]	7(b)	**3,496**	2,629	6,004
IAS1(54)(d) IFRS7(8)(a)	Derivative financial instruments	12(a)	**308**	712	-
	Total non-current assets		**201,408**	163,371	151,631
IAS1(60),(66)	**Current assets**				
IAS1(54)(g)	Inventories	8(f)	**22,153**	19,672	18,616
	Other current assets	8(g)	**491**	428	419
IFRS15(105)	Contract assets [10]	3(b)	**1,519**	2,561	1,867
IAS1(54)(h) IFRS7(8)(f)	Trade receivables	7(a)	**15,662**	8,220	5,123
IFRS7(8)(f)	Other financial assets at amortised cost [8-9]	7(b)	**1,100**	842	783
IAS1(54)(d) IFRS7(8)(a)	Derivative financial instruments	12(a)	**1,854**	1,417	156
IAS1(54)(d) IFRS7(8)(a)	Financial assets at fair value through profit or loss	7(d)	**11,300**	10,915	10,370
IAS1(54)(i)	Cash and cash equivalents (excluding bank overdrafts)	7(e)	**55,083**	30,299	25,193
			109,162	74,354	62,527
IAS1(54)(j) IFRS5(38)	Assets classified as held for sale	8(g),15	**250**	4,955	-
	Total current assets		**109,412**	79,309	62,527
	Total assets		**310,820**	242,680	214,158

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

		Notes	2023 CU'000	2022 Restated * CU'000	1 January 2022 Restated *[6] CU'000
	LIABILITIES				
IAS1(60),(69)	**Non-current liabilities**				
IAS1(54)(m) IFRS7(8)(g)	Borrowings	7(g)	**89,115**	76,600	75,807
IFRS16(47)(b)	Lease liabilities [11]	8(b)	**8,493**	8,514	7,389
IAS1(54)(o),(56)	Deferred tax liabilities	8(e)	**12,456**	6,820	4,355
	Employee benefit obligations [7]	8(h)	**6,749**	4,881	4,032
IAS1(54)(l)	Provisions	8(i)	**1,573**	1,382	1,304
	Total non-current liabilities		**118,386**	98,197	92,887
IAS1(60),(69)	**Current liabilities**				
IAS1(54)(k)	Trade and other payables	7(f)	**15,760**	11,723	13,004
IFRS15(105)	Contract liabilities [10]	3(b)	**1,982**	1,525	655
IAS1(54)(n)	Current tax liabilities		**1,130**	856	980
IAS1(54)(m) IFRS7(8)(g)	Borrowings	7(g)	**8,400**	7,995	7,869
IFRS16(47)(b)	Lease liabilities [11]	8(b)	**3,008**	2,777	2,240
IAS1(54)(m) IFRS7(8)(e)	Derivative financial instruments	12(a)	**1,376**	1,398	445
	Employee benefit obligations [7]	8(h)	**690**	470	440
IAS1(54)(l)	Provisions	8(i)	**2,697**	1,240	730
			35,043	27,984	26,363
IAS1(54)(p) IFRS5(38)	Liabilities directly associated with assets classified as held for sale	15	**-**	500	-
	Total current liabilities		**35,043**	28,484	26,363
	Total liabilities		**153,429**	126,681	119,250
	Net assets		**157,391**	115,999	94,908
	EQUITY				
IAS1(54)(r)	Share capital and share premium	9(a)	**83,054**	63,976	62,619
	Other equity	9(b)	**1,774**	(550)	(251)
IAS1(54)(r)	Other reserves	9(c)	**17,993**	12,381	7,395
	Retained earnings	9(d)	**45,108**	34,503	20,205
IAS1(54)(r)	Capital and reserves attributable to owners of VALUE IFRS Plc		**147,929**	110,310	89,968
IAS1(54)(q)	Non-controlling interests	16(b)	**9,462**	5,689	4,940
	Total equity		**157,391**	115,999	94,908

* See note 11(b) for details regarding the restatement as a result of an error and note 8(h)(i) for a reclassification from provisions to employee benefit obligations.

Not mandatory *The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

Statement of financial position

Accounting standard for the statement of financial position

IAS1(10)

1. IAS 1 *Presentation of Financial Statements* refers to the 'statement of financial position'. However, this title is not mandatory, and entities can use other titles such as 'balance sheet'.

Current/non-current distinction

IAS1(60)

2. An entity presents current and non-current assets and current and non-current liabilities as separate classifications in its statement of financial position, except where a presentation based on liquidity provides information that is reliable and is more relevant. Where that exception applies, all assets and liabilities are presented broadly in order of liquidity.

IAS1(61)

3. Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than 12 months 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.

IAS1(66)-(70)

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

IAS1(68)

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

Three statements of financial position required in certain circumstances

IAS1(40A),(40B)

6. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements that had a material effect on the information in the statement of financial position at the beginning of the preceding period, it must provide a third 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 statement of financial position, we believe that it would be sufficient for the entity merely to disclose that fact.

Separate line item for employee benefit obligations

IAS1(54)

7. Paragraph 54 of IAS 1 sets out the line items that are, as a minimum, required to be presented in the statement of financial position. Additional line items, heading and subtotals should be added where 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 statement of financial position. 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.

Separate line items for financial assets/liabilities and contract assets/liabilities

IFRS7(8)

8. Paragraph 8 of IFRS 7 requires disclosure, either in the statement of financial position or in the notes, of the carrying amounts of financial assets and liabilities by the following categories:
   (a) Financial assets measured at fair value through profit or loss (FVPL), showing separately those mandatorily classified and those designated upon initial recognition.
   (b) Financial liabilities measured at FVPL, showing those that meet the definition of held for trading and those designated upon initial recognition.
   (c) Financial assets measured at amortised cost.
   (d) Financial liabilities measured at amortised cost.
   (e) Financial assets measured at fair value through other comprehensive income (FVOCI), showing separately debt and equity instruments.
9. VALUE IFRS Plc has chosen to disclose the financial assets by major category but is providing some of the more detailed information in the notes. However, depending on the materiality of these items and the nature of the entity's business, it may also be appropriate to choose different categories for the statement of financial position and provide the above information in the notes.

Statement of financial position

IFRS15(105),(BC320),(BC321)

10. Similarly, IFRS 15 *Revenue from Contracts with Customers* requires the presentation of any unconditional rights to consideration as a receivable separately from contract assets. VALUE IFRS Plc has therefore presented its contract assets and contract liabilities as separate line items in the statement of financial position. However, contract assets, contract liabilities and receivables do not have to be referred to as such and do not need to be presented separately in the statement of financial position, as long as the entity provides sufficient information so users of financial statements can distinguish them from other items.

Right-of-use assets and lease liabilities

IFRS16(47)

11. Right-of-use assets (except those meeting the definition of investment property) and lease liabilities do not need to be presented as a separate line item in the statement of financial position, as done by VALUE IFRS Plc, as long as they are disclosed separately in the notes. Where right-of-use assets are presented within the same line item as the corresponding underlying assets would be presented if they were owned, the lessee must identify which line items in the statement of financial position include those right-of-use assets.

IFRS16(48)

12. Right-of-use assets that meet the definition of investment property must be presented in the statement of financial position as investment property.

IAS1(10)(c),(106)

Consolidated statement of changes in equity [1-3]

		Notes	Attributable to owners of VALUE IFRS Plc						
			Share capital and premium CU'000	Other equity CU'000	Other reserves CU'000	Retained earnings CU'000	Total CU'000	Non-controlling interests CU'000	Total equity CU'000
IAS1(106)(d)	**Balance at 1 January 2022**		62,619	(251)	7,395	21,115	90,878	4,940	95,818
IAS1(106)(b)	Correction of error (net of tax)	11(b)	-	-	-	(910)	(910)	-	(910)
	Restated total equity at the beginning of the financial year		**62,619**	**(251)**	**7,395**	**20,205**	**89,968**	**4,940**	**94,908**
IAS1(106)(d)(i)	Profit for the period (restated*)		-	-	-	26,123	26,123	2,318	28,441
IAS1(106)(d)(ii)	Other comprehensive income		-	-	3,810	(403)	3,407	258	3,665
	Total comprehensive income for the period (restated*)		**-**	**-**	**3,810**	**25,720**	**29,530**	**2,576**	**32,106**
IFRS9(6.5.11)(d)(i) **Revised illustration**	Hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year (net of tax)	12(a)	-	-	237	-	237	-	237
IFRS9(B5.7.1) **Revised illustration**	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings (net of tax)	7(c)	-	-	384	(384)	-	-	-
IAS1(106)(d)(iii)	**Transactions with owners in their capacity as owners:**								
IAS32(22),(35)	Contributions of equity net of transaction costs	9(a)	1,357	-	-	-	1,357	-	1,357
IAS32(33)	Acquisition of treasury shares	9(b)	-	(299)	-	-	(299)	-	(299)
	Dividends provided for or paid	13(b)	-	-	-	(11,038)	(11,038)	(1,827)	(12,865)
IFRS2(50)	Employee share schemes – value of employee services	9(c)	-	-	555	-	555	-	555
			1,357	(299)	555	(11,038)	(9,425)	(1,827)	(11,252)
IAS1(106)(d)	**Balance at 31 December 2022 (restated*)**		**63,976**	**(550)**	**12,381**	**34,503**	**110,310**	**5,689**	**115,999**

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

		Notes	Attributable to owners of VALUE IFRS Plc: Share capital and premium CU'000	Other equity CU'000	Other reserves CU'000	Retained earnings CU'000	Total CU'000	Non-controlling interests CU'000	Total equity CU'000
IAS1(106)(d)	**Balance at 31 December 2022 as originally presented**		**63,976**	**(550)**	**12,381**	**35,588**	**111,395**	**5,689**	**117,084**
IAS1(106)(b)	Correction of error (net of tax)	11(b)	-	-	-	(1,085)	(1,085)	-	(1,085)
	Restated total equity as at 31 December 2022		**63,976**	**(550)**	**12,381**	**34,503**	**110,310**	**5,689**	**115,999**
IAS1(106)(d)(i)	Profit for the period		-	-	-	32,626	32,626	3,005	35,631
IAS1(106)(d)(ii)	Other comprehensive income		-	-	5,501	307	5,808	(99)	5,709
IAS1(106)(a)	**Total comprehensive income for the period**		**-**	**-**	**5,501**	**32,933**	**38,434**	**2,906**	**41,340**
IFRS9(6.5.11)(d)(i) **Revised illustration**	Hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year (net of tax)	12(a)	-	-	(31)	-	(31)	-	(31)
IFRS9(B5.7.1) **Revised illustration**	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings (net of tax)	7(c)	-	-	(452)	452	-	-	-
IAS1(106)(d)(iii)	**Transactions with owners in their capacity as owners:**								
IAS32(22),(35)	Contributions of equity, net of transaction costs and tax	9(a)	10,871	-	-	-	10,871	-	10,871
	Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	14	9,730	-	-	-	9,730	-	9,730
IAS32(33)	Acquisition of treasury shares	9(b)	-	(1,217)	-	-	(1,217)	-	(1,217)
IAS32(35)	Buy-back of preference shares, net of tax	9(a)	(1,523)	-	-	143	(1,380)	-	(1,380)
	Value of conversion rights on convertible notes	9(b)	-	2,450	-	-	2,450	-	2,450
	Non-controlling interests on acquisition of subsidiary	14	-	-	-	-	-	5,051	5,051
IFRS10(23)	Transactions with non-controlling interests	16(c)	-	-	(333)	-	(333)	(1,167)	(1,500)
	Dividends provided for or paid	13(b)	-	-	-	(22,923)	(22,923)	(3,017)	(25,940)
	Employee share schemes – value of employee services	9(c)	-	-	2,018	-	2,018	-	2,018
IFRS2(50)	Issue of treasury shares to employees	9(b)	-	1,091	(1,091)	-	-	-	-
			19,078	2,324	594	(22,780)	(784)	867	83
IAS1(106)(d)	**Balance at 31 December 2023**		**83,054**	**1,774**	**17,993**	**45,108**	**147,929**	**9,462**	**157,391**

Not mandatory *The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

Statement of changes in equity

Accounting standard for the statement of changes in equity

IAS1(106)

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

   IAS1(106)(d)

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

IAS1(108)

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

IAS1(106A)

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

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

Consolidated statement of cash flows [1-3]

IAS1(113)

		Notes	2023 CU'000	2022 CU'000
IAS7(10),(18)(a)	**Cash flows from operating activities**			
IAS7(14)	Cash generated from operations	10(a)	**66,960**	48,781
IAS7(31)-(33)	Interest received [4]		**1,262**	905
IAS7(31)-(33)	Interest paid [4]		**(8,127)**	(6,799)
IAS7(14)(f),(35),(36)	Income taxes paid [5]		**(16,458)**	(12,163)
	Net cash inflow from operating activities		**43,637**	30,724
IAS7(10),(21)	**Cash flows from investing activities**			
IAS7(39)	Payment for acquisition of subsidiary, net of cash acquired	14	**(2,600)**	-
IAS7(16)(a)	Payments for property, plant and equipment	8(a)	**(25,387)**	(14,602)
IAS7(16)(a)	Payments for investment property	8(c)	**(1,900)**	-
IAS7(16)(c)	Payments for financial assets at fair value through other comprehensive income		**(259)**	(2,029)
IAS7(16)(c)	Payments for financial assets at amortised cost	7(b)	**-**	(1,175)
IAS7(16)(a)	Payment of software development costs	8(d)	**(880)**	(720)
IAS7(16)(e)	Loans to related parties		**(1,180)**	(730)
IAS7(39)	Proceeds from sale of engineering division	15	**3,110**	-
IAS7(16)(b),(14)	Proceeds from sale of property, plant and equipment		**9,585**	639
IAS7(16)(d)	Proceeds from sale of financial assets at fair value through other comprehensive income		**1,375**	820
IAS7(16)(f)	Repayment of loans by related parties		**469**	626
IAS7(38)	Dividends from joint ventures and associates	16(e)	**160**	220
IAS7(31),(33)	Other dividends [4]		**3,300**	4,300
IAS7(31),(33)	Interest received on financial assets held as investments [4]		**258**	249
	Net cash (outflow) from investing activities		**(13,949)**	(12,402)
IAS7(10),(21)	**Cash flows from financing activities**			
IAS7(17)(a)	Proceeds from issues of shares and other equity securities	9(a)	**12,413**	-
	Proceeds from calls on shares and calls in arrears	9(a)	**1,500**	-
IAS7(17)(c)	Proceeds from borrowings	10(c)	**46,053**	26,746
IAS7(17)(c)	Proceeds received under a supplier finance arrangement [7,8]	7(f)	**3,070**	2,520
IAS7(17)(b)	Payments for shares bought back	9(a)	**(1,350)**	-
IAS7(17)(b)	Acquisition of treasury shares		**(1,217)**	(299)
	Share issue and buy-back transaction costs	9(a)	**(245)**	-
IAS7(17)(d)	Repayment of borrowings	10(c)	**(33,484)**	(24,835)
IAS7(17)(d)	Repayments to a financial institution under a supplier finance arrangement [7,8]	7(f)	**(2,980)**	(2,550)
IAS7(17)(e)	Principal elements of lease payments	10(c)	**(1,942)**	(1,338)
IAS7(42A),(42B)	Transactions with non-controlling interests	16(c)	**(1,500)**	-
IAS7(31),(34)	Dividends paid to company's shareholders	13(b)	**(22,357)**	(10,478)
IAS7(31),(34)	Dividends paid to non-controlling interests in subsidiaries	16(b)	**(3,017)**	(1,828)
	Net cash (outflow) from financing activities		**(5,056)**	(12,062)
	Net increase in cash and cash equivalents		**24,632**	6,260
	Cash and cash equivalents at the beginning of the financial year		**28,049**	21,573
IAS7(28)	Effects of exchange rate changes on cash and cash equivalents		**(248)**	216
	Cash and cash equivalents at end of year	7(e)	**52,433**	28,049
IAS7(43)	Non-cash financing and investing activities [9]	10(b)		
IFRS5(33)(c)	Cash flows of discontinued operation [10]	15		

Not mandatory

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

Statement of cash flows

Definition of cash and cash equivalents

IAS7(6),(7)

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

Reporting cash flows

Expenditure on unrecognised assets to be classified as operating cash flows

IAS7(16)

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

Disclosing cash flows on a gross or net basis

IAS7(22)-(24)

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

   Financial institutions may also report certain cash flows on a net basis.

Interest, dividends and taxes

IAS7(31)-(34)

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

IAS7(35)

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

Leases

IFRS16(50)

6. Cash flows relating to leases must be presented as follows:
   (a) cash payments for the principal portion of the lease liabilities as cash flows from financing activities
   (b) cash payments for the interest portion consistent with presentation of interest payments chosen by the group, and
   (c) short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

Statement of cash flows

Supplier finance arrangements

7. While the IFRS Interpretations Committee discussed the financial reporting considerations relating to supplier finance arrangements, the agenda decision issued in December 2020 does not conclude on what is considered a cash flow for an entity. For the purpose of this publication, we have assumed that a gross presentation of the cash flows (i.e. gross operating cash outflow and financing cash inflow) is appropriate as the financial institution settles the invoices on behalf of the group. However, this may not always be the case and judgement will be required. As illustrated in note 7(f), entities should consider explaining how they have presented the cash flows from these arrangements and any significant judgements made in this regard.
8. For further guidance see our practical guide *Bringing transparency on supplier finance* on Viewpoint, which explains issues to consider when determining the appropriate presentation and disclosure of such arrangements. In May 2023, the IASB made amendments to IAS 7 and IFRS 7 which require entities to disclose additional information in the notes about such arrangements. The amendments apply to annual reporting periods beginning on or after 1 January 2024. See the commentary to note 7 paragraph 10 for further information.

References to information disclosed in the notes

IAS1(113)

9. While it is not mandatory to include a reference to information disclosed in the notes that is not related to particular line items of the financial statements, e.g. to information about non-cash financing and investing transactions, we consider it best practice to do so.

Discontinued operations

IFRS5(33)(c)

10. Entities must disclose separately the net cash flows attributable to each of operating, investing and financing activities of discontinued operations. There are different ways of presenting this information, but the underlying principle is that the cash flow statement must give the total cash flows for the entity, including both continuing and discontinued operations. Entities might comply with the disclosure requirements in the following ways:
    (a) No separate presentation of cash flows from discontinued operations on the face of the statement of cash flows (that is, gross cash flows are presented). A breakdown of cash flows from discontinued operations between the three categories presented in the notes. This is the presentation chosen by VALUE IFRS Plc, see note 15.
    (b) Cash flows from discontinued operations are split between the three relevant categories on the face of the statement of cash flows, with one line being included within each category including the relevant results from discontinued operation. A total is presented for each category.

    If the discontinued operation is held for sale at the reporting date, the closing amount of cash presented at the bottom of the statement of cash flows should be reconciled to the cash and cash equivalents in the statement of financial position.

Contents of the notes to the consolidated financial statements [1-8]

Contents of the notes to the financial statements

Structure of the notes

IAS1(113)

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

IAS1(114)

2. Examples of systematic ordering of notes include:
   (a) giving prominence to the areas of the entity's activities that are most relevant to an understanding of the financial performance and financial position, e.g. by grouping together information about particular operating activities
   (b) grouping together information about items that are measured similarly, e.g. assets measured at fair value, or
   (c) following the order of the line items in the financial statements, by disclosing:
      (i) a statement of compliance with IFRS (see paragraph 16 of IAS 1)
      (ii) a summary of material accounting policy information applied (paragraph 117 of IAS 1)
      (iii) supporting information for items presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, in the order in which each statement and each line item is presented, and
      (iv) other disclosures, including:
         - contingent liabilities (see IAS 37) and unrecognised contractual commitments, and
         - non-financial disclosures (e.g. the entity's financial risk management objectives and policies, see IFRS 7).
3. Traditionally, most financial reports have used the structure suggested in para 2(c) above. However, financial report preparers increasingly consider annual reports to be an important tool in the communication with stakeholders and not just a mere compliance exercise. As a consequence, there is a growing interest in alternative formats of the financial statements.

IAS1(114)

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

Materiality matters

IAS1(30A)
IFRS PS2

8. When drafting the disclosures in the notes to the financial statements, also remember that too much immaterial information could obscure the information that is actually useful to readers. Some of the disclosures in this publication would likely be immaterial if VALUE IFRS Plc was a 'real life' company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are not always realistic. Disclosures should not be included where they are not relevant or not material in specific circumstances. Further guidance on assessing materiality is provided in the non-mandatory IFRS Practice Statement 2 *Making Materiality Judgements.*

IAS1(10)(e)

Notes to the **consolidated** financial statements

Not mandatory

1 Significant changes in the current reporting period [1,3-5]

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

- The acquisition of VALUE IFRS Electronics Group in April 2023 (see note 14), which resulted in an increase in property, plant and equipment (note 8(a)) and the recognition of goodwill and other intangible assets (note 8(d)).
- The sale of the engineering subsidiary in February 2023 (see note 15).
- The sale of surplus land by VALUE IFRS Consulting Inc (see note 4).
- A fire in Springfield in March 2023, which resulted in the impairment of a number of assets (see note 4).
- A review of the furniture manufacturing and wholesale operations, which led to redundancies and a goodwill impairment charge (see notes 8(i) and 8(d)).

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

Recent developments that could affect the financial position and performance

When preparing their financial report, entities should also consider the impact of the following developments:

- Inflation and rising interest rates – see In depth INT2022-12 *Navigating IFRS Accounting Standards in periods of rising inflation and interest rates*.
- Climate change – see *Appendix E*.
- Russia's war on Ukraine – see In depth *INT2022-05 Accounting implications of the Russian invasion of Ukraine*.
- Whether an economy has become hyperinflationary or has ceased to be hyperinflationary – see Viewpoint for regular updates on economies that are identified as hyperinflationary.

Significant changes in the current reporting period

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

Disclosures not illustrated: going concern disclosures

IAS1(25)

Consider impact of climate change – see Appendix E

2. When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. Where the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.
3. Where there are material uncertainties about the entity's ability to continue as a going concern, this fact should be disclosed upfront, e.g. in a note such as this.

Significant changes in the current reporting period

4. A disclosure of material uncertainties about the entity's ability to continue as a going concern should:

ISA570(19)(a)
   (a) adequately describe the principal events and conditions that give rise to the significant doubt on the entity's ability to continue as a going concern

ISA570(19)(a)
   (b) explain management's plans to deal with these events or conditions, and

ISA570(19)(b)
   (c) state clearly that:
      (i) there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, and
      (ii) the entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

IASB *Going concern – a focus on disclosure*

5. The IASB has issued educational material which explains what entities need to consider when providing the going concern disclosures required by IAS 1 *Presentation of Financial Statements*. While the material does not provide any new guidance, it supports entities preparing financial statements in a stressed economic environment such as the one arising from the COVID-19 pandemic and reminds entities of the requirements in IAS 1, including the relevance of the overarching disclosure requirements that interact with the specific going concern disclosures.

How numbers are calculated

Not mandatory

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

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction

(b) analysis and subtotals, including segment information, and

(c) information about estimates and judgements made in relation to particular items.

2 Segment information [6,7]

2(a) Description of segments and principal activities [1]

IFRS8(22)
IAS1(138)(b)

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

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

IFRS8(22)(aa)

3: Furniture retail – since January 2021, 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 2023.

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 Alpville and the ownership 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 2023. Information about this discontinued segment is provided in note 15.

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

IFRS8(23)

2(b) Adjusted EBITDA [2]

IFRS8(27)(b),(28)

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

Interest income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

IFRS8(23)

	2023 CU'000	2022 CU'000
Furniture manufacturing and wholesale		
Oneland	**14,581**	16,733
China	**12,900**	6,990
Furniture retail – Oneland	**15,880**	5,664
IT consulting		
US	**16,500**	14,035
Europe	**7,766**	9,580
Electronic equipment – Oneland	**3,473**	-
All other segments	**4,558**	4,730
Total adjusted EBITDA	**75,658**	57,732

IFRS8(23)

2(b) Adjusted EBITDA [2]

IFRS8(28)(b)

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

IFRS8(23)

	Notes	2023 CU'000	2022 Restated * CU'000
Total adjusted EBITDA		**75,658**	57,732
Intersegment eliminations		**(390)**	(360)
Finance costs – net	5(d)	**(5,875)**	(5,830)
Interest income on financial assets held as investments	5(a)	**258**	249
Depreciation and amortisation	5(c)	**(12,540)**	(10,080)
Litigation settlement	4	**-**	(370)
Goodwill impairment	4	**(2,410)**	-
Restructuring costs	4	**(1,377)**	-
Fair value gains/(losses) on financial assets at FVPL	5(b)	**955**	(620)
Share options and rights granted to directors and employees	21(e)	**(2,156)**	(1,353)
Impairment of other assets	4,3(b)	**(1,287)**	-
Other		**250**	249
Profit before income tax from continuing operations		**51,086**	39,617

* See (f) below for details regarding the restatement as a result of an error on the segment information.

2(c) Other profit and loss disclosures [3]

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

2023	**Material items**	**Depreciation and amortisation**	**Income tax expense**	**Share of profit from associates and joint ventures**
	CU'000	**CU'000**	**CU'000**	**CU'000**
Furniture manufacturing and wholesale				
Oneland	**(910)**	**(5,165)**	**(3,748)**	**48**
China	**(3,787)**	**(2,161)**	**(3,650)**	**-**
Furniture retail – Oneland	**-**	**(2,716)**	**(3,965)**	**-**
IT consulting				
US	**1,270**	**(831)**	**(2,164)**	**250**
Europe	**-**	**(430)**	**(750)**	**-**
Electronic equipment – Oneland	**-**	**(342)**	**(800)**	**-**
All other segments	**-**	**(895)**	**(556)**	**42**
Unallocated items	**-**	**-**	**(549)**	**-**
Total	**(3,427)**	**(12,540)**	**(16,182)**	**340**

2022	Material items	Depreciation and amortisation Restated *	Income tax expense	Share of profit from associates and joint ventures
	CU'000	CU'000	CU'000	CU'000
Furniture manufacturing and wholesale				
Oneland *	715	(4,109)	(3,559)	60
China	-	(2,068)	(2,506)	-
Furniture retail – Oneland	-	(2,081)	(793)	-
IT consulting				
US	-	(543)	(2,724)	220
Europe	-	(447)	(727)	-
All other segments	(370)	(832)	(860)	75
Unallocated items	-	-	(406)	-
Total	345	(10,080)	(11,575)	355

* See (f) below for details regarding the restatement as a result of an error on the segment information.

2(c) Other profit and loss disclosures [3]

There was no impairment charge or other significant non-cash item recognised in 2022. For details about the material items see note 4.

2(d) Segment assets

IFRS8(27)(c)

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

IFRS8(23),(24)

	Year ended 31 December 2023			Year ended 31 December 2022		
	Segment assets	**Investments in associates and joint ventures**	**Additions to non-current assets ***	Segment assets Restated **	Investments in associates and joint ventures	Additions to non-current assets *
	CU'000	**CU'000**	**CU'000**	CU'000	CU'000	CU'000
Furniture manufacturing and wholesale						
Oneland **	**63,286**	**550**	**9,705**	65,163	490	5,970
China	**45,500**	**-**	**5,685**	45,700	-	4,370
Furniture retail – Oneland	**54,950**	**-**	**4,935**	20,200	-	-
IT consulting						
US	**31,640**	**2,250**	**2,600**	31,043	1,900	3,887
Europe	**23,510**	**-**	**11,350**	23,325	-	1,695
Electronic equipment – Oneland	**32,815**	**-**	**1,300**	-	-	-
All other segments	**28,632**	**975**	**1,764**	25,603	885	1,115
Total segment assets	**280,333**	**3,775**	**37,339**	211,034	3,275	17,037
Intersegment eliminations	**(1,300)**			(1,270)		
Discontinued operation (Engineering – see note 15)	**-**			4,955		
Unallocated:						
Deferred tax assets	**7,849**			5,524		
Financial assets at fair value through other comprehensive income	**6,782**			7,148		
Debenture assets and bonds at amortised cost	**1,304**			1,265		
Financial assets at fair value through profit or loss	**13,690**			11,895		
Derivative financial instruments	**2,162**			2,129		
Total assets as per the statement of financial position (IFRS8(28)(c))	**310,820**			242,680		

* Other than financial assets and deferred tax.

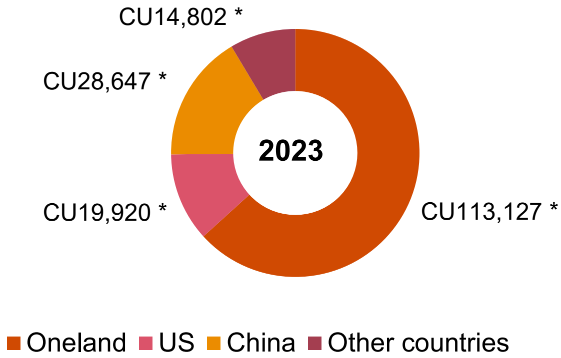
** See (f) below for details regarding the restatement as a result of an error on the segment information.

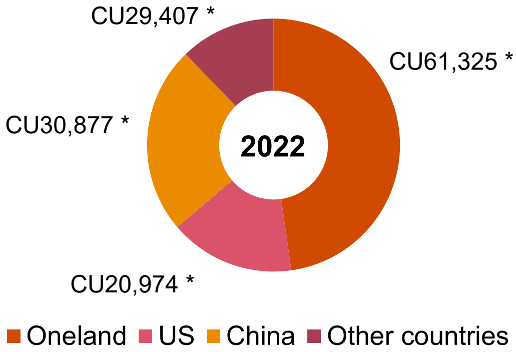
IFRS8(27)(c)

Investments in financial assets that are managed by the treasury department are not considered to be segment assets. These are investments in debt and equity instruments that are classified as at fair value through other comprehensive income, fair value through profit or loss and at amortised cost.

2(d) Segment assets

IFRS8(33)(b) The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown in the following graphs: [4]





* Amounts are in CU'000.

2(e) Segment liabilities

IFRS8(27)(d) Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

IFRS8(27)(d) The group's borrowings and derivative financial instruments are not considered to be segment liabilities, but are managed by the treasury function.

IFRS8(23)

	2023 CU'000	2022 CU'000
Furniture manufacturing and wholesale		
Oneland	**12,238**	13,381
China	**4,800**	2,150
Furniture retail – Oneland	**11,390**	7,979
IT consulting		
US	**3,900**	5,079
Europe	**2,600**	2,270
Electronic equipment – Oneland	**6,087**	-
All other segments	**1,112**	2,773
Total segment liabilities	**42,127**	33,632
Intersegment eliminations	**(1,175)**	(1,120)
Discontinued operation (Engineering – see note 15)	**-**	500
Unallocated:		
Deferred tax liabilities	**12,456**	6,820
Current tax liabilities	**1,130**	856
Current borrowings	**8,400**	7,995
Non-current borrowings	**89,115**	76,600
Derivative financial instruments	**1,376**	1,398
IFRS8(28)(d) **Total liabilities as per the statement of financial position**	**153,429**	126,681

Not mandatory

2(f) Restatements for error [5]

Due to a computational error, segment assets of the Oneland Furniture manufacturing and wholesale segment for the year ended 31 December 2022 were overstated by CU1,550,000. The error also increased depreciation charged for the prior year but did not affect adjusted EBITDA. It has been corrected by restating the affected segment information line item for the prior year. Further information on the error is set out in note 11(b).

Segment information

Description of segments

IFRS8(22)

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

Non-GAAP segment measures

IFRS8(25),(27)

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

Other profit and loss disclosures

IFRS8(23)

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

Using graphs to disclose quantitative information

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

Errors and changes in accounting policies

5. IFRS 8 does not provide any guidance on how to deal with the correction of errors and changes in accounting policies in the segment disclosures. Management may decide not to restate comparative information and may not adjust segment measures for changes made to the accounting policies. In this case, the impact of the error or changes in accounting policies will be disclosed in the reconciliation to the reported results. Where the entity has restated prior year segment information and the adjustments are material, information about the adjustments is likely to be relevant to the understanding of segment information, and disclosure along the lines of that shown in the illustrative note may be necessary to adequately explain the information presented. Likewise, entities may consider disclosing the impact of changes in accounting policies on the current period where comparatives have not been restated. Changes made to the measurement methods adopted in preparing the segment information will need to be disclosed under paragraph 27(e) of IFRS 8.

Discontinued operations

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

Segment information

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

IFRS8(23)(c),(d) (a) information about interest revenue and interest expense for each reportable segment (if provided to the CODM)

IFRS8(27)(f) (b) the nature and effect of asymmetrical allocations to reportable segments

IFRS8(28)(e) (c) reconciliations for other material amounts disclosed in the segment note

IFRS8(29),(30) (d) explanations regarding restatements of previously reported information following an internal reorganisation

IAS36(129)(b) (e) reversal of impairment losses by reportable segment

IAS7(50)(d) (f) cash flows by reportable segment (encouraged but not mandatory), and

IFRS8(27)(e) (g) changes in measurement methods (explain impact on reported segment profit or loss).

3 Revenue from contracts with customers [1,7]

3(a) Disaggregation of revenue from contracts with customers [2-4]

IFRS15(114) The group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	2023	**Furniture – manufacturing and wholesale Oneland CU'000**	**Furniture – manufacturing and wholesale China CU'000**	**Furniture – retail Oneland CU'000**	**IT consulting US CU'000**	**IT consulting Europe CU'000**	**Electronic equipment Oneland CU'000**	**All other segments CU'000**	**Total CU'000**
IFRS15(115)	Segment revenue	**55,100**	**35,100**	**31,609**	**33,300**	**16,900**	**13,850**	**16,600**	**202,459**
IFRS8(23)(b)	Inter-segment revenue	**(1,200)**	**(700)**	**(900)**	**(800)**	**(300)**	**(500)**	**(400)**	**(4,800)**
IFRS8(23)(a),(28)(a)	Revenue from external customers	**53,900**	**34,400**	**30,709**	**32,500**	**16,600**	**13,350**	**16,200**	**197,659**
IFRS15(B87)-(B89)	Timing of revenue recognition								
	At a point in time	**53,900**	**34,400**	**30,709**	**1,000**	**600**	**13,350**	**16,200**	**150,159**
	Over time	**-**	**-**	**-**	**31,500**	**16,000**	**-**	**-**	**47,500**
		53,900	**34,400**	**30,709**	**32,500**	**16,600**	**13,350**	**16,200**	**197,659**

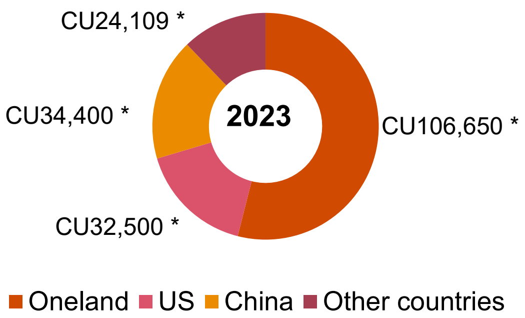
	2022	Furniture – manufacturing and wholesale Oneland CU'000	Furniture – manufacturing and wholesale China CU'000	Furniture – retail Oneland CU'000	IT consulting US CU'000	IT consulting Europe CU'000	Electronic equipment Oneland CU'000	All other segments CU'000	Total CU'000
IFRS15(115)	Segment revenue	60,350	36,860	20,365	22,600	14,790	-	10,199	165,164
IFRS8(23)(b)	Inter-segment revenue	(1,150)	(1,100)	-	(600)	(610)	-	(100)	(3,560)
IFRS8(23)(a),(28)(a)	Revenue from external customers	59,200	35,760	20,365	22,000	14,180	-	10,099	161,604
IFRS15(B87)-(B89)	Timing of revenue recognition								
	At a point in time	59,200	35,760	20,365	800	500	-	10,099	126,724
	Over time	-	-	-	21,200	13,680	-	-	34,880
		59,200	35,760	20,365	22,000	14,180	-	10,099	161,604

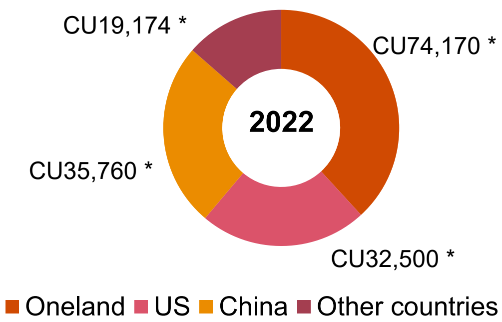
3(a) Disaggregation of revenue from contracts with customers [2-4]

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

IFRS8(34) Revenues of approximately CU26,320,000 (2022 – CU24,280,000) are derived from a single external customer. These revenues are attributed to the Oneland furniture manufacturing and wholesale segment.

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





* Amounts are in CU'000.

3(b) Assets and liabilities related to contracts with customers

The group has recognised the following assets and liabilities related to contracts with customers:

		Notes	**31 Dec 2023 CU'000**	31 Dec 2022 CU'000	1 Jan 2022 CU'000
IAS1(77)	Current contract assets relating to IT consulting contracts	(b)(i),(c)(iv)	**1,547**	2,597	1,897
	Loss allowance	12(c)	**(28)**	(36)	(30)
IFRS15(116)(a)	Total contract assets		**1,519**	2,561	1,867
IAS1(77)	Non-current asset recognised for costs incurred to fulfil a contract	(b)(iv)	**312**	520	-
IAS1(77),(120)(a)	Contract liabilities – customer loyalty programme	(c)(iii)	**552**	536	450
IAS1(77)	Contract liabilities – IT consulting contracts	(b)(iii),(c)(iv)	**1,430**	989	205
IFRS15(116)(a)	Total current contract liabilities		**1,982**	1,525	655

(i) Significant changes in contract assets and liabilities

IFRS15(118),(113)(b) Contract assets have decreased as the group has provided fewer services ahead of the agreed payment schedules for fixed-price contracts. The group also recognised a loss allowance for contract assets in accordance with IFRS 9, see note 12(c) for further information.

Contract liabilities for IT consulting contracts have increased by CU473,000 partly as a result of the acquisition of VALUE IFRS Electronics Group, see note 14. The increase in 2022 was due to the negotiation of larger prepayments and an increase in overall contract activity.

3(b) Assets and liabilities related to contracts with customers

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

		2023 CU'000	2022 CU'000
IFRS15(116)(b)	*Revenue recognised that was included in the contract liability balance at the beginning of the period*		
	IT consulting contracts	**989**	205
	Customer loyalty programme	**536**	450
IFRS15(116)(c)	*Revenue recognised from performance obligations satisfied in previous periods*		
	Consideration from furniture wholesale contract, not previously recognised due to the constraint (see (c)(i))	**150**	-

(iii) Unsatisfied long-term consulting contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term IT consulting contracts:

		2023 CU'000	2022 CU'000
IFRS15(120)(a)	Aggregate amount of the transaction price allocated to long-term IT consulting contracts that are partially or fully unsatisfied as at 31 December	**8,881**	-

IFRS15(120)(b),(122) Management expects that 60% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2023 will be recognised as revenue during the next reporting period (CU5,328,000). The remaining 40% (CU3,553,000) will be recognised in the 2025 financial year. The amount disclosed above does not include variable consideration which is constrained.

IFRS15(121),(122) All other IT consulting contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the group has also recognised an asset in relation to costs to fulfil a long-term IT contract. This is presented within other assets in the statement of financial position.

		2023 CU'000	2022 CU'000
IFRS15(128)(a)	Asset recognised from costs incurred to fulfil a contract at 31 December	**312**	520
IFRS15(128)(b)	Amortisation and impairment loss recognised as cost of providing services during the period	**208**	-

IFRS15(95),(127) In December 2022, the group incurred costs of CU520,000 in respect of data transfer for the set-up of an IT platform relating to a long-term IT contract. The costs relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. They were therefore recognised as an asset from costs to fulfil a contract. The asset is amortised on a straight-
IAS36(126)(a) line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. Due to an increase in expected costs by 30% in the financial year 2023, management does not expect the capitalised costs to be completely recovered. An impairment loss of CU77,000 has therefore been recognised for the excess of the capitalised cost over the expected remaining consideration, less any directly related costs not yet recognised as expense.

IFRS15(119)

3(c) Accounting policies and significant judgements [5-6]

(i) Sale of goods – wholesale

IFRS15(119)(a),(c), (123)(a),(125)

The group manufactures and sells a range of furniture and electronic equipment in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied.

IFRS15(119)(b),(d),(e) (123)(b),(126)

The furniture is often sold with retrospective volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No significant element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. The group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see note 8(i).

IFRS15(117)

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

IFRS15(123),(126)(a),(b)

Critical judgements in recognising revenue

The group has recognised revenue amounting to CU2,950,000 for sale of furniture to a wholesale customer in December 2023. The buyer has the right to rescind the sale if there is 5% dissatisfaction with the quality of the first 100 pieces of furniture sold. This specific concession was made because this is a new product line specifically designed for this customer. However, consistent with other contracts, the group does not have a right to payment until the furniture has been delivered to the customer. Based on the quality assurance system implemented, the group is confident that the quality of the product is such that the dissatisfaction rate will be well below 5%. Management has determined that it is highly probable that there will be no rescission of the contract, and that a significant reversal in the amount of revenue recognised will not occur. It is therefore appropriate to recognise revenue on this transaction during 2023 as control of the product is transferred to the customer. The profit recognised for this sale was CU1,625,000. The group would suffer an estimated pre-tax loss of CU1,760,000 in its 2024 financial statements if the sale is cancelled (CU1,625,000 for the reversal of 2023 profits and CU135,000 of costs connected with returning the stock to the warehouse).

In 2022, the group did not recognise revenue of CU280,000 in relation to a wholesale contract with volume discounts for a new customer and new product line. The group did not have any experience with the customer's purchase pattern and the product line. Management therefore determined that it was not highly probable that a portion of the revenue will not reverse. Of the CU280,000 of revenue not recognised in 2022, CU150,000 was recognised in the current financial year based on the actual volume sold for the contract period, see (b)(ii) above.

(ii) Sale of goods – retail

IFRS15(119)(a),(c) (123),(125)

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

IFRS15(117),(119)(b),(d) (123)(b),(126)

Payment of the transaction price is due immediately when the customer purchases the furniture and takes delivery in store. It is the group's policy to sell its products to the end customer with a right of return within 28 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

IFRS15(119)(e)

The group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see note 8(i).

IFRS15(119)

3(c) Accounting policies and significant judgements [5-6]

(iii) Sale of goods – customer loyalty programme

IFRS15(119)(a),(c),(120)(b),(125)

The group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to a discount on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed or when they expire 12 months after the initial sale.

IFRS15(123)(b),(126)(c)

Critical judgements in allocating the transaction price

The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience.

The stand-alone selling price of the product sold is estimated on the basis of the retail price. Discounts are not considered as they are only given in rare circumstances.

IFRS15(117)

A contract liability is recognised until the points are redeemed or expire.

(iv) IT consulting services

IFRS15(119)(a),(c),(124)

The IT consulting division provides business IT management, design, implementation and support services under fixed-price and variable-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

IFRS15(119)(c)

IFRS15(22),(73),(79),(119)(a),(125),(126)(c)

Some contracts include multiple deliverables, such as the sale of hardware and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

IFRS15(119)(a),(123)(a)

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

IFRS15(117)

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by VALUE IFRS Plc exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

IFRS15(B16)

If the contract includes an hourly fee, revenue is recognised in the amount to which VALUE IFRS Plc has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

IFRS15(123)(b),(126)(c)

Critical judgements in allocating the transaction price

Some fixed-price IT support contracts include an allowance for one free of charge hardware replacement per contract period up to a specified value. Because these contracts include two performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis.

Management estimates the stand-alone selling price at contract inception, based on observable prices of the type of hardware likely to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices.

IFRS15(119)

3(c) Accounting policies and significant judgements [5-6]

(v) Land development and resale

IFRS15(119)(a),(c)(123),(125)

The group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

IFRS15(117),(119)(b)(123)(b),(126),(129),(63)

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component.

(vi) Financing components

IFRS15(129),(63)

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

Revenue from contracts with customers

Objectives

IFRS15(110)

1. Users of the financial statements should be given sufficient information to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve this, entities must provide qualitative and quantitative information about their contracts with customers, significant judgements made in applying IFRS 15 and any assets recognised from the costs to obtain or fulfil a contract with customers.

Disaggregation of revenue

IFRS15(114),(B87)-(B89)

2. Entities must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will depend on the specific circumstances of each entity as to how much detail is disclosed. VALUE IFRS Plc has determined that a disaggregation of revenue using existing segments and the timing of the transfer of goods or services (at a point in time vs over time) is adequate for its circumstances. However, this is a judgement and will not necessarily be appropriate for other entities.
3. Other categories that could be used as basis for disaggregation include:
   (a) type of good or service (e.g. major product lines)
   (b) geographical regions
   (c) market or type of customer
   (d) type of contract (e.g. fixed price vs time-and-materials contracts)
   (e) contract duration (short-term vs long-term contracts), or
   (f) sales channels (directly to customers vs wholesale).

IFRS15(B88)

IFRS15(115)

4. When selecting categories for the disaggregation of revenue entities should also consider how their revenue is presented for other purposes, e.g. in earnings releases, annual reports or investor presentations, and what information is regularly reviewed by the chief operating decision makers. Where revenue is disaggregated on a basis other than reportable segments, the entity must disclose sufficient information so users of its financial statements can understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each reportable segment.

Accounting policies and significant judgements

5. As explained on page 29, it is helpful for readers of the financial report if the notes for specific line items in the financial statements also set out:
   (a) information about accounting policies that are specific to the entity and that explain how the line items are determined, and
   (b) information about significant judgements and estimates applied in relation to line items.

   However, this format is not mandatory.

Revenue from contracts with customers

6. A list of other potentially material accounting policies is provided in note 25 together with relevant commentary. Detailed commentary regarding the disclosure of significant judgements and estimates is provided in note 11.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

	Issue not illustrated	Relevant disclosures or reference
IFRS15(113)	Revenue from contracts with customers is disclosed together with other sources of revenue in the statement of profit or loss	Disclose items of revenue from contracts with customers separately from other sources of revenue.
IFRS15(127)-(129),(94)	Costs incurred to obtain a contract	For assets recognised, provide disclosures as per IFRS 15 paragraphs 127 and 128. Where no asset is recognised because the period of amortisation is one year or less, disclose that fact.

4 Material profit or loss items [1,2]

IAS1(119),(97)

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

		Notes	**2023 CU'000**	2022 CU'000
IAS1(97),(98)(c)	Gain on sale of freehold land	(a)	**1,270**	-
IAS1(97),(98)(b)	Restructuring costs	8(i)	**(1,377)**	-
IAS1(97)	Impairment of goodwill	8(d)	**(2,410)**	-
IAS36(126)(a)	Impairment of other assets	(b)		
IAS36(130)(b)	Office and warehouse building		**(465)**	-
	Plant and equipment		**(210)**	-
IAS2(36)(e)	Inventories		**(535)**	-
IAS1(97)	Total impairment losses – other assets		**(1,210)**	-
	Insurance recovery	(b)	**300**	-
IAS1(97),(98)(c)	Loss on disposal of plant and equipment	(c)	**-**	(230)
IAS1(97),(98)(f)	Litigation settlement relating to claim against the land development division	(d)	**-**	(370)
	Recognition of tax losses	(e)	**-**	945
IAS1(97)	Total material items from continuing operations		**(3,427)**	345
	Gain on sale of discontinued operation	15	**481**	-

4(a) Sale of freehold land

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

4(b) Impairment of other assets

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

A fire in Springfield in March 2023 damaged a major office and warehouse building owned by a subsidiary that is part of the Oneland furniture manufacturing and wholesale segment. The fire also destroyed equipment and inventories stored in the warehouse.

IAS36(130)(e),(f)

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

As the inventory and equipment were destroyed beyond repair, their net realisable value/fair value less costs of disposal was nil.

IAS36(126)(a)

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

IAS16(74A)(a)

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

4(c) Disposal of plant and equipment

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

4(d) Litigation settlement

In January 2022, VALUE IFRS Development Limited paid CU370,000 as settlement for a claim lodged against the company following the termination of the Pinetree development in Alpville (included in 'all other segments' in the segment note).

4(e) Recognition of tax losses

Following a significant improvement in trading conditions in the Oneland furniture manufacturing and wholesale segment in 2022, the group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which the tax losses can be utilised. As a consequence, a deferred tax asset of CU945,000 was recognised for these losses in 2022.

Material profit or loss items

IAS1(97),(98)

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

5 Other income and expense items [1,9]

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 notes to the statement of financial position.

IAS1(112)(c)

5(a) Other income

		Notes	2023 CU'000	2022 CU'000
	Rental income and sub-lease rental income	8(c)	**7,240**	7,240
	Dividends	(i)	**3,300**	4,300
IAS1(82)(a)	Interest income on financial assets held as investments	(ii)	**258**	249
Not mandatory	Other items	(iii)	**550**	244
			11,348	12,033

(i) Dividends

IAS1(117)
IFRS9(5.7.1A),(B5.7.1)

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

(ii) Interest income [7]

IAS1(117)

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 5(b). Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income.

5(a) Other income

IFRS9(5.4.1) Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 5(d). Any other interest income is included in other income.

IFRS7(20)(b) Total interest income on financial assets that are measured at amortised cost for the year was CU1,670,000 and interest income from debt investments that are measured at FVOCI was CU200,000 (2022 – CU1,154,000 interest income from financial assets not measured at FVPL).

(iii) Government grants

IAS20(39)(b),(c) Export market development grants of CU250,000 (2022 – 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.

IAS1(117)

Deferral and presentation of government grants

IAS20(12),(29) Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

IAS20(24),(26) Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

5(b) Other gains/(losses)

		Notes	2023 CU’000	2022 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)
IAS40(76)(d)	Fair value adjustment to investment property	8(c)	**1,350**	1,397
IFRS7(20)(a)(i)	Net fair value gains/(losses) on financial assets at fair value through profit or loss	7(d)	**955**	(620)
IAS21(52)	Net foreign exchange gains/(losses)	12(b)	**518**	(259)
IFRS7(20)(a)(i)	Net fair value gains on derivatives held for trading	12(a)	**11**	(621)
Not mandatory	Other items		**139**	(38)
			4,593	(671)

5(c) Breakdown of expenses by nature

		Notes	2023 CU’000	2022 Restated CU’000
Not mandatory	Changes in inventories of finished goods and work in progress	8(f)	**(6,681)**	(5,255)
Not mandatory	Raw materials and consumables used	8(f)	**62,218**	54,108
IAS1(104),(105)	Employee benefits expenses [2]		**56,594**	52,075
IAS1(104),(105)	Depreciation	8(a),8(b)	**10,374**	9,350
IAS1(104),(105)	Amortisation	8(d),3(b)	**2,166**	730
IAS1(97)	Impairment of goodwill	8(d)	**2,410**	-
IAS1(97)	Impairment of assets damaged by fire	4(b)	**1,210**	-
Not mandatory	Other expenses		**27,839**	16,270
Not mandatory	Total cost of sales, distribution cost and administrative expenses		**156,130**	127,278

5(d) Finance income and costs [3-7]

		Notes	2023 CU'000	2022 CU'000
	Finance income [7,8]			
	Interest income from financial assets held for cash management purposes	(a)(ii)	**1,261**	905
IFRS9(3.3.3) IFRS7(20)(a)(v)	Net gain on settlement of debt	7(g)	**355**	-
	Finance income		**1,616**	905
	Finance costs [3-6]			
IFRS7(20)(b)	Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	10(c)	**(6,956)**	(6,367)
IAS37(60)	Provisions: unwinding of discount	8(i)	**(93)**	(78)
IFRS7(24C)(b)(iv)	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)
			(8,016)	(7,060)
IAS23(26)(a)	Amount capitalised	(i)	**525**	325
	Finance costs expensed		**(7,491)**	(6,735)
	Net finance costs		**(5,875)**	(5,830)

(i) Capitalised borrowing costs

IAS23(26)(b) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 7.02% (2022 – 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 amounts recognised in the statement of financial position. We believe that this presentation is more useful for users of the financial statements.

Employee benefits expenses

IAS19(25),(158),(171)

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

Finance costs

3. Finance costs will normally include:
   (a) costs that are borrowing costs for the purposes of IAS 23 *Borrowing Costs:* (IAS23(5),(6))
      (i) interest expense calculated using the effective interest rate method as described in IFRS 9 *Financial Instruments* (IFRS7(IG13))
      (ii) interest in respect of lease liabilities (see note 8(b)), and
      (iii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs

Other income and expense items

IAS37(60) (b) the unwinding of the effect of discounting provisions

IAS32(35),(40) (c) dividends on preference shares that are classified as debt

IFRS9(B5.4.4) (d) the amortisation of discounts and premiums on debt instruments that are liabilities

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

IFRS5(17) (f) the increase in the present value of the costs to sell in relation to assets that are held for sale, where the sale is expected to occur beyond one year.

IFRS16(49)

4. Interest expense on lease liabilities must also be presented as a component of finance cost in the statement of profit or loss and other comprehensive income.

IAS21(52)(a)

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

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

Finance income

IFRS15(Appendix A)
IAS1(82)(a)

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

IFRS7(20)(b)

8. In addition, entities must disclose the total interest revenue (calculated using the effective interest rate method) for financial assets that are measured at amortised cost and those that are measured at fair value through other comprehensive income. This applies regardless of the presentation chosen in the primary financial statements. This requirement is illustrated in note 5(a)(i).

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

IFRS7(20)(c) (a) Where material, entities must separately disclose any fee income arising from financial assets not at fair value through profit or loss and from trust and other fiduciary activities.

6 Income tax expense [11-12]

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

IAS12(79),(81)(g)(ii)

6(a) Income tax expense

		2023 CU'000	2022 Restated * CU'000
	Current tax		
IAS12(80)(a)	Current tax on profits for the year	**17,116**	11,899
IAS12(80)(b)	Adjustments for current tax of prior periods	**(369)**	135
	Total current tax expense	**16,747**	12,034
IAS12(80)(c)	*Deferred income tax*		
	Decrease/(increase) in deferred tax assets (see note 8(e))	**(4)**	(1,687)
	(Decrease)/increase in deferred tax liabilities (see note 8(e))	**(177)**	1,399
	Total deferred tax expense/(benefit)	**(181)**	(288)
	Income tax expense	**16,566**	11,746
	Income tax expense is attributable to:		
	Profit from continuing operations	**16,182**	11,575
	Profit from discontinued operation	**384**	171
		16,566	11,746

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

6(b) Significant estimates – uncertain tax position and tax-related contingency

IAS1(122),(125)
IFRIC23(A5)
IAS37(86),(88)

The tax legislation in relation to expenditures incurred in association with the establishment of the retail division is unclear. The group considers it probable that a tax deduction of CU1,933,000 will be available and has calculated the current tax expense on this basis. However, the group has applied for a private ruling to confirm its interpretation. If the ruling is not favourable, this would increase the group's current tax payable and current tax expense by CU580,000 each. The group expects to get a response, and therefore certainty about the tax position, before the next interim reporting date.

IAS12(81)(c)(i),(84),(85)

6(c) Numerical reconciliation of income tax expense to prima facie tax payable [1,2]

		2023 CU'000	2022 Restated * CU'000
	Profit from continuing operations before income tax expense	**51,086**	39,617
	Profit from discontinued operation before income tax expense	**1,111**	570
		52,197	40,187
IAS12(81)(d),(85)	Tax at the Oneland tax rate of 30% (2022 – 30%)	**15,659**	12,056
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Goodwill impairment	**723**	-
	Amortisation of intangibles [3]	**92**	158
	Entertainment	**82**	79
	Employee option plan [4]	**277**	99
	Dividends paid to preference shareholders	**378**	378
	Recycling of foreign currency translation reserve on sale of subsidiary (see note 15)	**(51)**	-
	Sundry items	**189**	14
	Subtotal	**17,349**	12,784

IAS12(81)(c)(i),(84),(85)

6(c) Numerical reconciliation of income tax expense to prima facie tax payable [1,2]

		2023 CU'000	2022 Restated * CU'000
	Subtotal	**17,349**	12,784
IAS12(85)	Difference in overseas tax rates	**(248)**	(127)
IAS12(80)(b)	Adjustments for current tax of prior periods	**(369)**	135
	Research and development tax credit (i)	**(121)**	(101)
IAS12(80)(f)	Previously unrecognised tax losses used to reduce deferred tax expense (see note 4(e))	**-**	(945)
IAS12(80)(e)	Previously unrecognised tax losses now recouped to reduce current tax expense	**(45)**	-
	Income tax expense	**16,566**	11,746

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

(i) Accounting for research and development tax credit [5]

Companies within the group are entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure under the Research and Development Tax Incentive regime in Oneland. The group accounts for these allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

6(d) Amounts recognised directly in equity [6,7]

		Notes	2023 CU'000	2022 CU'000
IAS12(81)(a),(62A)	Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:			
	Current tax: share buy-back transaction costs	9(a)	**(15)**	-
	Deferred tax: Convertible note and share issue costs	8(e)	**990**	-
			975	-

In addition, the group recognised deferred tax amounts directly in retained earnings as a result of the restatement of an error (see note 11(b)).

6(e) Tax losses

IAS12(81)(e)	Unused tax losses for which no deferred tax asset has been recognised	**1,740**	2,796
	Potential tax benefit @ 30%	**522**	839

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

		Notes	2023 CU'000	2022 CU'000
	6(f) Unrecognised temporary differences			
IAS12(81)(f)	Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:			
	Foreign currency translation		**2,190**	1,980
	Undistributed earnings		**1,350**	-
			3,540	1,980
IAS12(87) **Not mandatory**	Unrecognised deferred tax liabilities relating to the above temporary differences		**1,062**	594

Temporary differences of CU2,190,000 (2022 – CU1,980,000) have arisen as a result of the translation of the financial statements of the group's subsidiary in China. However, a deferred tax liability has not been recognised as the liability will only crystallise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future. [8]

VALUE IFRS Retail Limited has undistributed earnings of CU1,350,000 (2022 – nil) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as VALUE IFRS Plc is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

New requirements

6(g) OECD Pillar Two model rules [9,10]

IAS12R(88A) The group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Oneland, the jurisdiction in which VALUE IFRS Plc is incorporated, and will come into effect from 1 January 2025. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

IAS12R(88C) Under the legislation, the group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. All entities within the group have an effective tax rate that exceeds 15%, except for one subsidiary that operates in jurisdiction A.

IAS12R(88C) For 2023, the average effective tax rate (calculated in accordance with paragraph 86 of IAS 12) of the entity operating in jurisdiction A is:

	Group entity operating in jurisdiction A CU'000
Tax expense for year ending 31 December 2023	250
Accounting profit for year ending 31 December	3,000
2023 Average effective tax rate	8.3%

IAS12R(88C) The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. This assessment indicates for jurisdiction A that the average effective tax rate based on accounting profit is 8.3% for the annual reporting period to 31 December 2023. However, although the average effective tax rate is below 15%, the group might not be exposed to paying Pillar Two income taxes in relation to jurisdiction A. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of IAS 12.

IAS12R(88D) Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications. The entity is currently engaged with tax specialists to assist them with applying the legislation.

Income tax expense

Relationship between tax expense and accounting profit

IAS12(81)(c),(85)

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

   The applicable tax rate can either be the domestic rate of tax in the country in which the entity is domiciled or it can be determined by aggregating separate reconciliations prepared using the domestic rate in each individual jurisdiction. Entities should choose the method that provides the most meaningful information to users.
2. Where an entity uses option (a) above and reconciles tax expense to the tax that is calculated by multiplying accounting profit with the applicable tax rate, the standard does not specify whether the reconciliation should be done for total tax expense or only for tax expense attributable to continuing operations. While VALUE IFRS Plc is reconciling total tax expense, it is equally acceptable to use profit from continuing operations as starting point.

Initial recognition exception – subsequent amortisation

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

Taxation of share-based payments

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

IAS12(68A)-(68C)

Tax incentives

5. As explained in note 6(c)(i), VALUE IFRS Plc is accounting for investment tax credits in the same way as for other tax credits. However, in some circumstances a different accounting treatment may be appropriate or acceptable. The other models for accounting for tax credits include:
   (a) Government grant (or deferral) model. This treatment considers the investment tax credit as being similar to a government grant and recognises the tax benefit in pre-tax profit or loss over the related asset's useful life.
   (b) Change of tax base (or initial recognition exception) model. This treatment considers the investment tax credit as an increase in the related asset's tax base where a related asset is recognised in the statement of financial position. Deductible temporary differences that arise will qualify for the initial recognition exception if the asset was not acquired in a business combination and the related asset's initial recognition does not affect accounting or taxable profit. Therefore, no deferred tax asset is recognised on the asset's initial recognition, but recognition occurs as a reduction of current tax as the credit is realised.

   The most appropriate model to apply will depend on the nature of the credit and the entity's specific circumstances, including previous policy choices.

Income tax expense

Income tax recognised outside profit or loss

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

6. Under certain circumstances, current and deferred tax is recognised outside profit or loss either in other comprehensive income or directly in equity, depending on the item that the tax relates to. Entities must disclose separately:
   (a) the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments (either in the statement of comprehensive income or in the notes), and
   (b) the aggregate current and deferred tax relating to items that are charged directly to equity (without being recognised in other comprehensive income).

IAS12(62A)

7. Examples of items that are charged directly to equity are:
   (a) the equity component on compound financial instruments
   (b) share issue costs, and
   (c) adjustments to retained earnings, e.g. as a result of a change in accounting policy.

Unrecognised temporary differences

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

OECD Pillar Two model rules

9. The OECD Pillar Two rules apply to multinational enterprises that have consolidated revenues (which, as defined by the OECD, include any form of income and are therefore not limited to revenue recognised in accordance with IFRS 15) of €750m in at least two out of the last four years. Although this is not the case for VALUE IFRS Plc, for illustrative purposes we have assumed that:
   (a) VALUE IFRS Plc is within the scope of the OECD Pillar Two model rules
   (b) Pillar Two legislation has been enacted in Oneland, VALUE IFRS Plc's
   (c) jurisdiction the legislation is not yet effective, and
   (d) the entity expects to be materially affected by those rules.

IAS12R(98M)

10. The illustrative disclosures in note 6(g) are based on the amendments to IAS 12 that were made by the IASB in May 2023. The amendments related to deferred tax are required to be applied immediately (subject to any local endorsement processes) and retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, including the requirement to disclose the fact that the exception has been applied. The disclosures relating to the known or reasonably estimable exposure to Pillar Two income taxes are required for annual reporting periods beginning on or after 1 January 2023.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

	Issue not illustrated	Relevant disclosure or reference
IAS12(81)(d)	Changes in the applicable tax rate	Explain the changes (see illustrative disclosure below).
IAS12(81)(e)	Deductible temporary differences and unused tax credits for which no deferred tax asset is recognised	Disclose amount and expiry date.
IAS12(82A), (87A)-(87C)	The payment of dividends will affect the entity's income tax expense (e.g. a lower tax rate applies to distributed profits)	Explain the nature of the income tax consequences and disclose the amounts, if they are practicably determinable, and whether there are any potential income tax consequences that are not practicably determinable.

Income tax expense

Reference	Issue not illustrated	Relevant disclosure or reference
IAS12(81)(i)	Dividends were proposed or declared but not recognised as liability in the financial statements	Disclose the income tax consequences, if any.
IAS12(88)	Tax-related contingent liabilities or contingent assets, and changes in tax rates or tax laws enacted after the reporting period	Provide disclosures required under IAS 37 and IAS 10.
IAS12(81)(j)	Business combination: changes in the deferred tax assets of the acquirer recognised as a result of the combination	Disclose the amount of the change.
IAS12(81)(k)	Deferred tax benefits acquired in a business combination but only recognised in a subsequent period	Describe the event or change in circumstances that caused the deferred tax asset to be recognised.

Changes in tax rate

IAS12(81)(d)

12. Where changes to the applicable tax rate were substantively enacted during the year, the adjustments to the deferred tax balances appear as another reconciling item in the reconciliation of prima facie income tax payable to income tax expense. The associated explanations could be along the following lines:

    The reduction of the Oneland corporation tax rate from 30% to 28% was substantively enacted on 26 June 2023 and will be effective from 1 April 2024. As a result, the relevant deferred tax balances have been remeasured. Deferred tax expected to reverse in the year to 31 December 2024 has been measured using the effective rate that will apply in Oneland for the period (28.5%). For years ending after 31 December 2024, the group has used the new tax rate of 28%.

    Further reductions to the Oneland tax rate have been announced which will reduce the rate by 1% per annum to 24% by 1 April 2028. However, these changes are expected to be enacted separately each year. As a consequence, they had not been substantively enacted at the reporting date and, therefore, are not recognised in these financial statements.

    The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss. For the group, such items include in particular remeasurements of post-employment benefit liabilities and the expected tax deduction in excess of the recognised expense for equity-settled share-based payments.

7 Financial assets and financial liabilities [1,22,23]

Not mandatory

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

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

Not mandatory
IFRS7(8)

The group holds the following financial instruments:

Financial assets	Notes	2023 CU'000	2022 CU'000
Financial assets at amortised cost			
Trade receivables	7(a)	**15,662**	8,220
Other financial assets at amortised cost	7(b)	**4,596**	3,471
Cash and cash equivalents	7(e)	**55,083**	30,299
Financial assets at fair value through other comprehensive income (FVOCI)	7(c)	**6,782**	7,148
Financial assets at fair value through profit or loss (FVPL)	7(d)	**13,690**	11,895
Derivative financial instruments			
Used for hedging	12(a)	**2,162**	2,129
		97,975	63,162

Financial liabilities	Notes	2023 CU'000	2022 CU'000
Liabilities at amortised cost			
Trade and other payables *	7(f)	**13,700**	10,281
Borrowings	7(g)	**97,515**	84,595
Lease liabilities	8(b)	**11,501**	11,291
Derivative financial instruments			
Used for hedging	12(a)	**766**	777
Held for trading at FVPL	12(a)	**610**	621
		124,092	107,565

* Excluding non-financial liabilities. [4]

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

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

7(a) Trade receivables

		31 Dec 2023 CU'000	31 Dec 2022 CU'000	1 Jan 2022 CU'000
	Current assets			
IFRS15(116)(a) IAS1(77)	Trade receivables from contracts with customers	**16,308**	8,570	5,238
IAS1(77)	Loss allowance (see note 12(c))	**(646)**	(350)	(115)
		15,662	8,220	5,123

IAS1(117)

(i) Classification as trade receivables [2,3]

IFRS7(21)
IFRS9(5.1.3),(4.1.2),(5.4.1)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 12(c).

(ii) Transferred receivables

IFRS7(42D)(a)-(c),(e)
IFRS9(B4.1.3)

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, VALUE IFRS Manufacturing Limited has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, VALUE IFRS Manufacturing Limited has retained late payment and credit risk. The group therefore continues to recognise the transferred assets in their entirety in its statement of financial position. The amount repayable under the factoring agreement is presented as secured borrowing. The group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

The relevant carrying amounts are as follows:

	2023 CU'000	2022 CU'000
Transferred receivables	**3,250**	-
Associated secured borrowing (bank loans – see note 7(g))	**3,100**	-

Management considers that in substance the factor collects the amounts receivable on the entity's behalf and retains the cash in settlement of the separate financing transaction. The group therefore presents the cash inflows received from the bank as financing cash inflows and the subsequent payments by the debtor as both operating cash inflows and financing cash outflows.

(iii) Fair values of trade receivables [12-13]

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

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(iv) Impairment and risk exposure

IFRS7(31),(34)(c)
Consider impact of climate change – see Appendix E

Information about the impairment of trade receivables and the group's exposure to credit risk and foreign currency risk can be found in notes 12(b) and (c).

7(b) Other financial assets at amortised cost

IAS1(117)

(i) Classification of financial assets at amortised cost [2,3]

IFRS9(4.1.2)

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

See note 25(o) for the remaining relevant accounting policies.

7(b) Other financial assets at amortised cost

Financial assets at amortised cost include the following debt investments:

IAS1(77),(78)(b)
IFRS7(6)

	2023			2022		
	Current CU'000	**Non-current CU'000**	**Total CU'000**	Current CU'000	Non-current CU'000	Total CU'000
Loans to related parties (ii)	**-**	**1,300**	**1,300**	-	700	700
Loans to key management personnel (ii)	**166**	**551**	**717**	126	480	606
Debenture assets	**-**	**750**	**750**	-	750	750
Zero coupon bonds	**-**	**460**	**460**	-	425	425
Listed corporate bonds	**-**	**94**	**94**	-	90	90
Other receivables (ii)	**939**	**375**	**1,314**	716	200	916
	1,105	**3,530**	**4,635**	842	2,645	3,487
Less: loss allowance for debt investments at amortised cost (note 12(c))	**(5)**	**(34)**	**(39)**	-	(16)	(16)
	1,100	**3,496**	**4,596**	842	2,629	3,471

(ii) Other receivables

IFRS7(7),(38)

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

IAS24(18)

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

(iii) Fair values of other financial assets at amortised cost [12-13]

IFRS7(25),(6)

Fair value for the following investments was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy – see note 7(h) for further information).

	2023 CU'000	2022 CU'000
Debenture assets	**795**	767
Zero coupon bonds	**482**	433
Listed corporate bonds	**150**	100

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

Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different from their carrying amounts. An exception is the loans to key management personnel, which have a fair value of CU481,000 as at 31 December 2023, compared to a carrying amount of CU551,000 (2022 – fair value of CU424,000 and carrying amount of CU480,000).

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

(iv) Impairment and risk exposure

Note 12(c) sets out information about the impairment of financial assets and the group's exposure to credit risk.

IFRS7(34)

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

7(c) Financial assets at fair value through other comprehensive income

IAS1(117)

(i) Classification of financial assets at fair value through other comprehensive income [2,3]

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

IFRS7(11A)(b),(21) IFRS9(4.1.4),(5.7.5)

- Equity securities which are not held for trading and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.

IFRS9(4.1.2A)

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) Equity investments at fair value through other comprehensive income

IFRS7(11A)(a),(c)

Equity investments at FVOCI comprise the following individual investments:

	2023 CU'000	2022 CU'000
Non-current assets		
Listed securities		
Hardwood Ltd	**-**	1,900
Furniture Suppliers Plc	**870**	-
Furniture Purchasers Inc	**1,305**	975
Sleep Willow Plc	**653**	250
Pine Oak Property Inc	**1,286**	1,001
	4,114	4,126
Unlisted securities		
Softwood Ltd	**690**	1,072
Mahogany Ltd	**460**	550
	1,150	1,622
	5,264	5,748

IFRS7(21) IFRS9(B5.7.1)

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings. Note 25(o) sets out the remaining accounting policies.

(iii) Disposal of equity investments

IFRS7(11B),(11A)(e)

Since 1 January 2023, the group has sold its shares in Hardwood Ltd as a result of a takeover offer for cash. The shares sold had a fair value of CU2,275,000 and the group realised a gain of CU646,000, which had already been included in OCI. This gain has been transferred to retained earnings, net of tax of CU194,000, see note 9(c).

IFRS9(7.2.1)

In the previous financial period, the group sold its investment in Super Floors Ltd, as this investment no longer suited the group's investment strategy. The shares sold had a fair value of CU2,143,000 at the time of the sale and the group realised a loss of CU548,000, which was transferred to retained earnings, net of tax of CU164,000.

(iv) Debt investments at fair value through other comprehensive income

IAS1(77)

Debt investments at FVOCI comprise the following investments in listed and unlisted bonds:

	2023 CU'000	2022 CU'000
Non-current assets		
Listed bonds	**728**	650
Unlisted debt securities	**790**	750
	1,518	1,400

IFRS9(5.7.10)

On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to other gains/(losses) within profit or loss.

IAS24(18)

The unlisted debt securities include CU250,000 (2022 – CU nil) of securities issued by entities that are controlled by the ultimate parent entity, Lion AG.

7(c) Financial assets at fair value through other comprehensive income

(v) 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:

		2023 CU'000	2022 CU'000
	Gains/(losses) recognised in other comprehensive income (see note 9(c))		
IFRS7(20)(a)(vii)	Related to equity investments	**632**	(1,230)
IFRS7(20)(a)(viii)	Related to debt investments	**118**	(228)
		750	(1,458)
IFRS7(11A)(d)	Dividends from equity investments held at FVOCI recognised in profit or loss in other income (see note 5(a))		
	Related to investments derecognised during the period	**963**	-
	Related to investments held at the end of the reporting period	**642**	800
		1,605	800

(vi) Non-current assets pledged as security

IFRS7(14) See note 24 for information on non-current assets pledged as security by the group.

(vii) Fair value, impairment and risk exposure

IFRS13(93) Information about the methods and assumptions used in determining fair value is provided in note 7(h), and information about the loss allowance recognised on debt investments at FVOCI is provided in note 12(c).

IFRS7(34) All of the financial assets at FVOCI are denominated in Oneland currency units. For an analysis of the sensitivity of the assets to price and interest rate risk see note 12(b).

(viii) Significant estimates [2]

IFRS13(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).

(ix) Significant judgements [2,14]

IFRS12(7),(9)(a)
IAS1(122)

The directors have determined that they do not control a company called VALUE IFRS Trustee Limited even though VALUE IFRS Plc owns 100% of the issued capital of this entity. VALUE IFRS Trustee Limited is the trustee of the VALUE IFRS Employees' Superannuation Fund. It is not a controlled entity of VALUE IFRS Plc because VALUE IFRS Plc is not exposed, and has no right, to variable returns from this entity and is not able to use its power over the entity to affect those returns. The investment has a fair value of CU2 (2022 – CU2) and is included in unlisted securities.

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

IAS1(117)

(i) Classification of financial assets at fair value through profit or loss [2,3]

The group classifies the following financial assets at fair value through profit or loss (FVPL):

IFRS9(4.1.2)
IFRS9(4.1.2A)

- debt investments that do not qualify for measurement at either amortised cost (see note 7(b)) or FVOCI (see note 7(c))
- equity investments that are held for trading, and

IFRS9(5.7.5)

- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

IAS1(77)
IFRS7(6),(31)

Financial assets mandatorily measured at FVPL include the following:

		2023 CU'000	2022 CU'000
	Non-current assets		
IAS1(77)	Unlisted preference shares [5]	**1,100**	980
IAS1(77)	Contingent consideration (see note 15(c))	**1,290**	-
		2,390	980
	Current assets		
IAS1(77)	US listed equity securities	**5,190**	4,035
IAS1(77)	Oneland listed equity securities	**6,110**	6,880
		11,300	10,915
		13,690	11,895

See note 25(o) for the remaining relevant accounting policies.

(ii) Amounts recognised in profit or loss

IFRS7(20)(a)(i)

During the year, the following gains/(losses) were recognised in profit or loss:

	2023 CU'000	2022 CU'000
Fair value gains (losses) on equity investments at FVPL recognised in other gains/(losses) (see note 5(b))	**835**	(690)
Fair value gains (losses) on debt instruments at FVPL recognised in other gains/(losses) (see note 5(b))	**120**	100
Fair value gain on contingent consideration recognised in profit from discontinued operations (see note 15(c))	**90**	-

(iii) Risk exposure and fair value measurements

IFRS7(31)
IFRS13(93)

Information about the group's exposure to price risk is provided in note 12(b). For information about the methods and assumptions used in determining fair value see note 7(h).

7(e) Cash and cash equivalents

		2023 CU'000	2022 CU'000
	Current assets		
IAS7(45)	Cash at bank and in hand	**750**	600
IAS7(45)	Deposits at call	**54,333**	29,699
		55,083	30,299

(i) Reconciliation to cash flow statement

IAS7(45) The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

		2023 CU'000	2022 CU'000
	Balances as above	**55,083**	30,299
IAS7(8)	Bank overdrafts (see note 7(g))	**(2,650)**	(2,250)
	Balances per statement of cash flows	**52,433**	28,049

(ii) Classification as cash equivalents [2,3]

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

(iii) Restricted cash [6,7]

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

7(f) Trade and other payables [15,22]

		2023 CU'000	2022 CU'000
	Current liabilities		
IAS1(77)	Trade payables	**9,480**	7,801
IAS1(77)	Payables under supplier finance arrangement (ii)	**520**	430
	Payroll tax and other statutory liabilities	**1,570**	1,207
IFRS15(105)	Refund liabilities (i)	**490**	235
IAS1(77)	Other payables	**3,700**	2,050
		15,760	11,723

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

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. [12-13]

(i) Refund liabilities

IAS1(117)
IFRS15(55),(B20)-(B27)

Where a customer has a right to return a product within a given period, the group recognises a refund liability for the amount of consideration received for which the entity does not expect to be entitled (CU221,000; 2022 – CU110,000). The group also recognises a right to the returned goods measured by reference to the former carrying amount of the goods (CU76,000 as at 31 December 2023 and CU38,000 as at 31 December 2022; see note 8(g)). The costs to recover the products are not material because the customers usually return them in a saleable condition.

Refund liabilities are further recognised for volume discounts payable to wholesale customers (CU269,000; 2022 – CU125,000). Note 3(c) has further explanations about both types of refund liabilities.

7(f) Trade and other payables [15,22]

(ii) Significant judgement - supplier finance arrangement [8-11]

IAS1(117),(122)

The group has agreed to support a strategic supplier with their cash flows by entering into a supplier finance arrangement. Under the arrangement, a bank acquires the rights to selected trade receivables from the supplier. Following this acquisition, the group will no longer be able to make earlier direct payments to the supplier and will not be able to offset any of the acquired payables against credit notes received from the supplier. However, the group has determined that the terms of the trade payable are otherwise substantially unchanged and that it is therefore appropriate to continue presenting the relevant amounts within trade and other payables in the statement of financial position.

For the purpose of the cash flow statement, management considers that the bank settles the invoices as a payment agent on behalf of the entity. The payments made by the bank are therefore presented as operating cash outflow and financing cash inflow. When the group subsequently pays the amount outstanding to the bank, this is presented as a financing cash outflow. As a consequence, the payables under supplier finance arrangements are included in the net debt reconciliation in note 10(c).

7(g) Borrowings [16,22,23]

		2023			2022	
	Current CU'000	**Non-current CU'000**	**Total CU'000**	Current CU'000	Non-current CU'000	Total CU'000
IAS1(77) *Secured*						
Bank overdrafts	**2,650**	**-**	**2,650**	2,250	-	2,250
Bank loans (i)	**4,250**	**37,535**	**41,785**	2,865	45,500	48,365
Debentures (v)	**-**	**-**	**-**	2,000	2,000	4,000
Other loans	**450**	**8,580**	**9,030**	150	14,100	14,250
Total secured borrowings (i)	**7,350**	**46,115**	**53,465**	7,265	61,600	68,865
IAS1(77) *Unsecured*						
Bills payable	**1,050**	**-**	**1,050**	730	-	730
Convertible notes (iii)	**-**	**16,815**	**16,815**	-	-	-
Redeemable preference shares (iv)	**-**	**11,000**	**11,000**	-	11,000	11,000
Loans from related parties *	**-**	**15,185**	**15,185**	-	4,000	4,000
Total unsecured borrowings	**1,050**	**43,000**	**44,050**	730	15,000	15,730
Total borrowings	**8,400**	**89,115**	**97,515**	7,995	76,600	84,595

* Further information relating to loans from related parties is set out in note 20.

(i) Secured liabilities and assets pledged as security

IFRS7(7),(14)(b),(42D) Of the bank loans, CU3,100,000 relate to transferred receivables (see note 7(a)(ii)). The remaining bank loans and overdrafts are secured by first mortgages over the group's freehold land and buildings, including those classified as investment properties.

The debentures were secured by a floating charge over the assets of VALUE IFRS Plc.

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

IFRS7(14)(a) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 24.

7(g) Borrowings [16,22,23]

(ii) Compliance with loan covenants [23]

IAS1(135)(d)
Revised illustration

VALUE IFRS Plc has complied with the financial covenants of its bank loans during both periods presented, see note 13 for details.

(iii) Convertible notes [15]

IFRS7(17)
IAS1(79)(a)(vii)

VALUE IFRS Plc issued 1,500,000 7% convertible notes for CU20 million on 23 January 2023. The notes are convertible into ordinary shares of the entity, at the option of the holder, or repayable on 23 January 2027. The conversion rate is two shares for each note held, which is based on the market price per share at the date of the issue of the notes (CU6.10), but subject to adjustments for reconstructions of equity. The convertible notes are presented in the statement of financial position as follows:

	2023 CU'000	2022 CU'000
Face value of notes issued	**20,000**	-
Other equity securities – value of conversion rights (see note 9(b))	**(3,500)**	-
	16,500	-
Interest expense *	**842**	-
Interest paid	**(527)**	-
Non-current liability	**16,815**	-

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

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

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

(iv) Redeemable preference shares [15]

IFRS7(7)
IAS1(79)(a)(v)

The redeemable preference shares represent 5,000,000 fully paid 6% cumulative redeemable preference shares. The shares are redeemable at CU2.20 per share on 31 December 2030 or by VALUE IFRS Plc at any time before that date. The shares are entitled to dividends at the rate of 6% per annum. If insufficient profits are available in a particular financial year, the dividends accumulate and are payable when sufficient profits are available. The shares participate in a winding up of the company only to the extent of CU2.20 per share.

IAS32(17),(18)

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

(v) Repurchase of debentures

IFRS7(7)
IFRS9(3.3.3)
IFRS7(20)(a)(v)

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

(vi) Set-off of assets and liabilities

See note 23 for information about the group's offsetting arrangements.

7(g) Borrowings [16,22,23]

(vii) Fair value [12-13]

IFRS7(25),(29)(a)

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either:

- the interest payable on those borrowings is close to current market rates, or
- the borrowings are of a short-term nature.

Material differences are identified only for the following borrowings:

	2023		2022	
	Carrying amount CU'000	**Fair value CU'000**	Carrying amount CU'000	Fair value CU'000
Bank loans	**41,320**	**40,456**	47,900	48,950
Convertible notes	**16,815**	**17,175**	-	-
Redeemable preference shares	**11,000**	**9,475**	11,000	10,860

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

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

(viii) Risk exposures

IFRS7(31)

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

7(h) Recognised fair value measurements [17,18]

(i) Fair value hierarchy

Consider impact of climate change – see Appendix E

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

IFRS13(93)(b)

Recurring fair value measurements At 31 December 2023	Notes	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Financial assets					
Financial assets at fair value through profit or loss (FVPL)					
US listed equity securities	7(d)	**5,190**	**-**	**-**	**5,190**
Oneland listed equity securities	7(d)	**6,110**	**-**	**-**	**6,110**
Preference shares – property sector	7(d)	**-**	**1,100**	**-**	**1,100**
Other (contingent consideration)	7(d)	**-**	**-**	**1,290**	**1,290**
Hedging derivatives – interest rate swaps	12(a)	**-**	**453**	**-**	**453**
Hedging derivatives – foreign currency options	12(a)	**-**	**1,709**	**-**	**1,709**
Financial assets at fair value through other comprehensive income (FVOCI)					
Equity securities – property sector	7(c)	**1,286**	**-**	**-**	**1,286**
Equity securities – retail sector	7(c)	**2,828**	**-**	**-**	**2,828**
Equity securities – forestry sector	7(c)	**-**	**-**	**1,150**	**1,150**
Debentures – property sector	7(c)	**378**		**-**	**378**
Debentures – retail sector	7(c)	**350**	**790**	**-**	**1,140**
Total financial assets		**16,142**	**4,052**	**2,440**	**22,634**
Financial liabilities					
Hedging derivatives – foreign currency forwards	12(a)	**-**	**766**	**-**	**766**
Trading derivatives	12(a)	**-**	**275**	**335**	**610**
Total financial liabilities		**-**	**1,041**	**335**	**1,376**

7(h) Recognised fair value measurements [17,18]

IAS1(38)

Recurring fair value measurements At 31 December 2022	Notes	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Financial assets					
Financial assets at FVPL					
US listed equity securities	7(d)	4,035	-	-	4,035
Oneland listed equity securities	7(d)	6,880	-	-	6,880
Preference shares – property sector	7(d)	-	980	-	980
Hedging derivatives – interest rate swaps	12(a)	-	809	-	809
Hedging derivatives – foreign currency options	12(a)	-	1,320	-	1,320
Financial assets at FVOCI					
Equity securities – property sector	7(c)	1,378	-	-	1,378
Equity securities – retail sector	7(c)	2,748	-	-	2,748
Equity securities – forestry sector	7(c)	-	-	1,622	1,622
Debentures – property sector	7(c)	300	-	-	300
Debentures – retail sector	7(c)	350	750	-	1,100
Total financial assets		15,691	3,859	1,622	21,172
Financial liabilities					
Hedging derivatives – foreign currency forwards		-	777	-	777
Trading derivatives	12(a)	-	621	-	621
Total financial liabilities		-	1,398	-	1,398

IFRS13(93)(c)

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

IFRS13(95)

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

IFRS13(76),(91)(a)

Revised illustration

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. The quoted market price incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

IFRS13(81),(91)(a)

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

IFRS13(86)

Revised illustration

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

7(h) Recognised fair value measurements [17,18]

(ii) Valuation techniques used to determine fair values

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

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves
- for foreign currency forwards – the present value of future cash flows based on the forward exchange rates at the reporting date
- for foreign currency options – option pricing models (e.g. Black-Scholes model), and
- for other financial instruments – discounted cash flow analysis.

IFRS13(93)(b)

Revised illustration

All of the resulting fair value estimates are included in level 2, except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk. The group did not change any valuation techniques in determining the level 2 and level 3 fair values.

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

IFRS13(93)(e)

The following table presents the changes in level 3 items for the periods ended 31 December 2023 and 31 December 2022:

	Unlisted equity securities CU'000	Contingent conside-ration CU'000	Trading derivatives at FVPL CU'000	Total CU'000
Opening balance 1 January 2022	**1,322**	**-**	**-**	**1,322**
Gains recognised in other comprehensive income	300	-	-	300
Closing balance 31 December 2022	**1,622**	**-**	**-**	**1,622**
Transfer from level 2	-	-	(365)	(365)
Acquisitions	-	1,200	-	1,200
Disposals	(200)	-	-	(200)
(Losses) recognised in other comprehensive income	(272)	-	-	(272)
Gains recognised in discontinued operations *	-	90	-	90
Gains/(losses) recognised in other income *	-	-	30	30
Closing balance 31 December 2023	**1,150**	**1,290**	**(335)**	**2,105**
* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period [19]				
2023	**-**	**90**	**15**	**105**
2022	-	-	-	-

IFRS13(93)(f)

(iv) Transfers between levels 2 and 3

IFRS13(93)(d),(h)(ii)
Revised illustration

The group further assessed the need for transfers between levels in the hierarchy given the changes in economic conditions and considering whether a lack of observable information existed for factors relevant to the value of certain instruments.

IFRS13(93)(d)

In 2023 the group transferred a hedging foreign currency forward from level 2 into level 3 as the counterparty for the derivative encountered significant financial difficulties. This resulted in a significant increase to the discount rate, which is not based on observable inputs, as it reflects credit risk specific to the counterparty. Credit risk was not considered to be a significant input factor in previous years.

7(h) Recognised fair value measurements [17,18]

(v) Valuation inputs and relationships to fair value

IFRS13(93)(d),(99)
Consider impact of climate change – see Appendix E

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

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

See commentary para 20 at the end of this note for the impact of rising inflation and interest rates on fair value

Description	Fair value at 31 Dec 2023 CU'000	Fair value at 31 Dec 2022 CU'000	Un-observable inputs *	Range of inputs (probability-weighted average) 2023	Range of inputs (probability-weighted average) 2022	Relationship of unobservable inputs to fair value
Unlisted equity securities	**1,150**	1,622	Earnings growth factor	**2.5%–3.5% (3%)**	2%–3% (2.7%)	Increased earnings growth factor (+50 basis points (bps)) and lower discount rate (-100 bps) would increase FV by CU70,000; lower growth factor (-50 bps) and higher discount rate (+100 bps) would decrease FV by CU80,000. 2022: increasing/decreasing the growth factor and the discount rate by +/- 50bps and 100 bps respectively would change the FV by +CU55,000/-CU65,000
			Risk-adjusted discount rate	**9%–11% (10%)**	9.5%–11% (10.2%)	
Trading derivatives	**(335)**	(365)	Credit default rate	**25%**	30%	A shift of the credit default rate by +/- 5% results in a change in FV of CU30,000 (2022: change in default rate by +/- 6% changed FV by CU33,000)
Contingent conside-ration	**1,290**	n/a	Risk-adjusted discount rate	**14%**	n/a	A change in the discount rate by 100 bps would increase/decrease the FV by CU40,000
			Expected cash inflows	**CU2,150,000–CU2,570,000 (CU2,360,000)**	n/a	If expected cash flows were 10% higher or lower, the FV would increase/decrease by CU35,000

IFRS13(93)(h)(i)

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

IFRS13(93)(g)

(vi) Valuation processes

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

See commentary para 21 at the end of this note for guidance on determining the discount rate in times of high economic uncertainty.

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

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

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

Financial assets and financial liabilities

Disclosing financial assets and financial liabilities in one note

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

Accounting policies, estimates and judgements

2. As explained on page 29, in our view it is helpful for readers of the financial report if information about accounting policies that are specific to the entity and about significant estimates and judgements is disclosed with the relevant line items, rather than in separate notes. However, this format is also not mandatory.
3. For general commentary regarding the disclosures of accounting policies see note 25. Commentary about the disclosure of significant estimates and judgements is provided in note 11.

Scope of accounting standard for disclosure of financial instruments

IAS32(11)

4. IFRS 7 does not apply to the following items as they are not financial instruments as defined in paragraph 11 of IAS 32:
   (a) prepayments made (right to receive future good or service, not cash or a financial asset)
   (b) tax receivables and payables and similar items (statutory rights or obligations, not contractual), or
   (c) contract liabilities (obligation to deliver good or service, not cash or financial asset).

IFRS7(5A)

While contract assets are also not financial assets, they are explicitly included in the scope of IFRS 7 for the purpose of the credit risk disclosures. Liabilities for sales returns and volume discounts (see note 7(f)) may be considered financial liabilities on the basis that they require payments to the customer. However, they should be excluded from financial liabilities if the arrangement is executory. VALUE IFRS Plc determined this to be the case.

Classification of preference shares

IFRS9(4.1.2)(b), (B4.1.7)-(B4.1.26) IAS1(122)

5. Preference shares must be analysed carefully to determine if they contain features that cause the instrument not to meet the definition of an equity instrument. If such shares meet the definition of equity, the entity may elect to carry them at FVOCI without recycling to profit or loss if not held for trading. If they do not, they must be further analysed to determine the underlying business model and whether the contractual cash flows are solely payments of principal and interest. VALUE IFRS Plc undertook this analysis and concluded that the preference shares should be held at fair value through profit or loss, as the shares do not meet the definition of equity and their cash flows relating to interest payments can be deferred and such deferral does not result in interest accruing on the deferred amount (such that the contractual cash flows are not solely payments of principal and interest). Where the classification involves significant judgement and the relevant amounts are material, the entity should consider disclosing the rationale for classifying such shares as debt instruments.

Restricted cash

IFRS IC April 2022

6. The IFRS Interpretations Committee concluded that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash for the purpose of the presentation in the statement of cash flows, as long as the entity can still access those amounts on demand. That is, unless the restrictions change the deposit's nature in a way that it would no longer meet the definition of cash in IAS 7. VALUE IFRS Plc has cash that is held by an overseas subsidiary which cannot be used by other entities within the group but is accessible on demand by the subsidiary and is therefore included in cash and cash equivalents in its statement of financial position.
7. The IFRS Interpretations Committee also noted that entities may need to present the restricted cash as a separate line item in the statement of financial position where this is relevant to an understanding of the entity's financial position. Further, restricted cash would normally be classified as current unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Financial assets and financial liabilities

Supplier finance arrangements (SFAs)

8. In recent years, there has been an increased use of supplier finance (or reverse factoring) arrangements. These arrangements could have wide-ranging impacts on working capital, covenant ratios, net debt and other disclosures, as well as cash flow presentation. As such, transparency for such arrangements is key.

9. Reverse factoring and SFAs might be structured in a variety of ways. The illustrative disclosures in note 7(f) assume a fact pattern which does not result in an extinguishment of the original liability to the supplier. However, this may not always be the case. For example, where the original liability to the supplier is extinguished, the new liability to the bank would typically be presented as bank financing or under another suitable heading rather than 'trade and other payables'. For further guidance see our In depth INT2023-06 Bringing transparency on supplier finance on Viewpoint, which explains the issues to consider when determining the appropriate presentation and disclosure of such arrangements.

IAS7R(44F),(44H)
IFRS7R(B11F)(j)

10. In May 2023, the IASB made amendments to IAS 7 and IFRS 7 which will require entities to disclose additional information in the notes about SFAs. These include:

(a) The terms and conditions of SFAs (including extended payment terms and security or guarantees provided).

(b) The following as at the beginning and end of the reporting period:

i) The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.

ii) The carrying amount of the financial liabilities in (i) for which suppliers have already received payment from the finance providers.

iii) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.

(c) Non-cash changes in the carrying amounts of financial liabilities.

Access to SFA facilities and concentration of liquidity risk with finance providers.

While some of this information is already disclosed in note 7(f), it may need to be more prominently disclosed in future.

IAS7R(63)

The new disclosure requirements apply to annual reporting periods beginning on or after 1 January 2024, with the following reliefs in the first year of application:

11. (a) **Disclosure of comparative information:** comparative information will not be required during the first year that the entity applies the amendments. That is, an entity with a closing reporting date of 31 December 2024 will not need to present comparative information for 2023.

(b) **Disclosure of certain opening balances:** quantitative disclosures in (b) will normally be required at the opening and closing of each reporting period. However, considering the complexity that might exist for disclosures (b)(ii) and (iii), in the first year of application, entities are provided with transition relief, meaning that disclosures (b)(ii) and (iii) are only required as of year-end.

(c) **Interim financial statements:** the required disclosures will only apply for the annual periods during the first year of application. Therefore, the earliest that the new disclosure requirements would be mandated is for an annual reporting period ending 31 December 2024.

We have not elected to adopt the amendments early, but affected entities can refer to our In brief INT2023-03 *It's time to get ready: new IFRS disclosures on supplier finance arrangements effective in 2024* for further guidance.

Financial assets and financial liabilities

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

IFRS7(25),(29)

12. An entity shall disclose the fair value for each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. However, fair values do not need to be disclosed for the following:
    (a) where the carrying amount is a reasonable approximation of fair value (e.g. for cash, short-term trade receivables and payables)
    (b) a contract containing a discretionary participation feature (*as described in IFRS 4 Insurance Contracts)* where the fair value of that feature cannot be measured reliably, or
    (c) for lease liabilities.

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

Carrying amounts are a reasonable approximation of fair value

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

Holding more than 50% of voting rights without control

IFRS12(7),(9)(a)

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

Financial liabilities

Terms and conditions of financial instruments

IFRS7(7),(31)

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

IAS1R(69)(d),(75A),(17)(c),(76)(d)

16. An entity must classify a liability as non-current if it has a right to defer settlement of the liability for at least 12 months after the reporting period. This applies regardless of whether the entity intends to settle the liability within the next 12 months, and even if it settles the liability before the financial statements are authorised for issue. However, in these cases, the entity may need to disclose information about the timing of the settlement to enable users of its financial statements to understand the impact of the liability on the entity's financial position. We have illustrated this in note 12(d)(ii).

Financial assets and financial liabilities

Fair value measurements

Classes of assets and liabilities

IFRS13(94)

17. The disclosures in IFRS 13 must be made separately for each class of assets and liabilities. Entities shall determine appropriate classes of assets and liabilities by considering:
    (a) the nature, characteristics and risks of the asset or liability, and
    (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

IFRS13(94)

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

Unrealised gains and losses relating to recurring level 3 measures

IFRS13(93)(f)

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

Impact of rising inflation and interest rates on fair value measurements and associated disclosures

20. Entities may need to consider the impact of changes in economic conditions on the fair value measurement, having regard to both direct and indirect impacts. The associated disclosures might be affected, for example, where:
    (a) the entity had to change the valuation methodology (for example, from a market multiple approach to a discounted cash flow approach), or change the weighting where multiple valuation techniques are used;
    (b) the sensitivity analysis that is required for recurring fair value measurements categorised within level 3 of the fair value hierarchy has been revised, because there may be additional indirect impacts, e.g. changes to the credit risk of counterparties;
    (c) the entity has changed how it determines the discount rates as a consequence of revisiting the systematic and unsystematic risks inherent in an asset (see paragraph 21).

    For guidance, see our In depth INT2022-12 *Navigating IFRS Accounting Standards in periods of rising inflation and interest rates* on Viewpoint.

Determining discount rates in times of high economic uncertainty

21. When determining discount rates in times of high economic uncertainty, entities may also need to consider the systematic and unsystematic risks to ensure that the discount rate and cash flows appropriately reflect the risks inherent to the asset. In this context:
    (a) The systematic risk is measured in relation to the market as a whole. It represents the risk that cannot be reduced through diversification, and it is rewarded with a risk premium or higher level of expected return. This risk is derived from external macroeconomic factors that affect all companies in some way, although in different magnitudes.
    (b) The unsystematic risk reflects the diversifiable risk, which is the risk specific to the particular asset. Factors considered include customer concentration risk, key person risk and regulatory risk. Where relevant, unsystematic risk should be reflected in the asset's cash flows, by using different scenarios with appropriate weightings.

Financial assets and financial liabilities

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

Financial assets and liabilities at fair value through profit or loss (FVPL)

	Issue not illustrated	Relevant disclosures or references
IFRS7(8)(a),(20)(a)(i)	The entity has financial assets measured at FVPL of which: • some were designated as such upon initial recognition • some were designated as such in accordance with paragraph 6.7.1 of IFRS 9, and • some are mandatorily measured at FVPL in accordance with the requirements of IFRS 9	Disclose each of these financial assets and the associated gains/losses separately. All of VALUE IFRS Plc's financial assets are mandatorily measured at FVPL; hence this disclosure does not apply.
IFRS7(9)	The entity has designated financial assets at FVPL which would otherwise be measured at FVOCI or amortised cost	Provide additional disclosures as per paragraph 9 of IFRS 7.
IFRS7(11)(b)	The entity believes that the disclosures on how credit risk is calculated in relation to financial assets or liabilities designated at FVPL do not faithfully represent the fair value changes due to credit risk	Disclose the reason for reaching this conclusion and what alternative factors would be relevant.
IFRS7(10),(10A),(11)	The entity has financial liabilities designated at FVPL	A number of additional disclosures apply as set out in paragraphs 8, 10, 10A, 11 and 20 of IFRS 7. Some, but not all of these, are illustrated below.

Financial assets at fair value through other comprehensive income (FVOCI)

	Issue not illustrated	Relevant disclosures or references
IFRS7(20)(a)(viii)	A gain or loss recognised on disposal of debt instruments held at FVOCI	Show separately: • the amount of gain or loss recognised in other comprehensive income during the period, and • the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.

Financial assets and liabilities at amortised cost

	Issue not illustrated	Relevant disclosures or references
IFRS7(20A)	Disposal of financial assets at amortised cost	Disclose an analysis of the gain or loss recognised and the reasons for derecognising the financial assets.
IFRS7(42N)	Disclosure in future periods for financial assets held at fair value reclassified to be held at amortised cost, where the new carrying amount is deemed to be the current fair value	Disclose the effective interest rate determined at the date of reclassification and the interest revenue or expense recognised, in each period, until the financial asset is derecognised.

Financial assets and financial liabilities

Other financial instrument disclosures

	Issue not illustrated	Relevant disclosures or references
IFRS7(18),(19)	Defaults and breaches in relation to financial liabilities	Disclose details of defaults (see the illustrative example below).
IFRS7(28)	Fair value determined using valuation techniques – gain or loss on initial recognition	Disclose the accounting policy for recognising the difference in profit or loss, the aggregate difference yet to be recognised, and why the transaction price was not the best evidence of fair value.
IFRS7(20)(c)	Fee income and expense on financial assets and liabilities that are not at FVPL	Disclose amount, if material.
IFRS7(42D)	Transferred financial assets not derecognised in their entirety	Provide additional disclosures where the entity has recognised the assets only to the extent of its continuing involvement and where the counterparty to the liabilities has recourse only to the transferred assets.
IFRS7(42E)-(42H)	Transferred assets that are derecognised in their entirety but where the entity has continuing involvement	Various disclosures, see paragraphs 42E–42H of IFRS 7 for details.
IFRS7(12B)-(12D)	Reclassifications of financial assets from one measurement category to another made in accordance with paragraph 4.4.1 of IFRS 9	Various disclosures, see paragraphs 12B–12D of IFRS 7 for details.

Fair value disclosures

	Issue not illustrated	Relevant disclosures or references
IFRS7(29)(c),(30)	Fair values are not disclosed for financial liability contracts with discretionary participation features	Disclose information to help users make their own judgements about the extent of possible differences between the carrying amount and the fair value.
IFRS13(96)	Financial assets and financial liabilities with offsetting positions in market risk or counterparty credit risk	Disclose the fact that the exception in paragraph 48 of IFRS 13 is applied.
IFRS13(98)	Financial liabilities with inseparable third-party credit enhancements	Disclose the existence of that enhancement and whether it is reflected in the fair value measurement of the liability.

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

Put option arrangements

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

IAS32(11),(23) The group has written put options over the equity of its XYZ subsidiary which permit the holder to put their shares in the subsidiary back to the group at their fair value on specified dates over a five-year period. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

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

Financial assets and financial liabilities

Financial liabilities designated at FVPL

IFRS7(B5)(a)

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

IFRS7(21)
IFRS9(4.3.5)

The group has convertible debentures which are classified entirely as liabilities because they were issued in a currency other than the functional currency of the company. As the instrument contains an embedded derivative, it has been designated as at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as at fair value through profit or loss are expensed as incurred.

IFRS9(5.7.7)

The component of fair value changes relating to the company's own credit risk is recognised in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

		2023 CU'000	2022 CU'000
	Carrying amount	**104,715**	88,863
	Includes:		
IFRS7(10)(a)	*Cumulative change in fair value of convertible debentures attributable to changes in credit risk, recognised in the FVOCI reserve*	***225***	*210*
	Amount the company is contractually obligated to pay to holders of the convertible debentures at maturity	**102,620**	87,086
IFRS7(10)(b)	**Difference between carrying amount and the amount the company is contractually obligated to pay to holders of convertible debentures at maturity**	**2,095**	1,777

IFRS7(11)(a)

The company determines the amount of fair value changes which are attributable to credit risk by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the convertible debentures. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are included in the assessment of market risk fair value changes.

IFRS7(11)(b)

The company believes that this approach most faithfully represents the amount of change in fair value due to the company's own credit risk, as the changes in factors contributing to the fair value of the convertible debentures other than changes in the benchmark interest rate are not deemed to be significant.

Defaults and breaches in relation to financial liabilities

IFRS7(18)

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

In the third quarter, the group was overdue in paying interest on bank borrowings with a carrying amount of CU2,000,000. The group experienced a temporary shortage of cash because cash outflows in the second and third quarters were higher than anticipated due to business expansions. As a result, interest of CU75,000 was not paid on the due date of 30 September 2023.

The company has since paid all outstanding amounts (including additional interest and penalties for late payment) during the fourth quarter.

Management expects that the company will be able to meet all contractual obligations from borrowings on a timely basis going forward.

8 Non-financial assets and liabilities [1,33-34]

Not mandatory

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

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

8(a) Property, plant and equipment [4,5]

	Non-current assets	Freehold land CU'000	Buildings CU'000	Furniture, fittings and equipment CU'000	Machinery and vehicles CU'000	Assets under construction CU'000	Total CU'000
	At 1 January 2022 (Restated, see note 11(b))						
IAS16(73)(d)	Cost or fair value	11,350	28,050	27,510	70,860	-	137,770
IAS16(73)(d)	Accumulated depreciation	-	-	(7,600)	(37,025)	-	(44,625)
	Net book amount	11,350	28,050	19,910	33,835	-	93,145
	Year ended 31 December 2022						
IAS16(73)(e)	Opening net book amount	11,350	28,050	19,910	33,835	-	93,145
IAS16(73)(e)(viii)	Exchange differences	-	-	(43)	(150)	-	(193)
IAS16(73)(e)(iv)	Revaluation surplus	2,700	3,140	-	-	-	5,840
IAS16(73)(e)(i),(74)(b)	Additions	2,874	1,490	2,940	4,198	3,100	14,602
IAS16(73)(e)(ii) IFRS5(38)	Assets classified as held for sale and other disposals	(424)	-	(525)	(2,215)	-	(3,164)
IAS16(73)(e)(vii)	Depreciation charge	-	(1,540)	(2,030)	(4,580)	-	(8,150)
IAS16(73)(e) IAS16(74)(b)	Closing net book amount	16,500	31,140	20,252	31,088	3,100	102,080
	At 31 December 2022 (Restated, see note 11(b))						
IAS16(73)(d)	Cost or fair value	16,500	31,140	29,882	72,693	3,100	153,315
IAS16(73)(d)	Accumulated depreciation	-	-	(9,630)	(41,605)	-	(51,235)
IAS1(77)	Net book amount	16,500	31,140	20,252	31,088	3,100	102,080
	Year ended 31 December 2023						
IAS1(77), IAS16(73)(e)	Opening net book amount	16,500	31,140	20,252	31,088	3,100	102,080
IAS16(73)(e)(viii)	Exchange differences	-	-	(230)	(570)	-	(800)
IAS16(73)(e)(iv)	Revaluation surplus	3,320	3,923	-	-	-	7,243
IAS16(73)(e)(iii)	Acquisition of subsidiary	800	3,400	1,890	5,720	-	11,810
IAS16(73)(e)(i),(74)(b)	Additions	2,500	2,682	5,313	11,972	3,450	25,917
IAS16(73)(e)(ii) IFRS5(38)	Assets classified as held for sale and other disposals	(550)	-	(5,985)	(1,680)	-	(8,215)
IAS16(73)(e)(ix)	Transfers	-	-	950	2,150	(3,100)	-
IAS16(73)(e)(vii)	Depreciation charge	-	(1,750)	(2,340)	(4,380)	-	(8,470)
IAS16(73)(e)(v) IAS36(126)(a),(b)	Impairment loss (ii)	-	(465)	(30)	(180)	-	(675)
IAS16(73)(e)	Closing net book amount	22,570	38,930	19,820	44,120	3,450	128,890
	At 31 December 2023						
IAS16(73)(d)	Cost or fair value	22,570	38,930	31,790	90,285	3,450	187,025
IAS16(73)(d)	Accumulated depreciation and impairment	-	-	(11,970)	(46,165)	-	(58,135)
IAS1(77) IAS16(74)(b)	Net book amount	22,570	38,930	19,820	44,120	3,450	128,890

8(a) Property, plant and equipment [4,5]

(i) Non-current assets pledged as security

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

(ii) 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 administrative expense in profit or loss, as there was no amount included in the asset revaluation surplus relating to the relevant assets.

IAS16(74A)(a) An amount of CU300,000 (2022 – 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)

(iii) 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)
Consider impact of climate change – see Appendix E

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

IAS16(73)(c)

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

Furniture, fittings and equipment include assets received in the form of free store fit outs which are recognised at their fair value. These assets and other leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

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

(iv) Significant estimates – valuations of land and buildings [2,3]

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

(v) 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:

	2023 CU'000	2022 CU'000
Freehold land		
Cost	**16,100**	13,350
Accumulated depreciation	**-**	-
Net book amount	**16,100**	13,350
Buildings		
Cost	**37,322**	27,790
Accumulated depreciation	**(3,715)**	(1,850)
Net book amount	**33,607**	25,940

8(b) Leases

This note provides information for leases where the group is a lessee. For leases where the group is a lessor, see note 8(c).

(i) Amounts recognised in the statement of financial position

IFRS16(54) The statement of financial position shows the following amounts relating to leases:

		Notes	2023 CU'000	2022 CU'000
IFRS16(47)(a)	**Right-of-use assets** [6,7]			
IFRS16(53)(j)	Buildings		**3,846**	2,994
IFRS16(53)(j)	Equipment		**4,678**	5,264
IFRS16(53)(j)	Vehicles		**1,232**	1,250
IFRS16(53)(j)	Others		**-**	-
			9,756	9,508
IFRS16(47)b)	**Lease liabilities**			
	Current		**3,008**	2,777
	Non-current		**8,493**	8,514
			11,501	11,291

IFRS16(53)(h) Additions to the right-of-use assets during the 2023 financial year were CU2,152,000 (2022 – CU3,000,000). [6]

(ii) Amounts recognised in the statement of profit or loss

IFRS16(54) The statement of profit or loss shows the following amounts relating to leases:

		Notes	2023 CU'000	2022 CU'000
IFRS16(53)(a)	**Depreciation charge of right-of-use assets**			
	Buildings		**(348)**	(366)
	Equipment		**(1,236)**	(681)
	Vehicles		**(320)**	(153)
		5(c)	**(1,904)**	(1,200)
IFRS16(53)(b)	Interest expense (included in finance cost)	5(d)	**(527)**	(505)
IFRS16(53)(c)	Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	5(c)	**(120)**	(98)
IFRS16(53)(d)	Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	5(c)	**(85)**	(69)
IFRS16(53)(e)	Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	5(c)	**(941)**	(750)

IFRS16(53)(g) The total cash outflow for leases in 2023 was CU3,615,000 (2022 – CU2,760,000).

8(b) Leases

IAS1(117)

(iii) The group's leasing activities and how these are accounted for [2,3,8]

IFRS16(59)(a),(c)

The group leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of six months to eight years but may have extension options as described in (v) below.

IFRS16(15)

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

IFRS16(26)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

IAS1(112)(c)

To determine the incremental borrowing rate, the group: [8,9]

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by VALUE IFRS Retail Limited, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

IFRS16(38)

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

IFRS16(35)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

IFRS16(60)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

See note 25(h) for the other accounting policies relevant to leases.

(iv) Variable lease payments [8,33]

IFRS16(59)(b)(i),(B49)

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 5% to 20% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 10% increase in sales across all stores in the group with such variable lease contracts would increase total lease payments by approximately CU93,000 (2022 – CU75,000).

(v) Extension and termination options [8]

IFRS16(59)(b)(ii),(B50)

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

8(b) Leases

Critical judgements in determining the lease term

IFRS16(59)(b)(ii),(B50)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

As at 31 December 2023, potential future cash outflows of CU3,000,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated) (2022 – CU3,570,000).

IFRS16(20)

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of CU150,000 (2022 – decrease of CU57,000).

(vi) Residual value guarantees [8]

IFRS16(59)(b)(iii),(B51)(a),(c)

To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases.

Estimating the amount payable under residual value guarantees

IFRS16(59)(b)(iii),(B51)(b),(d)

The group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the group does not expect to pay anything under the guarantees.

At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices. As at 31 December 2023, CU220,000 is expected to be payable and is included in calculating the lease liabilities while CU350,000 (undiscounted) is not expected to be payable and has hence been excluded from the lease liabilities (2022 – CU250,000 and CU307,000 respectively).

8(c) Investment properties [33]

		2023	2022
		CU'000	CU'000
	Non-current assets – at fair value		
IAS40(76)	Opening balance at 1 January	**10,050**	8,205
IAS40(76)(a)	Acquisitions	**1,900**	-
IAS40(76)(a)	Capitalised subsequent expenditure	**-**	810
IAS40(76)(c)	Classified as held for sale or disposals	**-**	(112)
IAS40(76)(d)	Net gain/(loss) from fair value adjustment	**1,350**	1,397
IAS40(76)(f)	Transfer (to)/from inventories and owner-occupied property	**-**	(250)
IAS40(76)	Closing balance at 31 December	**13,300**	10,050

8(c) Investment properties [33]

IAS40(75)(f)

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

		2023 CU'000	2022 CU'000
IAS40(75)(f)(i) IFRS16(90)(b)	Rental income from operating leases	**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 gains/(losses)	**1,350**	1,397

IAS1(117)

(ii) Measuring investment property at fair value

IAS40(75)(a)

Investment properties, principally 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.

IAS1(117)

(iii) Presenting cash flows [10]

New illustration

The group classifies cash outflows to acquire or construct investment property as investing and rental inflows as operating cash flows.

(iv) Significant estimate – fair value of investment property

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

IAS40(75)(g)

(v) Non-current assets pledged as security

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

IAS40(75)(h)

(vi) Contractual obligations

See note 18 for disclosure of contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

IFRS16(92)

(vii) Leasing arrangements

Consider IFRS IC agenda decision re lessor forgiveness of lease payments (Oct 2022) – see commentary note 26

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the group may obtain bank guarantees for the term of the lease. Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

IFRS16(97)

Minimum lease payments receivable on leases of investment properties are as follows:

	2023 CU'000	2022 CU'000
Within 1 year	**4,265**	4,245
Between 1 and 2 years	**2,580**	2,520
Between 2 and 3 years	**2,490**	2,470
Between 3 and 4 years	**2,070**	2,050
Between 4 and 5 years	**1,980**	2,010
Later than 5 years	**2,370**	2,550
	15,755	15,845

8(d) Intangible assets [33,34]

	Non-current assets	Goodwill CU'000	Patents, trademarks and other rights CU'000	Internally generated software * CU'000	Customer contracts CU'000	Total CU'000
IFRS3(B67)(d)(i)	**At 1 January 2022**					
IAS38(118)(c)	Cost	9,700	9,410	2,255	-	21,365
	Accumulated amortisation and impairment	-	(250)	(205)	-	(455)
	Net book amount	9,700	9,160	2,050	-	20,910
IAS38(118)(e)	**Year ended 31 December 2022**					
	Opening net book amount	9,700	9,160	2,050	-	20,910
IAS38(118)(e)(i)	Additions – internal development	-	-	720	-	720
IFRS3(B67)(d)(vi) IAS38(118)(e)(vii)	Exchange differences	45	-	-		45
IAS38(118)(e)(vi)	Amortisation charge **	-	(525)	(205)	-	(730)
	Closing net book amount	9,745	8,635	2,565	-	20,945
IFRS3(B67)(d)(viii) IAS38(118)(c)	**At 31 December 2022**					
	Cost	9,745	9,410	2,975	-	22,130
	Accumulated amortisation and impairment	-	(775)	(410)	-	(1,185)
IAS1(77)	Net book amount	9,745	8,635	2,565	-	20,945
IFRS3(B67)(d)(i) IAS38(118)(e)	**Year ended 31 December 2023**					
	Opening net book amount	9,745	8,635	2,565	-	20,945
IAS38(118)(e)(i)	Additions – internal development	-	-	880	-	880
IFRS3(B67)(d)(ii) IAS38(118)(e)(i)	Acquisition of business (note 14)	1,115	3,020	-	3,180	7,315
IFRS3(B67)(d)(vi) IAS38(118)(e)(vii)	Exchange differences	(145)	-	-	-	(145)
IFRS3(B67)(d)(v) IAS36(130)(b) IAS38(118)(e)(iv)	Impairment charge ***	(2,410)	-	-	-	(2,410)
IAS38(118)(e)(vi)	Amortisation charge **	-	(525)	(300)	(1,210)	(2,035)
	Closing net book amount	8,305	11,130	3,145	1,970	24,550
IFRS3(B67)(d)(viii) IAS38(118)(c)	**At 31 December 2023**					
	Cost	10,715	12,430	3,855	3,180	30,180
	Accumulated amortisation and impairment	(2,410)	(1,300)	(710)	(1,210)	(5,630)
IAS1(77)	Net book amount	8,305	11,130	3,145	1,970	24,550

IAS38(118)(e)(i) * Software consists of capitalised development costs being an internally generated intangible asset.

IAS38(118)(d) ** Amortisation expenses are included in cost of sales of goods (CU1,050,000; 2022 – CU450,000), cost of providing services (CU475,000; 2022 – CU125,000), marketing expense (CU310,000; 2022 – CU45,000) and administration expenses (CU200,000; 2022 – CU110,000).

IAS36(126)(a), (130)(c)(i),(d)(i) *** The carrying amount of the furniture manufacturing and wholesale CGU in Europe has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss is included in cost of sales of goods in the statement of profit or loss.

IAS38(126) VALUE IFRS Electronics Group is researching new devices that could replace the current suite of smartphones and tablets. It has incurred research and development expenses of CU1,215,000 (2022 – CU1,010,000), which are included in administration cost in the statement of profit or loss.

8(d) Intangible assets [33,34]

IAS1(117)

(i) Amortisation methods and useful lives [2,3]

IAS38(118)(a),(b)

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

Consider impact of climate change – see Appendix E

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

(ii) Software

IAS1(119)

Costs associated with maintaining software programmes are recognised as an expense as incurred.

IAS38(57),(66),(74),(97),(118)(a),(b)

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

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

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iii) Customer contracts

IAS1(119)

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

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

IAS1(125)

(iv) Significant estimate: useful life of IT division's intangible assets [2,3]

The group has recently completed the development of software that is used to analyse business processes by the IT consulting division. As at 31 December 2023, the carrying amount of this software was CU722,000 (2022 – nil). The group estimates the useful life of the software to be at least five years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than five years, depending on technical innovations and competitor actions. If it were only three years, the carrying amount would be CU702,000, but if the group estimated it to be eight years, the carrying amount would be CU732,000 as at 31 December 2023.

(v) Impairment tests for goodwill

IAS36(134)

Goodwill is monitored by management at the level of the six operating segments identified in note 2.

IAS36(134)(a)

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

2023	Oneland CU'000	US CU'000	China CU'000	Europe CU'000	Total CU'000
IT consulting	-	4,200	-	2,870	7,070
Furniture – manufacturing and wholesale	120	-	-	-	120
Electronic equipment	1,115	-	-	-	1,115
	1,235	4,200	-	2,870	8,305

8(d) Intangible assets [33,34]

2022	Oneland CU'000	US CU'000	China CU'000	Europe CU'000	Total CU'000
IT consulting	-	4,200	-	3,015	7,215
Furniture – manufacturing and wholesale	120	-	2,410	-	2,530
	120	4,200	2,410	3,015	9,745

(vi) Significant estimate: key assumptions used for value in use calculations [33]

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

Consider impact of climate change – see Appendix E

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 and 2022 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

IAS36(134)(d)(i)

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them: [11,12]

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

See the commentary at the end of this note for the impact of:

- inflation on long-term growth rates (para 13) and

- economic uncertainty on determining the WACC (para 14)

	Furniture – manufacturing and wholesale	IT consulting		Electronic equipment
2023	**China**	**US**	**Europe**	**Oneland**
Sales volume (% annual growth rate)	**2.7**	**3.2**	**4.1**	**2.9**
Sales price (% annual growth rate)	**1.4**	**1.7**	**1.8**	**1.8**
Budgeted gross margin (%)	**47.0**	**60.0**	**55.5**	**40.0**
Other operating costs (CU'000)	**9,500**	**8,400**	**5,600**	**1,650**
Annual capital expenditure (CU'000)	**1,900**	**500**	**230**	**150**
Long-term growth rate (%)	**3.5**	**2.2**	**2.0**	**3.1**
Pre-tax discount rate (%)	**14.7**	**14.0**	**14.8**	**16.0**
2022				
Sales volume (% annual growth rate)	2.5	3.0	3.9	-
Sales price (% annual growth rate)	1.3	1.6	1.8	-
Budgeted gross margin (%)	44.0	60.0	54.0	-
Other operating costs (CU'000)	9,300	8,300	4,350	-
Annual capital expenditure (CU'000)	1,850	580	225	-
Long-term growth rate (%)	3.2	2.2	1.8	-
Pre-tax discount rate (%)	13.3	13.4	14.1	-

IAS36(134)(d)(ii), (iv)

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

Assumption	Approach used to determining values
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including long-term inflation forecasts for each territory.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Other operating costs	Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost-saving measures. The amounts disclosed above are the average operating costs for the five-year forecast period.

8(d) Intangible assets [33,34]

Assumption	Approach used to determining values
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value in use model as a result of this expenditure.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
IAS36(55) Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate.

Customer concentration/dependency – IT consulting CGU – Europe

IAS36(134)(d)(ii)

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

IAS36(134)(f)

(vii) Significant estimate – impairment charge [2,3]

IAS36(129)(a), (130)(a),(b),(d),(e)

The impairment charge of CU2,410,000 arose in the furniture manufacturing and wholesale CGU in China following a decision to reduce the manufacturing output allocated to these operations. This was a result of a redefinition of the group's allocation of manufacturing volumes across all CGUs in order to benefit from advantageous market conditions. Following this decision, the group reassessed the depreciation policies of its property, plant and equipment in this country and estimated that their useful lives will not be affected following this decision. No class of asset other than goodwill was impaired.

IAS36(130)(e)

As at 31 December 2023, the recoverable amount of the entire CGU was CU45,789,000.

(viii) Significant estimate: impact of possible changes in key assumptions

IAS36(134)(f)

Furniture manufacturing and wholesale CGU – China

IAS1(129)(b) IAS36(134)(f)

If the budgeted gross margin used in the value in use calculation for the furniture manufacturing and wholesale CGU in China had been 5% lower than management's estimates at 31 December 2023 (42% instead of 47%), the group would have had to recognise an impairment against the carrying amount of property, plant and equipment of CU1,300,000. The reasonably possible change of 5% reduction in budgeted gross margin represents a reasonably possible reduction in sales price of 0.2% (i.e. annual growth rate of 1.2% instead of 1.4%).

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

IT consulting CGU – Europe

IAS36(134)(f)(i) IAS1(38)

The recoverable amount of the IT consulting CGU in Europe is estimated to exceed the carrying amount of the CGU at 31 December 2023 by CU388,000 (2022 – CU463,000).

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

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

	2023		2022	
	From	**To**	From	To
Sales volume (% annual growth rate)	**4.1**	**3.5**	3.9	2.5
Budgeted gross margin (%)	**55.5**	**49.0**	54.0	46.0
Long-term growth rate (%)	**2.0**	**1.5**	1.8	1.3
Pre-tax discount rate (%)	**14.8**	**15.5**	14.1	14.9

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

8(e) Deferred tax balances

(i) Deferred tax assets

	Notes	2023 CU'000	2022 CU'000
IAS12(81)(g)(i) **The balance comprises temporary differences attributable to:**			
Lease liabilities [19-21]	8(b)	**3,450**	3,387
Tax losses		**3,170**	2,245
Defined benefit pension obligations	8(h)	**1,317**	783
Provisions for warranties, restructurings, refunds, make good obligations and legal claims	8(i)	**1,137**	786
		9,074	7,201
Other			
Employee benefits		**914**	822
Cash flow hedges	12(a)	**230**	234
Loss allowances for financial assets	12(c)	**215**	121
Derivatives held for trading	12(a)	**183**	186
Contract liabilities – customer loyalty programme	3(b)	**166**	161
Contingent liability	8(i)	**143**	-
Write-down of building	4	**140**	-
Refund liabilities	7(f)	**148**	71
Other		**65**	18
Subtotal other		**2,204**	1,613
Total deferred tax assets		**11,278**	8,814
IAS12(74) Set-off of deferred tax liabilities pursuant to set-off provisions [15,16]	(ii)	**(3,429)**	(3,290)
Net deferred tax assets		**7,849**	5,524

IAS1(125)
IAS12(82)

Consider impact of climate change – see Appendix E

Significant estimates [2,3,22,23]

The deferred tax assets include an amount of CU1,378,000 which relates to carried-forward tax losses of VALUE IFRS Manufacturing Limited. The subsidiary has incurred the losses over the last two financial years following the acquisition of the manufacturing operations in Springfield. They relate to the one-off costs of integrating the operations and will not recur in future. The group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2025 onwards. The losses can be carried forward indefinitely and have no expiry date.

Movements [17,18]	Lease liabilities CU'000	Tax losses CU'000	Pension obligation CU'000	Pro-visions CU'000	Other CU'000	Total CU'000
At 1 January 2022	2,888	1,300	551	610	1,201	6,550
(Charged)/credited						
IAS12(81)(g)(ii) - to profit or loss	499	945	(41)	176	108	1,687
- to other comprehensive income	-	-	273	-	304	577
At 31 December 2022	3,387	2,245	783	786	1,613	8,814

8(e) Deferred tax balances

Movements [17,18]	Lease liabilities CU'000	Tax losses CU'000	Pension obligation CU'000	Pro-visions CU'000	Other CU'000	Total CU'000
At 1 January 2023	3,387	2,245	783	786	1,613	8,814
(Charged)/credited						
IAS12(81)(g)(ii) - to profit or loss	63	(600)	(4)	351	194	4
- to other comprehensive income	-	-	(36)	-	77	41
IAS12(81)(a) - directly to equity	-	-	-	-	60	60
Acquisition of subsidiary	-	1,525	574	-	260	2,359
At 31 December 2023	3,450	3,170	1,317	1,137	2,204	11,278

(ii) Deferred tax liabilities

	Notes	2023 CU'000	2022 Restated* CU'000
IAS12(81)(g)(i) **The balance comprises temporary differences attributable to:**			
Property, plant and equipment	8(a)	**6,243**	4,125
Right-of-use assets [19-21]	8(b)	**2,927**	2,852
Intangible assets	8(d)	**2,375**	770
Investment property	8(c)	**1,124**	719
		12,669	8,466
Other			
Convertible notes	7(g)	**955**	-
Financial assets at fair value through profit or loss	7(d)	**804**	441
Cash flow hedges	12(a)	**649**	639
Financial assets at fair value through other comprehensive income	7(c)	**173**	142
Investments in associates	16(e)	**131**	113
Prepayments	7(a)	**125**	118
Inventories	8(f)	**120**	-
Non-current asset recognised for costs to fulfil a contract	3(b)	**94**	156
Share-based payments (deferred shares)	21(b)	**51**	22
Other		**114**	13
Subtotal other		**3,216**	1,644
Total deferred tax liabilities		**15,885**	10,110
IAS12(74) Set-off of deferred tax liabilities pursuant to set-off provisions [15,16]	(i)	**(3,429)**	(3,290)
Net deferred tax liabilities		**12,456**	6,820

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

Offsetting within tax consolidated group [15,16]

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

8(e) Deferred tax balances

Movements [17,18]	Property, plant and equipment CU'000	Right-of-use assets CU'000	Intangible assets CU'000	Investment property CU'000	Other CU'000	Total CU'000
At 1 January 2022 (Restated*)	2,150	2,312	615	300	1,291	6,668
Charged/(credited)						
IAS12(81)(g)(ii) - to profit or loss	223	540	155	419	62	1,399
- to other comprehensive income	1,752	-	-	-	291	2,043
At 31 December 2022	4,125	2,852	770	719	1,644	10,110
Charged/(credited)						
IAS12(81)(g)(ii) - to profit or loss	(379)	75	(255)	405	(23)	(177)
- to other comprehensive income	2,173	-	-	-	425	2,598
IAS12(81)(a) - directly to equity	-	-	-	-	1,050	1,050
Acquisition of subsidiary	324	-	1,860	-	120	2,304
At 31 December 2023	6,243	2,927	2,375	1,124	3,216	15,885

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

8(f) Inventories [33]

		2023 CU'000	2022 CU'000
	Current assets		
IAS1(77) IAS2(36)(b)	Raw materials and stores	**6,200**	4,800
IAS2(36)(b)	Work in progress	**5,600**	5,400
IAS2(36)(b)	Finished goods – at cost	**6,663**	8,452
IAS2(36)(c)	Finished goods – at fair value less costs to sell	**1,290**	1,020
IAS2(36)(b)	Land held for development and resale	**2,400**	-
		22,153	19,672

IAS1(117)

(i) Assigning costs to inventories [2,3]

IAS2(23),(25),(36)(a)

The costs of individual items of inventory are determined using weighted average costs. The exception is land held for development and resale, where costs are assigned by specific identification and include the cost of acquisition, development and borrowing costs incurred during the development. Volume rebates or discounts are taken into account when estimating the cost of inventory if it is probable that they have been earned and will take effect. See note 25(m) for the group's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

IAS2(36)(d)

Inventories recognised as an expense during the year ended 31 December 2023 amounted to CU55,540,000 (2022 – CU34,244,000). These were included in cost of sales and cost of providing services (except for CU535,000 of inventories damaged by a fire which are recognised in administrative expense – see note 4).

IAS2(36)(e)
IAS36(126)(a)
Consider impact of climate change – see Appendix E

Write-downs of inventories to net realisable value amounted to CU950,000 (2022 – CU750,000). These were recognised as an expense during the year ended 31 December 2023 and included in cost of sales in the statement of profit or loss.

IAS2(36)(f),(g)

The group reversed CU160,000 of a previous inventory write-down in July 2023, as the group sold the relevant goods that had been written down to an independent retailer in Argentina at original cost. The amount reversed has been included in cost of sales in the statement of profit or loss.

8(g) Other assets and assets classified as held for sale [24]

		2023 CU'000	2022 CU'000
	Other current assets		
IAS1(77)	Prepayments	**500**	475
IAS1(77)	Right to returned goods (see note 3(b))	**76**	38
		576	513
	Non-current assets held for sale		
	Land	**250**	-
		250	-

(i) Land held for sale

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

In November 2023, the directors of VALUE IFRS Manufacturing Limited decided to sell a parcel of vacant land which was originally acquired for an expansion of the Nicetown factory. There are several interested parties and the sale is expected to be completed before the end of June 2024. The asset is presented within total assets of the Oneland Furniture – manufacturing and wholesale segment in note 2.

Refer to note 15(d) for information about assets and liabilities of a disposal group that were classified as held for sale at 31 December 2022.

(ii) Non-recurring fair value measurements

IFRS13(91)(a),(93)(b),(d)
IFRS5(41)(c)

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

8(h) Employee benefit obligations [25,33]

IAS1(77)

	2023			2022 *		
	Current CU'000	Non-current CU'000	Total CU'000	Current CU'000	Non-current CU'000	Total CU'000
Leave obligations (i)	**690**	**2,220**	**2,910**	470	2,270	2,740
Share appreciation rights (note 21(d))	**-**	**138**	**138**	-	-	-
Defined pension benefits (ii) [27]	**-**	**3,684**	**3,684**	-	1,900	1,900
Post-employment medical benefits (iii) [27]	**-**	**707**	**707**	-	711	711
Total employee benefit obligations	**690**	**6,749**	**7,439**	470	4,881	5,351

* Restated – see (i) for further information

(i) Leave obligations [26]

The leave obligations cover the group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 25(y).

IAS1(61)

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service, and also for those employees who are entitled to pro rata payments in certain circumstances. The entire amount of the provision of CU690,000 (2022 – CU470,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months. [26]

	2023 CU'000	2022 CU'000
Current leave obligations expected to be settled after 12 months	**344**	272

8(h) Employee benefit obligations [25,33]

Reclassification of employee benefit obligations [30]

IAS1(41)

The group previously presented its liabilities for accumulating sick leave and other long-term employee benefit obligations as provisions in the statement of financial position. However, management considers it to be more relevant if all employee benefit obligations are presented in one separate line item in the statement of financial position. Prior year comparatives as at 31 December 2022 have been restated by reclassifying CU470,000 from current provisions to current employee benefit obligations, and CU2,270,000 from non-current provisions to non-current employee benefit obligations (CU440,000 and CU2,196,000 respectively as at 1 January 2022).

(ii) Defined benefit pension plans [28,29]

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

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

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the group meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the group and the trustees (or equivalent) and their composition. Responsibility for governance of the plans – including investment decisions and contributions schedules – lies jointly with the group and the board of trustees. The board of trustees must be composed of representatives of the group and plan participants in accordance with the plan's regulations.

IAS19(53)

The group also operates a couple of defined contribution plans which receive fixed contributions from group companies. The group's legal or constructive obligation for these plans is limited to the contributions. The expense recognised in the current period in relation to these contributions was CU2,425,000 (2022 – CU2,075,000).

Amounts recognised in the statement of financial position

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

The amounts recognised in the statement of financial position and the movements in the net defined benefit obligation over the year are as follows:

		Present value of obligation CU'000	Fair value of plan assets CU'000	Total CU'000	Impact of minimum funding requirement/ asset ceiling CU'000	Net amount CU'000
	1 January 2022	**3,479**	**(2,264)**	**1,215**	**120**	**1,335**
IAS19(141)(a)	Current service cost	319	-	319		319
IAS19(141)(d)	Past service cost	179	-	179		179
IAS19(141)(b)	Interest expense/(income)	214	(156)	58	5	63
	Total amount recognised in profit or loss	712	(156)	556	5	561
IAS19(141)(c)	Remeasurements					
	Return on plan assets, excluding amounts included in interest (income)	-	(85)	(85)	-	(85)
	Loss from change in demographic assumptions	20	-	20	-	20
	Loss from change in financial assumptions	61	-	61	-	61
	Experience losses	641	-	641	-	641
	Change in asset ceiling, excluding amounts included in interest expense	-	-	-	80	80
	Total amount recognised in other comprehensive income	722	(85)	637	80	717

8(h) Employee benefit obligations [25,33]

		Present value of obligation CU'000	Fair value of plan assets CU'000	Total CU'000	Impact of minimum funding requirement/ asset ceiling CU'000	Net amount CU'000
	Total amount recognised in other comprehensive income	722	(85)	637	80	717
IAS19(141)(e)	Exchange differences	(324)	22	(302)	-	(302)
IAS19(141)(f)	Contributions:					
	Employers	-	(411)	(411)	-	(411)
	Plan participants	30	(30)	-	-	-
IAS19(141)(g)	Benefit payments	(127)	127	-	-	-
	31 December 2022	**4,492**	**(2,797)**	**1,695**	**205**	**1,900**
IAS19(141)(a)	Current service cost	751	-	751	-	751
IAS19(141)(d)	Losses on curtailment and settlement	65	-	65		65
IAS19(141)(b)	Interest expense/(income)	431	(308)	123	9	132
	Total amount recognised in profit or loss	1,247	(308)	939	9	948
IAS19(141)(c)	Remeasurements					
	Return on plan assets, excluding amounts included in interest (income)	-	(187)	(187)	-	(187)
	Loss from change in demographic assumptions	32	-	32	-	32
	Loss from change in financial assumptions	121	-	121	-	121
	Experience (gains)	(150)	-	(150)	-	(150)
	Change in asset ceiling, excluding amounts included in interest expense	-	-	-	100	100
	Total amount recognised in other comprehensive income	3	(187)	(184)	100	(84)
IAS19(141)(e)	Exchange differences	(61)	(25)	(86)	-	(86)
IAS19(141)(f)	Contributions:					
	Employers	-	(908)	(908)	-	(908)
	Plan participants	55	(55)	-	-	-
	Payments from plan:					
IAS19(141)(g)	Benefit payments	(566)	566	-	-	-
IAS19(141)(g)	Settlements	(280)	280	-	-	-
IAS19(141)(h)	Acquired in business combination (see note 14)	3,691	(1,777)	1,914	-	1,914
	31 December 2023	**8,581**	**(5,211)**	**3,370**	**314**	**3,684**

IAS19(141) One of our Oneland plans has a surplus that is not recognised, on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

IAS19(139)(c) In connection with the closure of a factory, a curtailment loss was incurred and a settlement arrangement agreed with the plan trustees, effective 31 December 2023, which settled all retirement benefit plan obligations relating to the employees of that factory. In the prior year, the group made minor amendments to the terms of the plan, resulting in past service cost of CU179,000.

8(h) Employee benefit obligations [25,33]

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

	2023 CU'000	2022 CU'000
Present value of funded obligations	**6,155**	2,943
Fair value of plan assets	**(5,211)**	(2,797)
Deficit of funded plans	**944**	146
Present value of unfunded obligations	**2,426**	1,549
Total deficit of defined benefit pension plans (before asset ceiling)	**3,370**	1,695

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:

	2023			2022		
	Oneland CU'000	**US CU'000**	**Total CU'000**	Oneland CU'000	US CU'000	Total CU'000
Present value of obligation	**4,215**	**4,366**	**8,581**	1,050	3,442	4,492
Fair value of plan assets	**(2,102)**	**(3,109)**	**(5,211)**	(394)	(2,403)	(2,797)
	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 (2022 – CU1,371,000) relating to active employees, CU3,900,000 (2022 – CU2,115,000) relating to deferred members and CU1,561,000 (2022 – 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% (2022 – 7.6%) and claim rates of 6% (2022 – 5.2%).

Amounts recognised in the statement of financial position

IAS19(140)(a)(i), (ii),(141) The amounts recognised in the statement of financial position 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 2022	**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 (income)	-	(11)	(11)
	Loss from change in demographic assumptions	3	-	3
	Loss from change in financial assumptions	7	-	7
	Experience losses	194	-	194
	Total amount recognised in OCI	204	(11)	193

8(h) Employee benefit obligations [25,33]

		Present value of obligation CU'000	Fair value of plan assets CU'000	Net amount CU'000
	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 2022	**1,005**	**(294)**	**711**
IAS19(141)(a)	Current service cost	153	-	153
IAS19(141)(b)	Interest expense/(income)	49	(18)	31
	Total amount recognised in profit or loss	202	(18)	184
IAS19(141)(c)	Remeasurements			
	Return on plan assets, excluding amounts included in interest (income)	-	(33)	(33)
	Loss from change in demographic assumptions	4	-	4
	Loss from change in financial assumptions	10	-	10
	Experience (gains)	(16)	-	(16)
	Total amount recognised in OCI	(2)	(33)	(35)
IAS19(141)(e)	Exchange differences	37	(5)	32
IAS19(141)(f)	Employer contributions/premiums paid	-	(185)	(185)
IAS19(141)(g)	Benefit payments from plan	(7)	7	-
	31 December 2023	**1,235**	**(528)**	**707**

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

	2023 CU'000	2022 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)

Significant estimates: actuarial assumptions and sensitivity

IAS19(144) The significant actuarial assumptions were as follows:

	2023		2022	
	Oneland	**US**	Oneland	US
Discount rate	**5.1%**	**5.2%**	5.5%	5.6%
Salary growth rate	**4.0%**	**4.5%**	4.5%	4.0%
Pension growth rate	**3.0%**	**0%**	3.1%	0%
Long-term increase in health care costs	**-**	**8.0%**	-	7.6%
Claim rates	**-**	**6%**	-	5.2%

8(h) Employee benefit obligations [25,33]

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:

	2023		2022	
	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

IAS19(145)(a) The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption		**Impact on defined benefit obligation**					
			Increase in assumption			**Decrease in assumption**		
	2023	2022		**2023**	2022		**2023**	2022
Discount rate	**0.50%**	0.3%	**Decrease by**	**8.2%**	6.6%	**Increase by**	**9.0%**	7.2%
Salary growth rate	**0.50%**	0.7%	**Increase by**	**1.8%**	2.3%	**Decrease by**	**1.7%**	2.1%
Pension growth rate	**0.25%**	0.3%	**Increase by**	**4.7%**	5.2%	**Decrease by**	**4.4%**	5.1%
Life expectancy	**+/– 1 year**		**Increase by**	**2.8%**	2.5%	**Decrease by**	**2.9%**	2.7%
Long-term increase in health care costs	**0.5%**	0.4%	**Increase by**	**5.5%**	5.2%	**Decrease by**	**4.8%**	4.3%
Claim rates	**0.5%**	0.4%	**Increase by**	**6.3%**	5.9%	**Decrease by**	**6.8%**	6.4%

IAS19(145)(b) The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.

IAS19(145)(c) The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

8(h) Employee benefit obligations [25,33]

Amounts recognised in the statement of financial position

IAS19(142) The major categories of plan assets are as follows:

	31 December 2023 Quoted CU'000	Un-quoted CU'000	Total CU'000	in %	31 December 2022 Quoted CU'000	Un-quoted CU'000	Total CU'000	in %
Equity instruments			**1,824**	**32%**			1,216	39%
Information technology	**502**	**-**	**502**		994	-	994	
Energy	**557**	**-**	**557**		-	-	-	
Manufacturing	**746**	**-**	**746**		194	-	194	
Other	**-**	**19**	**19**		-	28	28	
Debt instruments			**2,161**	**38%**			571	19%
Government	**916**	**-**	**916**		321	-	321	
Corporate bonds (investment grade)	**900**	**-**	**900**		99	-	99	
Corporate bonds (non-investment grade)	**68**	**277**	**345**		41	110	151	
Property			**1,047**	**18%**			943	31%
In US	**-**	**800**	**800**			697	697	
In Oneland	**-**	**247**	**247**		-	246	246	
Qualifying insurance policies	**-**	**419**	**419**	**7%**	-	190	190	6%
Cash and cash equivalents	**177**	**-**	**177**	**3%**	94	-	94	3%
Investment funds	**111**	**-**	**111**	**2%**	77	-	77	2%
Total	**3,977**	**1,762**	**5,739**	**100%**	1,820	1,271	3,091	100%

IAS19(143) The assets set out in the above table include ordinary shares issued by VALUE IFRS Plc with a fair value of CU530,000 (2022 – CU410,000) and land and buildings occupied by the group with a fair value of CU550,000 (2022 – CU580,000).

Risk exposure

IAS19(139)(b) Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Both the Oneland and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.

As the plans mature, the group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed in FY2023 with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in Oneland and US government securities only. The corporate bonds are global securities with an emphasis on Oneland and the US.

However, the group believes that, due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long-term strategy to manage the plans efficiently. See below for more details on the group's asset-liability matching strategy.

Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risks: Some of the group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the Oneland plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

8(h) Employee benefit obligations [25,33]

IAS19(146)

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

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

A large portion of assets in 2023 consists of equities and bonds, although the group also invests in property, bonds, cash and investment (hedge) funds. The group believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% of equities held in Oneland and Europe, 30% in the US, and the remainder in emerging markets.

(v) Defined benefit liability and employer contributions

IAS19(147)(a)

The group has agreed that it will aim to eliminate the pension plan deficit over the next nine years. Funding levels are monitored on an annual basis, and the current agreed contribution rate is 14% of pensionable salaries in Oneland and 12% in the US. The next valuation is due to be completed as at 31 December 2024. The group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

IAS19(147)(b)

Expected contributions to post-employment benefit plans for the year ending 31 December 2024 are CU1,150,000.

IAS19(147)(c)

The weighted average duration of the defined benefit obligation is 25.2 years (2022 – 25.8 years). The expected maturity analysis of undiscounted pension and post-employment medical benefits is as follows:

IAS19(147)(c)

	Less than a year CU'000	Between 1–2 years CU'000	Between 2–5 years CU'000	Over 5 years CU'000	Total CU'000
31 December 2023					
Defined benefit obligation	**628**	**927**	**2,004**	**21,947**	**25,506**
Post-employment medical benefits	**127**	**174**	**614**	**4,775**	**5,690**
Total	**755**	**1,101**	**2,618**	**26,722**	**31,196**
IAS1(38) 31 December 2022					
Defined benefit obligation	314	450	1,103	12,923	14,790
Post-employment medical benefits	69	88	388	2,591	3,136
Total	383	538	1,491	15,514	17,926

8(i) Provisions [33]

IAS1(77)

	2023			2022 *		
	Current CU'000	**Non-current CU'000**	**Total CU'000**	Current CU'000	Non-current CU'000	Total CU'000
Make good provision (i)	**225**	**1,573**	**1,798**	-	1,382	1,382
Restructuring costs (i)	**900**	**-**	**900**	-	-	-
Service warranties (i)	**635**	**-**	**635**	920	-	920
Legal claim (i)	**460**	**-**	**460**	320	-	320
Contingent liability (note 14)	**477**	**-**	**477**	-	-	-
	2,697	**1,573**	**4,270**	1,240	1,382	2,622

* Restated – see note 8(h)(i) for further information

Consider impact of climate change – see Appendix E

(i) Information about individual provisions and significant estimates

Make good provision

IAS37(85)(a),(b)

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

Restructuring

IAS37(85)(a),(b)

The reduction in output in the furniture manufacturing and wholesale division (see note 8(d)) resulted in the loss of 155 jobs at two factories. An agreement was reached with the local union representatives in October 2023, which specifies the number of staff involved and the voluntary redundancy compensation package offered by the group, as well as amounts payable to those made redundant. The total estimated staff restructuring costs to be incurred are CU1,050,000. Other direct costs attributable to the restructuring, including costs incurred in relation to the cancellation of supply contracts, are CU327,000. These costs were fully provided for in the current reporting period. The remaining provision of CU900,000 is expected to be fully utilised over the next 12 months.

Service warranties

IAS37(85)(a),(b)

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

IAS1(125)
IFRS15(119)(e)

The group generally offers 12-month warranties for its personal computer products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current period are consistent with those in the prior year. Factors that could impact the estimated claim information include the success of the group's productivity and quality initiatives, as well as parts and labour costs. As at 31 December 2023, this particular provision had a carrying amount of CU330,000 (2022 – CU450,000). If claims costs were to differ by 10% from management's estimates, the warranty provisions would be an estimated CU33,000 higher or lower (2022 – CU45,000 higher/lower).

Legal claim

IAS37(85)(a),(b)

In October 2023, an unfavourable judgement was handed down against the group in respect of a legal claim made by a customer of the IT consulting segment. However, after taking appropriate legal advice, the directors have decided to appeal against the decision. No payment has been made to the claimant pending outcome of the appeal. If upheld, payment of CU860,000 will be required. The recognised provision reflects the directors' best estimate of the most likely outcome. The court of appeal is expected to consider this matter in August 2024.

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

8(i) Provisions [33]

(ii) Movements in provisions

IAS37(84) Movements in each class of provision during the financial year are set out below:

	2023	Make good provision CU'000	Restructuring obligations CU'000	Service warranties CU'000	Contingent liability CU'000	Legal claim CU'000	Total CU'000
IAS37(84)(a)	Carrying amount at start of year	1,382	-	920	-	320	2,622
	Acquired through business combination	-	-	-	450	-	450
IAS37(84)(b)	Additional provision charged to plant and equipment	350	-	-	-	-	350
	Charged/(credited) to profit or loss						
IAS37(84)(b)	- additional provisions recognised	-	1,377	268	-	140	1,785
IAS37(84)(d)	- unused amounts reversed	-	-	(330)	-	-	(330)
IAS37(84)(e)	- unwinding of discount	66	-	-	27	-	93
IAS37(84)(c)	Amounts used during the year	-	(477)	(223)	-	-	(700)
IAS37(84)(a)	Carrying amount at end of year	1,798	900	635	477	460	4,270

8(j) Recognised fair value measurements [31-33]

(i) Fair value hierarchy

Consider impact of climate change – see Appendix E

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

IFRS13(93)(a),(b)

At 31 December 2023	Notes	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Investment properties					
Office buildings – West Harbourcity [31]	8(c)	-	-	**13,300**	**13,300**
Land and buildings [31]					
Manufacturing sites – Oneland	8(a)	-	-	**43,750**	**43,750**
Manufacturing sites – China				**17,750**	**17,750**
Land held for sale	8(g)	-	**250**	-	**250**
Total non-financial assets		-	**250**	**74,800**	**75,050**

IAS1(38)

At 31 December 2022	Notes	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Investment properties					
Office buildings – West Harbourcity	8(c)	-	5,135	4,915	10,050
Land and buildings					
Manufacturing sites – Oneland	8(a)	-	-	32,487	32,487
Manufacturing sites – China				15,153	15,153
Total non-financial assets		-	5,135	52,555	57,690

IFRS13(95) The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

8(j) Recognised fair value measurements [31-33]

IFRS13(93)(c)

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

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

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

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

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

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

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

All resulting fair value estimates for properties are included in level 3 except for land held for resale. The level 2 fair value of land held for resale has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size).

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

IFRS13(93)(e)

The following table presents the changes in level 3 items for the periods ended 31 December 2022 and 31 December 2023 for recurring fair value measurements:

IAS1(38)

		Manufacturing sites		
	Office buildings CU'000	Oneland CU'000	China CU'000	Total CU'000
Opening balance 1 January 2022	3,470	27,043	12,357	42,870
Acquisitions	810	2,584	1,780	5,174
Disposals	(112)	(424)		(536)
Reclassification to inventory	(250)	-	-	(250)
Amounts recognised in profit or loss				
Depreciation and impairment	-	(1,100)	(440)	(1,540)
Gains recognised in other income *	997	-	-	997
Gains recognised in other comprehensive income	-	4,384	1,456	5,840
Closing balance 31 December 2022	4,915	32,487	15,153	52,555
Transfer from level 2	5,135	-		5,135
Acquisitions	1,900	7,135	2,247	11,282
Disposals	-	(550)	-	(550)
Amounts recognised in profit or loss				
Depreciation and impairment	-	(1,360)	(855)	(2,215)
Gains recognised in other income *	1,350	-	-	1,350
Gains recognised in other comprehensive income	-	6,038	1,205	7,243
Closing balance 31 December 2023	13,300	43,750	17,750	74,800

IFRS13(93)(f)

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period				
2023	**1,350**	**-**	**-**	**1,350**
2022	907	-	-	907

8(j) Recognised fair value measurements [31-33]

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

IFRS13(93)(d)

The group commenced redevelopment of an office building in Oneland during the year. The redevelopment will greatly expand the net lettable area of the building and is expected to be completed in early 2024. Prior to redevelopment, the building was valued using the sales comparison approach based on recent sales of comparable properties in the area. This resulted in a level 2 fair value. Upon redevelopment, the group had to revise its valuation technique for the property under construction. The revised valuation technique uses significant unobservable inputs. Accordingly, the fair value measurement was reclassified to level 3.

IFRS13(93)(d)

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

- estimated construction and other costs to completion that would be incurred by a market participant, and
- estimated profit margin that a market participant would require to hold and develop the property to completion, based on the state of the property as at 31 December 2023.

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

(v) Valuation inputs and relationships to fair value

IFRS13(93)(d),(99)

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

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

See commentary para 20 at the end of note 7 for the impact of rising inflation and interest rates on fair value

Description	Fair value at 31 December 2023 CU'000	Fair value at 31 December 2022 CU'000	Unobservable inputs *	Range of inputs (probability-weighted average) 2023	Range of inputs (probability-weighted average) 2022	Relationship of unobservable inputs to fair value
Leased office buildings	7,765	4,915	Discount rate	4% – 5% (4.8%)	3% – 4% (3.6%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	6% – 7% (6.6%)	5.5% – 6% (5.8%)	
			Capitalisation rate	4% – 4.5% (4.4%)	4% – 4.5% (4.2%)	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
			Expected vacancy rate	9% – 10% (9.2%)	8% – 10% (8.7%)	
			Rental growth rate	3% – 3.6% (3.2%)	2% – 2.5% (2.2%)	The higher the rental growth rate, the higher the fair value
Office building under re-development	5,535	n/a – Level 2 fair value	Estimated cost to completion	CU3,230,000 – CU3,510,000 (CU3,395,000)	n/a	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	12.5% of property value	n/a	The higher the profit margin required, the lower the fair value
Manufac-turing sites – Oneland	43,750	32,487	Discount rate	6% – 7% (6.7%)	8% – 9% (7.7%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	8% – 9% (8.2%)	9.5% – 10% (9.7%)	

8(j) Recognised fair value measurements [31-33]

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

Description	Fair value at 31 December 2023 CU'000	Fair value at 31 December 2022 CU'000	Unobservable inputs *	Range of inputs (probability-weighted average) 2023	Range of inputs (probability-weighted average) 2022	Relationship of unobservable inputs to fair value
Manufacturing sites – China	17,750	15,153	Discount rate	10% – 12% (11%)	9% – 10% (9.4%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	14% – 15% (14.3%)	13% – 14% (13.2%)	

IFRS13(93)(h)(i)

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

IFRS13(93)(g)

(vi) Valuation processes

The group engages external, independent and qualified valuers to determine the fair value of the group's investment properties at the end of every financial year, and for other land and buildings at least every three years. As at 31 December 2023, the fair values of the investment properties have been determined by ABC Property Surveyors Limited. A directors' valuation has been performed for the land and buildings classified as property, plant and equipment as at 31 December 2023. The last independent valuation of these land and buildings was performed as at 31 December 2022.

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

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

- Leased office buildings – discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by ABC Property Surveyors Limited or management based on comparable transactions and industry data.
- Office building under redevelopment – costs to completion and profit margin are estimated by ABC Property Surveyors Limited based on market conditions as at 31 December 2023. The estimates are consistent with the budgets developed internally by the group based on management's experience and knowledge of market conditions.

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

Non-financial assets and liabilities

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

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

Accounting policies, estimates and judgements

2. As explained on page 29, in our view it is helpful for readers of the financial report if information about accounting policies that are specific to the entity and about significant estimates and judgements is disclosed with the relevant line items, rather than in separate notes. However, this format is also not mandatory.
3. For general commentary regarding the disclosures of accounting policies refer to note 25. Commentary about the disclosure of significant estimates and judgements is provided in note 11.

Classes of property, plant and equipment

4. A class of property, plant and equipment is a grouping of assets of a similar nature and use in the entity's operation. Paragraph 37 of IAS 16 provides the following examples:
   (a) land
   (b) land and buildings
   (c) machinery
   (d) ships
   (e) aircraft

Non-financial assets and liabilities

IAS16(37)

(f) motor vehicles
(g) furniture and fixtures
(h) office equipment
(i) bearer plants.

5. Each entity will have different classes, depending on their individual operations. The number of classes that are separately disclosed also depends on materiality. However, the 'plant and equipment' of an entity will normally include assets of quite different nature and use. It will therefore not be sufficient to provide the information required in IAS 16 only for two classes, being 'land and buildings' and 'plant and equipment'. Rather, entities should provide a further breakdown or, alternatively, use a more specific narrative to illustrate that the entity has only one major class of plant and equipment.

Leasing disclosures

Right-of-use assets

IAS1(112)(c)
IFRS16(51)

6. IFRS 16 only requires disclosure of depreciation expense and additions to right-of-use assets, but not of a full reconciliation of the right-of-use assets held. However, additional disclosures may be necessary to explain significant changes in the amounts of right-of-use assets, for example as a result of foreign exchange movements or modifications to lease agreements.

IFRS16(47)(a)
IAS16(73)(e)

7. Where an entity has elected to present right-of-use assets within the same line item as the corresponding underlying assets would be presented if they were owned, it should provide the same disclosures for the right-of-use assets as for the corresponding underlying assets. For example, where the right-of-use assets are presented as property, plant and equipment, they would need to be included in the reconciliation that is required under IAS 16, with the same amount of detail as is required for other items of property, plant and equipment.

Significant judgements and estimates

IAS1((122),(125)
IFRS16(51),(59)

8. The accounting for leases under IFRS 16 involves making various judgements and estimates which may need to be disclosed. While we have illustrated some of these in note 8(b), the level of detail provided will depend on the individual circumstances of the entity and the materiality of the amounts involved. For example, the following judgements and estimates may also require explanations:
   (a) how the entity has determined whether a contract is, or contains, a lease
   (b) how the entity has determined the incremental borrowing rate, for example where third-party financing cannot be obtained (or can only be obtained at a significant premium), or by adjusting rates to reflect the term, security, value or economic environment
   (c) what the entity considers to be an index or rate in determining lease payments
   (d) how the entity accounts for costs incurred in connection with a lease that are not part of the cost of the right-of-use asset, and
   (e) the interpretation of what constitutes a penalty in determining the lease term and why an entity may have an economic incentive to extend or not to terminate a lease (but see paragraph 9 below).

IFRS IC September 2019 and November 2019

9. The IFRS Interpretations Committee (IFRS IC) has provided guidance on how to determine the incremental borrowing rate, including how to reflect the payment profile of a lease when determining that rate, and the lease term for specific types of cancellable or renewable leases. Entities should refer to this guidance when making judgements in relation to these issues.

Investment property

10. Normally, cash outflows in respect of the purchase of long-term assets (including property, plant and equipment and investment property) are classified as investing activities. However, paragraph 14 of IAS 7 requires cash flows that are primarily derived from the principal revenue-producing activities of the entity to be classified as operating activities. If the entity with investment property has leasing as its principal revenue-producing activity, the entity could either classify the cash outflow as investing (in line with paragraph 16 of IAS 7) and the rental inflows as operating, or it could treat both the cash inflow and outflow as operating. An accounting policy should be developed and applied on a consistent basis. VALUE IFRS Plc has chosen to present the outflows as investing activities and disclosed this in note 8(c).

Non-financial assets and liabilities

Impairment

Impairment testing – disclosure of assumptions

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

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

Prior year recoverable amount calculation

IAS36(136)

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

Impact of inflation and increased economic uncertainty on impairment testing

13. The long-term growth rate should be reasonable in comparison to long-term inflation expectations, where a cash flow is prepared on a nominal basis. Nominal long-term growth rates in excess of long-term nominal GDP growth imply that the business will eventually grow at a rate faster than the economy itself. This is unlikely to be appropriate. The long-term growth rate should be corroborated using external evidence. For guidance, see our In depth INT2022-12 *Navigating IFRS Accounting Standards in periods of rising inflation and interest rates*.
14. Where uncertainty in the economic environment has increased, the established methods for calculating WACC should continue to be used. However, a reassessment of each input into the calculation and assessment of the overall result is needed. We would generally expect the inputs (such as long-term risk-free rates) used in the calculation of discount rates to increase compared to prior periods. See In brief INT2022-20 *Have WACCs changed for December 2022 financial year ends?* for further information.

Deferred tax assets and liabilities

Offsetting

IAS12(74)

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

IAS12(76)

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

Disclosure of reconciliation by type of temporary difference

IAS12(81)(g)

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

Non-financial assets and liabilities

Deferred tax on right-of-use assets and lease liabilities

IAS12

19. IAS 12 does not specifically address the tax effects of right-of-use assets and lease liabilities and there are currently different approaches in practice. However, in May 2021 the IASB made amendments to IAS 12 which narrow the scope of the initial recognition exception in paragraphs 15 and 24 of IAS 12 and require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
20. As a consequence, entities will be required to recognise both a deferred tax asset and a deferred tax liability on the initial recognition of a lease. While these would typically qualify for offsetting in the statement of financial position, the notes need to disclose the gross amounts. VALUE IFRS Plc has illustrated this in note 8(e).
21. The amendments apply to annual reporting periods beginning on or after 1 January 2023 but could be adopted early. VALUE IFRS Plc chose to do so in the previous year. No changes were necessary to any of the amounts recognised or disclosures made, because VALUE IFRS Plc's accounting policy already complied with the now mandatory presentation requirement.

Recognition of deferred tax assets by loss-making entities

IAS12(82)

22. If an entity has incurred a loss in the current or a preceding period and the utilisation of the deferred tax assets is depending on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences, the entity must disclose the amount of the deferred tax assets that are depending on excess future taxable profits and the nature of the evidence that is supporting the recognition of the tax assets.

ESMA Public Statement July 2019

23. The recognition of deferred tax assets for carried forward tax losses, particularly by loss-making entities, is a focus area for many regulators. The European Securities and Markets Authority (ESMA), has reminded entities of the importance to assess thoroughly the nature and extent of the evidence that supports the recognition of deferred tax assets. Disclosures relating to deferred tax assets should be issuer-specific and not boilerplate, and the level of detail provided should be proportionate to the materiality of the assets in the financial statements and the uncertainties and judgements surrounding the recognition of the tax assets.

Assets held for sale

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

Employee benefit obligations

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

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

Classification of employee benefits obligations as non-current

IAS1(69)

26. Other long-term employee benefit obligations, which are those that are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the service that gives rise to the benefit, can only be classified in the statement of financial position as a non-current liability if there is no possibility the entity could be required to settle the obligation within the next 12 months. This means, for example, that where employees are entitled to take their long service leave or accrued annual leave within the next 12 months, the obligation relating to them must be recorded as a current liability even though the employees may not be expected to take the leave for a longer period.

IAS19(133)

27. A net post-employment asset or liability will typically have a current and a non-current portion. However, the distinction between the two might be arbitrary and difficult to determine, in particular for funded post-employment plans. The net plan asset or liability is therefore generally presented as a single non-current item for funded post-employment plans. However, if a reliable distinction is possible, separate presentation of the two balances would be appropriate.

Non-financial assets and liabilities

Disclosures for defined benefit obligations

IAS19(135)

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

IAS19(136)-(138)

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

Reclassification

IAS1(41)

30. Where an entity has reclassified comparative amounts because of a change in presentation, it must disclose the nature and reason for the reclassification in the notes. To illustrate this disclosure, we have assumed in this publication that VALUE IFRS Plc has reclassified its employee obligations in the current year from provisions to a separate line item in the statement of financial position.

Fair value measurements

IFRS13(B35)(g)

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

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

Leases

	Issue not illustrated	Relevant disclosures or references
IFRS16(47)(a)(ii)	Right-of-use assets included in the same line item as the corresponding underlying assets	Identify which line items include the right-of-use assets.
IFRS16(53)(i),(59)(d),(B52)	Sale and leaseback transactions	Disclose gain or loss separately in the notes and consider additional information set out in paragraph B52 of IFRS 16.
IFRS16(53)(f)	Sub-leasing of right-of-use assets	Disclose income from sub-leasing.
IFRS16(54)	Lessee capitalises leasing costs as part of the cost of another asset	Ensure the amounts disclosed in note 8(b) under paragraph 53 of IFRS16 include costs that are included in the carrying amount of another asset.
IFRS16(55)	Portfolio of short-term leases at the end of the reporting period is dissimilar to the portfolio of short-term leases held during the year	Disclose lease commitments for short-term leases that are recognised as expenses on a straight-line or other systematic basis.

Non-financial assets and liabilities

Reference	Issue not illustrated	Relevant disclosures or references
IFRS16(48),(56)	Right-of-use assets that meet the definition of investment property	Must be presented as investment property. Apply the disclosure requirements of IAS 40 *Investment Property*. Lessees are not required to disclose the depreciation charge, income from sub-leasing, additions and the carrying amount by class of underlying asset at the end of the reporting period in relation to these assets.
IFRS16(57)	Right-of-use assets are measured at revalued amount under IAS 16	Provide the disclosures required by paragraph 77 of IAS 16 in relation to those assets.
IFRS16(59)(b)(iv)	Leases not yet commenced to which the lessee is committed	Provide information about the future cash outflows to which the lessee is potentially exposed.
IFRS16(60A)	COVID-19-related rent concessions – entity has applied practical expedient in IFRS 16	Disclose that/to what extent the entity has applied the practical expedient and the amount recognised in profit or loss.
IFRS16(89)-(97)	The entity is a lessor with finance leases	Provide information which allows users of the financial statements to assess the effect that leases have on the lessor's financial position, financial performance and cash flows:
IFRS16(90)(a)		• selling profit or loss • finance income on the net investment in the lease • income relating to variable lease payments not included in the measurement of the net investment
IFRS16(93)		• qualitative and quantitative explanation of significant changes in the carrying amount of the net investment in the lease, and
IFRS16(94)		• maturity analysis of lease payments receivable for a minimum of each of the first five years plus a total amount for the remaining years; reconciliation to the net investment in the lease.
IFRS16(90)(b)	The entity is a lessor with operating leases	• variable lease payments that do not depend on an index or a rate
IFRS16(95)		• for items of property, plant and equipment that are subject to an operating lease, the disclosures required by IAS 16 separately for the assets subject to an operating lease and for those that are held and used by the lessor, and
IFRS16(96)		• where applicable, the disclosure required by IAS 36, IAS 38 and IAS 41.

Non-financial assets and liabilities

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)(iv)	Sale of investment property from a pool of assets measured using the cost model into a pool in which the fair value model is used (paragraph 32C of IAS 40)	Disclose cumulative change in fair value recognised in profit or loss.
IFRS16(90)(b)	Variable lease payments that do not depend on an index or a rate and that are recognised as income in the period	Disclose amounts where applicable.
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 paragraph 124 of IAS 38.

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.

Non-financial assets and liabilities

	Issue not illustrated	Relevant disclosures or references
IAS36(134)(e)	Goodwill and intangible assets with indefinite useful lives: recoverable amount is based on fair value less costs of disposal (FVLCOD)	Provide additional information as set out in paragraph 134 of IAS 36. 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
IAS16(74A)(b)	Property, plant and equipment – sale proceeds and related cost incurred from selling items produced while preparing the property, plant and equipment for its intended use	Disclose the amounts of proceeds and cost included in profit or loss and the line item(s) in which they are included in the statement of comprehensive income.
IAS2(36)(h)	Inventories	Disclose amount of inventories pledged as security for liabilities.
IAS19(140)(b)	Defined benefit plans: reimbursement rights	These will need to be separately disclosed in the reconciliation of the amounts recognised in the statement of financial position.
IAS19(148),(149)	Multi-employer and group plans	Provide additional information as specified in paragraphs 148 and 149 of IAS 19.
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.

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

Intangible assets with indefinite useful lives

IAS38(122)(a) The trademark used to identify and distinguish (product name; carrying amount CU 2,345,000) has a remaining legal life of five years but is renewable every ten years at little cost and is well established. The group intends to renew the trademark continuously and evidence supports its ability to do so. An analysis of product life cycle studies and market and competitive trends provides evidence that the product will generate net cash inflows for the group for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment in accordance with note 25(j).

Unallocated goodwill

IAS36(133) Shortly before the end of the reporting period, the company acquired XYZ Limited. There was CUXX of goodwill recognised on acquisition which is yet to be allocated to one or more CGUs. XYZ's business will be integrated into the South America and North America CGUs, but management has not yet finalised the allocation of the goodwill between the relevant CGUs.

Non-financial assets and liabilities

Recoverable amount is determined using fair value less cost of disposal

IAS36(134)(c)

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

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

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

CGU	Unobservable inputs	Value assigned to key assumption 2023	Value assigned to key assumption 2022	Approach to determining key assumption
XYZ	Costs of disposal (CU'000)	**CU250**	CU320	Estimated based on the company's experience with disposal of assets and on industry benchmarks.
	Sales volume (%)	**2.7**	3.3	Average annual growth rate over the five-year forecast period, based on past performance and management's expectations of market development.
	Sales price (%)	**1.4**	1.9	Average annual growth rate over the five-year forecast period, based on current industry trends and includes long-term inflation forecasts for each territory.
	Cost reductions from restructuring initiatives (CU'000)	**CU2,900**	CU2,500	Estimated cost reductions are based on management's judgement and past experience with similar restructuring initiatives.
	Cash flow forecast period	**5 years**	5 years	Board approved/reviewed five year forecasts which are prepared by management.
	Post-tax discount rate (%)	**11.7**	11.4	Reflects specific risks relating to the segments and the countries in which it operates.
	Long-term growth rate (%)	**2.7**	2.6	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is consistent with forecasts included in industry reports.

9 Equity [10]

IAS1(106)(d)

9(a) Share capital and share premium [1]

	Notes	2023 Shares	2022 Shares	2023 CU'000	2022 CU'000
Ordinary shares	(iii)				
IAS1(79)(a)(ii) Fully paid		**58,098,156**	53,543,075	**83,054**	58,953
IAS1(79)(a)(ii) Partly paid to CU2.88		-	1,250,000	-	3,600
Calls in arrears		-	-	-	(100)
	(i)	**58,098,156**	54,793,075	**83,054**	62,453
IAS1(79)(a)(ii) 7% non-redeemable participating preference shares fully paid	(ii)	-	500,000	-	1,523
Total share capital and share premium		**58,098,156**	55,293,075	**83,054**	63,976

IAS1(106)(d)

(i) Movements in ordinary shares

	Notes	Number of shares (thousands)	Par value CU'000	Share premium CU'000	Total CU'000
Details					
IAS1(79)(a)(iv) Opening balance 1 January 2022		54,550	54,550	6,546	61,096
Employee share scheme issues	21(c)	143	143	655	798
Dividend reinvestment plan issues	(iv)	100	100	459	559
IAS1(79)(a)(iv) Balance 31 December 2022		54,793	54,793	7,660	62,453
Dividend reinvestment plan issues	(iv)	94	94	471	565
Final call of CU1.12 per share on 1,250,000 partly paid shares	(iii)	-	-	1,400	1,400
Calls in arrears paid	(iii)	-	-	100	100
Exercise of options – proceeds received	(v)	228	228	975	1,203
Acquisition of subsidiary	14	1,698	1,698	8,067	9,765
Rights issue	(vi)	1,285	1,285	6,423	7,708
		58,098	58,098	25,096	83,194
IAS32(35),(39) Less: Transaction costs arising on share issues		-	-	(200)	(200)
IAS12(81)(a) Deferred tax credit recognised directly in equity		-	-	60	60
IAS1(79)(a)(iv) Balance 31 December 2023		58,098	58,098	24,956	83,054

Not mandatory

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

IAS1(106)(d)

9(a) Share capital and share premium [1]

IAS1(106)(d)

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

		Notes	Number of shares (thousands)	Par value CU'000	Share premium CU'000	Total CU'000
	Details					
IAS1(79)(a)(iv)	Opening balance 1 January 2022/ 31 December 2022		500	500	1,023	1,523
	Shares bought back on-market and cancelled	(vii)	(500)	(500)	(850)	(1,350)
	Buy-back transaction costs	(vii)	-	-	(45)	(45)
IAS12(81)(a)	Current tax credit recognised directly in equity	(vii)	-	-	15	15
	Transfer to retained earnings	(vii)	-	-	(143)	(143)
IAS1(79)(a)(iv)	Balance 31 December 2023		-	-	-	-

(iii) Ordinary shares

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

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

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

IAS1(79)(a)(i)

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

IAS1(79)(a)(ii)

At 31 December 2022 there were 1,250,000 ordinary shares called to CU2.88, on which a further CU1.12 was outstanding. The outstanding amount, together with calls in arrears of CU100,000, was received on 3 November 2023.

(iv) Dividend reinvestment plan

IAS1(79)(a)(vii)

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

(v) Options

IAS1(79)(a)(vii)

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

(vi) Rights issue

IAS1(106)(d)(iii), (112)(c)

On 10 October 2023 the company invited its shareholders to subscribe to a rights issue of 1,284,916 ordinary shares at an issue price of CU6.00 per share on the basis of 1 share for every 10 fully or partly paid ordinary shares held, with such shares to be issued on, and rank for dividends after, 4 December 2023. The issue was fully subscribed.

(vii) Share buy-back

IAS1(106)(d)(iii)

During October/November 2023 the company purchased and cancelled all 500,000 7% non-redeemable participating preference shares on-market in order to simplify the company's capital structure. The buy-back and cancellation were approved by shareholders at last year's annual general meeting. The shares were acquired at an average price of CU2.70 per share, with prices ranging from CU2.65 to CU2.73. The total cost of CU1,380,000, including CU30,000 of after-tax transaction costs, was deducted from preference shareholder equity. As all the shares of that class were bought back and cancelled, the remaining balance of CU143,000 was transferred to retained earnings. The total reduction in paid-up capital was CU1,523,000.

IFRS7(7)
IAS1(79)(a)(v)

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

IAS1(106)(d)

9(b) Other equity

	Notes	2023 Shares	2022 Shares	2023 CU'000	2022 CU'000
IAS32(28) Value of conversion rights – convertible notes	(i)			**3,500**	-
IAS12(81)(a) Deferred tax liability component				**(1,050)**	-
IAS1(79)(a)(vi) IAS32(34) Treasury shares [2]	(ii)	**(120,641)**	(99,280)	**(676)**	(550)
Total other equity				**1,774**	(550)

(i) Conversion right of convertible notes

IAS1(79)(a)(v)

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

(ii) Treasury shares [2]

IAS1(79)(a)(vi)

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

Details	**Number of shares**	**CU'000**
IAS1(79)(a)(iv) Opening balance 1 January 2022	(46,916)	(251)
Acquisition of shares by the Trust	(52,364)	(299)
Balance 31 December 2022	**(99,280)**	**(550)**
Acquisition of shares by the Trust	**(207,636)**	**(1,217)**
Issue of deferred shares under the executive STI scheme	**40,373**	**216**
Employee share scheme issue	**145,902**	**875**
IAS1(79)(a)(iv) Balance 31 December 2023	**(120,641)**	**(676)**

IAS1(106)(d)

9(c) Other reserves [3-5]

IAS1(106A)

The following table shows a breakdown of the statement of financial position line item ‘other reserves’ and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

IAS16(77)(f)
IAS21(52)(b)

		Notes	Revaluation surplus CU’000	Financial assets at FVOCI CU’000	Hedging CU’000	Share-based payments CU’000	Transactions with NCI CU’000	Foreign currency translation CU’000	Total other reserves CU’000
	At 1 January 2022		**3,220**	**1,173**	**(203)**	**1,289**	**-**	**1,916**	**7,395**
	Costs of hedging transferred to inventory	12(a)	-	-	339	-	-	-	339
IAS12(81)(ab), IAS1(90)	Deferred tax	8(d)	-	-	(102)	-	-	-	(102)
	Net amount transferred		-	-	237	-	-	-	237
IFRS7(11A)(e)	Transfer to retained earnings	7(c)	-	548	-	-	-	-	548
IAS12(81)(ab), IAS1(90)	Deferred tax		-	(164)	-	-	-	-	(164)
	Net amount transferred		-	384	-	-	-	-	384
IAS16(77)(f) IFRS7(20)(a)(vii),(24C)(b)(i)	Revaluation – gross	8(a),7(c) 12(a)	5,840	(1,458)	1,496	-	-	-	5,878
IAS12(81)(ab), IAS1(90)	Deferred tax	8(d)	(1,752)	437	(449)	-	-	-	(1,764)
Not mandatory	Non-controlling interests (NCI) share in revaluation – gross [6]		(178)	-	-	-	-	-	(178)
Not mandatory	Deferred tax [6]		54	-	-	-	-	-	54
IAS16(41)	Depreciation transfer – gross	9(d)	(334)	-	-	-	-	-	(334)
IAS12(81)(ab), IAS1(90)	Deferred tax		100	-	-	-	-	-	100
IAS28(10)	Revaluation associate	16(e)	100	-	-	-	-	-	100
IAS12(81)(ab), IAS1(90)	Deferred tax	8(d)	(30)	-	-	-	-	-	(30)
IAS1(92),(95) IFRS7(24C)(b)(iv)	Reclassification to profit or loss – gross	12(a) 7(c)	-	-	(195)	-	-	-	(195)
IAS12(81)(ab), IAS1(90)	Deferred tax	8(d)	-	-	59	-	-	-	59
IAS28(10)	Currency translation associate	16(e)	-	-	-	-	-	15	15
IAS12(81)(ab), IAS1(90)	Deferred tax		-	-	-	-	-	(5)	(5)
IAS21(52)(b)	Other currency translation differences		-	-	-	-	-	243	243
Not mandatory	NCI share in translation differences [6]		-	-	-	-	-	(133)	(133)
	Other comprehensive income		3,800	(1,021)	911	-	-	120	3,810
	Transactions with owners in their capacity as owners								
	Share-based payment expenses	21	-	-	-	555	-	-	555
	At 31 December 2022		**7,020**	**536**	**945**	**1,844**	**-**	**2,036**	**12,381**

IAS1(106)(d)

9(c) Other reserves [3-5]

IAS16(77)(f)
IAS21(52)(b)

Reference		Notes	Revaluation surplus CU'000	Financial assets at FVOCI CU'000	Hedging CU'000	Share-based payments CU'000	Transactions with NCI CU'000	Foreign currency translation CU'000	Total other reserves CU'000
	At 1 January 2023		**7,020**	**536**	**945**	**1,844**	**-**	**2,036**	**12,381**
	Transfer to inventory	12(a)	-	-	(44)	-	-	-	(44)
IAS12(81)(ab), IAS1(90)	Deferred tax	8(d)	-	-	13	-	-	-	13
	Net amount transferred		-	-	(31)	-	-	-	(31)
IFRS7(11A)(e)	Transfer to retained earnings	7(c)	-	(646)	-	-	-	-	(646)
IAS12(81)(ab), IAS1(90)	Deferred tax		-	194	-	-	-	-	194
	Net amount transferred		-	(452)	-	-	-	-	(452)
IAS16(77)(f) IFRS7(20)(a)(vii),(24C)(b)(i)	Revaluation – gross	8(a),7(c) 12(a)	7,243	750	238	-	-	-	8,231
IAS12(81)(ab), IAS1(90)	Deferred tax	8(d)	(2,173)	(225)	(71)	-	-	-	(2,469)
Not mandatory	NCI share in revaluation – gross [6]		(211)	-	-	-	-	-	(211)
Not mandatory	Deferred tax		63	-	-	-	-	-	63
IAS16(41)	Depreciation transfer – gross [6]	9(d)	(320)	-	-	-	-	-	(320)
IAS12(81)(ab), IAS1(90)	Deferred tax		96	-	-	-	-	-	96
IAS28(10)	Revaluation joint venture	16(e)	300	-	-	-	-	-	300
IAS12(81)(ab), IAS1(90)	Deferred tax	8(d)	(90)	-	-	-	-	-	(90)
IAS1(92),(95) IFRS7(24C)(b)(iv)	Reclassification to profit or loss – gross	12(a) 7(c)	-	-	(155)	-	-	-	(155)
IAS12(81)(ab), IAS1(90)	Deferred tax	8(d)	-	-	46	-	-	-	46
IFRS9(5.5.2)	Impairment of debt instruments at FVOCI	12(c)	-	8	-	-	-	-	8
IAS12(81)(ab), IAS1(90)	Deferred tax	8(d)	-	(2)	-	-	-	-	(2)
IAS28(10)	Currency translation associate	16(e)	-	-	-	-	-	20	20
IAS12(81)(ab), IAS1(90)	Deferred tax		-	-	-	-	-	(6)	(6)
IAS21(52)(b)	Other currency translation differences		-	-	-	-	-	(617)	(617)
IAS1(92),(95) IAS21(52)(b)	Reclassification to profit or loss on disposal of discontinued operation	15	-	-	-	-	-	170	170
IAS21(52)(b)	Net investment hedge	12(b)	-	-	-	-	-	190	190
Not mandatory	NCI share in translation differences [6]		-	-	-	-	-	247	247
	Other comprehensive income		4,908	531	58	-	-	4	5,501
	Transactions with owners in their capacity as owners								
	Share-based payment expenses	21	-	-	-	2,018	-	-	2,018
	Issue of treasury shares to employees	9(b)	-	-	-	(1,091)	-	-	(1,091)
IFRS10(23)	Transactions with NCI	16(c)	-	-	-	-	(333)	-	(333)
	At 31 December 2023		**11,928**	**615**	**972**	**2,771**	**(333)**	**2,040**	**17,993**

9(c) Other reserves [3-5]

IAS1(79)(b)

(i) Nature and purpose of other reserves [7,8]

Revaluation surplus – property, plant and equipment

IAS16(77)(f) The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 25(r) for details.

Financial assets at FVOCI

IFRS9(B5.7.1) The group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 7(c). These changes are accumulated within the FVOCI reserve within equity. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

IFRS9(B5.7.1A) The group also has certain debt investments measured at FVOCI, as explained in note 7(c)(iv). For these investments, changes in fair value are accumulated within the FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is derecognised or impaired.

IAS1(106)(d),(108) The table below shows how the FVOCI reserve relates to equity securities and debt investments:

	2023			2022		
	Debt CU'000	**Equity CU'000**	**Total CU'000**	Debt CU'000	Equity CU'000	Total CU'000
As at 1 January	**(70)**	**606**	**536**	90	1,083	1,173
Transfer to retained earnings	**-**	**(646)**	**(646)**	-	548	548
Deferred tax	**-**	**194**	**194**	-	(164)	(164)
Net amount transferred	**-**	**(452)**	**(452)**	-	384	384
Revaluation – gross	**118**	**632**	**750**	(228)	(1,230)	(1,458)
Deferred tax	**(35)**	**(190)**	**(225)**	68	369	437
Impairment	**8**	**-**	**8**	-	-	-
Deferred tax	**(2)**	**-**	**(2)**	-	-	-
Other comprehensive income	**89**	**442**	**531**	(160)	(861)	(1,021)
At 31 December	**19**	**596**	**615**	(70)	606	536

Hedging reserves

IFRS9(6.5.11)(d)(i) The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, see note 12(b) for details. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in note 25(p). Amounts are subsequently either transferred to the initial cost of inventory or reclassified to profit or loss as appropriate.

IFRS9(6.5.15)(b) The group defers the changes in the forward element of forward contracts and the time value of option contracts in the costs of hedging reserve. These deferred costs of hedging are included in the initial cost of the related inventory when it is recognised, see note 25(p) for further details.

Share-based payments [9]

The share-based payments reserve is used to recognise:

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

Transactions with non-controlling interests

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

Foreign currency translation

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

9(d) Retained earnings

IAS1(106)(d)

Movements in retained earnings were as follows:

	Notes	2023 * CU'000	2022 Restated * CU'000
Balance 1 January		**34,503**	20,205
Net profit for the period		**32,626**	26,123
IAS1(106)(d)(ii) Items of other comprehensive income recognised directly in retained earnings			
Remeasurements of post-employment benefit obligations, net of tax	8(h)	**83**	(637)
Reclassification of gain on disposal of equity instruments at fair value through other comprehensive income, net of tax	7(c)(iii)	**452**	(384)
Dividends	13(b)	**(22,923)**	(11,038)
Transfer from share capital on buy-back of preference shares	9(a)	**143**	-
Depreciation transfer, net of tax	9(c)	**224**	234
Balance 31 December		**45,108**	34,503

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

Equity

Share premium

IAS1(79)(a)

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

Treasury shares

IAS32(33)

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

Equity

Other reserves

IAS1(106)(d)

3. An entity shall present, either in the statement of changes in equity or in the notes, for each accumulated balance of each class of other comprehensive income a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each item of other comprehensive income and transactions with owners. See also commentary paragraphs 2 and 3 to the statement of changes in equity.

IAS1(92),(94)

4. Reclassification adjustments relating to components of other comprehensive income must also be disclosed, either in the statement of comprehensive income or in the notes. VALUE IFRS Plc has elected to make both disclosures in the notes.

IAS1(7),(95)

5. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation and when a hedged forecast transaction affects profit or loss.
6. Where there are non-controlling interests (NCIs) in items that are recognised through other comprehensive income in the reserves, VALUE IFRS Plc discloses the gross amounts in the reconciliation of the reserves and then deducts the NCI share. We have done this so that readers can reference the amounts back to the statement of comprehensive income, but we note that this is not required.

Nature and purpose

IAS1(79)(b)

7. A description of the nature and purpose of each reserve within equity must be provided either in the statement of financial position or in the notes. This applies to each reserve, including general reserves, capital profits reserves and any others in existence.
8. In providing a description of the nature and purpose of the reserves, it would be appropriate to refer to any restrictions on their distribution or any other important characteristics. In the case of:

IAS16(77)(f)

   (a) the property, plant and equipment revaluation surplus: there is a specific requirement to disclose any restrictions on the distribution of the balance to shareholders

IAS38(124)(b)

   (b) the amount of the revaluation surplus that relates to intangible assets: there is a specific requirement to disclose the balance at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

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

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

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

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

10 Cash flow information

10(a) Cash generated from operations [1]

	Note	2023 CU'000	2022 CU'000
Profit before income tax from:			
Continuing operations		**51,086**	39,617
Discontinued operations	15	**1,111**	570
IAS7(18)(b),(20) **Profit before income tax including discontinued operations**		**52,197**	40,187
Adjustments for:			
Depreciation and amortisation	5(c)	**12,540**	10,080
Impairment of goodwill	4	**2,410**	-
Write-off of assets destroyed by fire	4	**1,210**	-
Non-cash employee benefits expense – share-based payments		**2,156**	1,353
Net (gain)/loss on sale of non-current assets		**(1,620)**	530
Gain on disposal of engineering division	15	**(760)**	-
Fair value adjustment to investment property	8(c)	**(1,350)**	(1,397)
Fair value adjustment to derivatives		**(11)**	621
Fair value (gains) on non-current financial assets at fair value through profit or loss	7(d)	**(120)**	-
Share of profits of associates and joint ventures	16(e)	**(340)**	(355)
Gain on derecognition of contingent consideration payable	14	**(135)**	-
Gain on remeasurement of contingent consideration receivable	15	**(130)**	-
Dividend income and interest classified as investing cash flows		**(3,558)**	(4,549)
Finance costs – net	5(d)	**5,875**	5,830
Net exchange differences		**604**	479
Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale of engineering division:			
(Increase) in trade receivables		**(6,470)**	(4,647)
Decrease/(increase) in contract assets		**1,258**	(1,220)
(Increase) in inventories		**(1,340)**	(1,832)
Decrease/(increase) in financial assets at fair value through profit or loss		**465**	(1,235)
Decrease in other operating assets		**2**	5,202
Increase/(decrease) in trade creditors		**1,339**	(6)
Increase in contract liabilities		**457**	870
Increase/(decrease) in other operating liabilities		**1,066**	(1,704)
Increase in other provisions		**1,215**	574
Cash generated from operations		**66,960**	48,781

IAS7(43)

10(b) Non-cash investing and financing activities [2,3]

	2023 CU'000	2022 CU'000
Acquisition of retail store furniture and fittings from lessor as lease incentive (note 8(a))	**-**	950

IAS7(43)

10(b) Non-cash investing and financing activities [2,3]

Non-cash investing and financing activities disclosed in other notes are:

- acquisition of right-of-use assets – note 8(b)
- partial settlement of a business combination through the issue of shares – note 14
- deferred settlement of part proceeds of the sale of the engineering division – note 15
- dividends satisfied by the issue of shares under the dividend reinvestment plan – note 13(b), and
- options and shares issued to employees under the VALUE IFRS Employee Option Plan and employee share scheme for no cash consideration – note 21.

10(c) Net debt reconciliation [4-8]

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

Net debt	2023 CU'000	2022 CU'000
Cash and cash equivalents (note 7(e))	**55,083**	30,299
Liquid investments (i)	**11,300**	10,915
Bank overdrafts (note 7(g))	**(2,650)**	(2,250)
Borrowings (excluding bank overdraft; note 7(g))	**(94,865)**	(82,345)
Liabilities under supplier finance arrangement (note 7(f))	**(520)**	(430)
Lease liabilities (note 8(b))	**(11,501)**	(11,291)
Net debt	**(43,153)**	(55,102)

IAS7(44A)-(44E)

		Liabilities from financing activities				Other assets		
		Borrowings CU'000	Supplier finance [9 10] CU'000	Leases CU'000	Sub-total CU'000	Cash/ bank overdraft CU'000	Liquid invest-ments (i) CU'000	Total CU'000
	Net debt as at 1 January 2022	(80,056)	(460)	(9,629)	(90,145)	21,573	10,370	(58,202)
IAS7(44B)(a)	Financing cash flows	(1,911)	30	1,338	(543)	6,260	1,235	6,952
IAS7(44B)(e)	New leases	-	-	(3,000)	(3,000)	-	-	(3,000)
IAS7(44B)(c)	Foreign exchange adjustments	(810)	-	-	(810)	216	-	(594)
IAS7(44B)(d)	Changes in fair values	-	-	-	-	-	(690)	(690)
IAS7(44B)(e)	Other changes							
	Interest expense	(5,822)	-	(505)	(6,327)	(40)	-	(6,367)
	Interest payments (presented as operating cash flows)	6,254	-	505	6,759	40	-	6,799
	Net debt as at 31 December 2022	**(82,345)**	**(430)**	**(11,291)**	**(94,066)**	**28,049**	**10,915**	**(55,102)**
IAS7(44B)(a)	Financing cash flows	(12,569)	(90)	1,942	(10,717)	24,632	(465)	13,450
IAS7(44B)(e)	New leases	-	-	(2,152)	(2,152)	-	-	(2,152)
IAS7(44B)(c)	Foreign exchange adjustments	(1,122)	-	-	(1,122)	(248)	15	(1,355)
IAS7(44B)(d)	Changes in fair values	-	-	-	-	-	835	835
IAS7(44B)(e)	Other changes							
	Interest expense	(6,394)	-	(527)	(6,921)	(35)	-	(6,956)
	Interest payments (presented as operating cash flows)	7,565	-	527	8,092	35	-	8,127
	Net debt as at 31 December 2023	**(94,865)**	**(520)**	**(11,501)**	**(106,886)**	**52,433**	**11,300**	**(43,153)**

(i) Liquid investments comprise current investments that are traded in an active market, being the group's financial assets held at fair value through profit or loss (see note 7(d)).

(ii) Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid.

Cash flow information

Reconciliation to cash generated from operations

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

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

IAS7(43)
2. Investing and financing transactions that do not require the use of cash or cash equivalents shall be disclosed in a way that provides all the relevant information about the investing and financing activities.

IAS7(44)
3. Other examples of transactions or events that would require disclosure under paragraph 43 of IAS 7 include the following:
   (a) acquisitions of assets by assuming directly related liabilities, such as purchase of a building by incurring a mortgage to the seller
   (b) conversion of debt to equity.

Net debt reconciliation

IAS7(44A)
4. Entities must explain changes in their liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. While the standard does not prohibit including other assets or liabilities in the reconciliation, entities shall separately identify the changes in liabilities arising from financing activities where they have chosen to do so, as illustrated in note 10(c).

IAS7(44E)

IAS7(44D),(BC19)
5. IAS 7 is also flexible in terms of how the information required by paragraph 44A is presented. Specifically, entities do not need to provide a reconciliation from opening to closing balances but could provide the information in other ways.

IFRIC Update September 2019
6. However, in 2019, the IFRS Interpretations Committee (IFRS IC) published an agenda decision that identified areas on which entities should focus when preparing this disclosure. It also emphasised the need for entities to consider carefully the disclosure and disaggregation requirements in IAS 1 and IAS 7.
7. The agenda decision further noted that an entity which complies with the requirements in IAS 7 by preparing a tabular reconciliation should provide the following:
   (a) A reconciliation of changes in liabilities from financing. If an entity also chooses to define, and reconcile a different 'net debt measure', this does not remove the requirement for the entity to identify and reconcile the changes in its liabilities arising from financing activities.
   (b) Separate disclosure of changes in liabilities arising from financing activities from the changes in any other assets or liabilities.
   (c) Information that enables users to link the items included in the reconciliation to the opening and closing balance in the statement of financial position.
   (d) Appropriate disaggregation, for example by presenting separately material reconciling items and not aggregating dissimilar items.
   (e) Additional disclosure, where necessary to explain the items in the reconciliation.

IAS7(44C)
8. Changes in financial assets must be included in the disclosure if the cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. This could apply, for example, to assets that hedge liabilities arising from financing activities.

Supplier finance arrangements (SFAs)

IAS7(43,44A)
9. As explained in the commentary on the statement of cash flows (paragraphs 7 and 8 on page 27), for the purpose of this publication we have assumed that a gross presentation of cash flows relating to supplier finance arrangements (i.e. gross operating cash outflow and financing cash inflow) is appropriate. However, this may not always be the case. Where no cash flows occurred for the entity when the financial institution settles the invoices by paying the supplier, the entity should disclose this as a non-cash financing transaction and also identify it as a non-cash change in the reconciliation of the liabilities from financing activities. For further guidance see our practical guide *Bringing transparency on supplier finance* on Viewpoint.

   Entities with SFAs should be mindful of the new disclosures that apply from 1 January 2024.
10. See note 7, commentary paragraphs 8 to 11 on page 70 for further information.

Risk

Not mandatory

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

11 Critical estimates, judgements and errors

IAS1(122),(125)

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

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

(a) Significant estimates and judgements [1-2]

Consider impact of climate change – see Appendix E

The areas involving significant estimates or judgements are:

- estimation of current tax payable and current tax expense in relation to an uncertain tax position – note 6(b)
- estimated fair value of certain financial assets – notes 7(c) and 7(h)
- presentation of liabilities under supplier finance arrangement – note 7(f)
- estimation of fair values of land and buildings and investment property – notes 8(a) and 8(c)
- estimation uncertainties and judgements made in relation to lease accounting – note 8(b)
- estimated goodwill impairment – note 8(d)
- estimated useful life of intangible asset – note 8(d)
- estimation of defined benefit pension obligation – note 8(h)
- estimation of provision for warranty claims – note 8(i)
- estimation of fair values of contingent liabilities and contingent purchase consideration in a business combination – note 14
- recognition of revenue and allocation of transaction price – note 3
- recognition of deferred tax asset for carried-forward tax losses – note 8(e)
- impairment of financial assets – note 12(c), and
- consolidation decision and classification of joint arrangement – notes 7(c) and 16.

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

Recent developments that could affect estimates and judgements

When preparing their financial report, entities should also consider the impact of the following developments on any significant estimates or judgements made:

- Inflation and rising interest rates – see In depth INT2022-12 *Navigating IFRS Accounting Standards in periods of rising inflation and interest rates*.
- Climate change – see *Appendix E*.
- Russia's war on Ukraine – see In depth *INT2022-05 Accounting implications of the Russian invasion of Ukraine*.

11(b) Correction of material error in calculating depreciation

IAS8(49)(a)

In September 2023, a subsidiary discovered a computational error in calculating depreciation on some of its equipment. The error resulted in a material understatement of depreciation recognised for the 2022 and prior financial years and a corresponding overstatement of property, plant and equipment.

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

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

Statement of financial position (extract)	31 December 2022 CU'000	Increase/ (Decrease) CU'000	31 December 2022 (Restated) CU'000	31 December 2021 CU'000	Increase/ (Decrease) CU'000	1 January 2022 (Restated) CU'000
Property, plant and equipment	103,630	(1,550)	102,080	94,445	(1,300)	93,145
IAS12(81)(a) Deferred tax liability	(7,285)	465	(6,820)	(4,745)	390	(4,355)
Net assets	**117,084**	**(1,085)**	**115,999**	**95,818**	**(910)**	**94,908**
Retained earnings	(35,588)	1,085	(34,503)	(21,115)	910	(20,205)
Total equity	**(117,084)**	**1,085**	**(115,999)**	**(95,818)**	**910**	**(94,908)**

	2022 CU'000	Profit Increase/ (Decrease) CU'000	2022 (Restated) CU'000
Statement of profit or loss (extract)			
Cost of sales of goods	(64,909)	(250)	(65,159)
Profit before income tax	**39,867**	**(250)**	**39,617**
Income tax expense	(11,650)	75	(11,575)
Profit from discontinued operation	399	-	399
Profit for the period	**28,616**	**(175)**	**28,441**
Profit is attributable to:			
Owners of VALUE IFRS Plc	26,298	(175)	26,123
Non-controlling interests	2,318	-	2,318
	28,616	**(175)**	**28,441**
Statement of comprehensive income (extract)			
Profit for the period	28,616	(175)	28,441
Other comprehensive income for the period	3,665	-	3,665
Total comprehensive income for the period	**32,281**	**(175)**	**32,106**
Total comprehensive income is attributable to:			
Owners of VALUE IFRS Plc	29,705	(175)	29,530
Non-controlling interests	2,576	-	2,576
	32,281	(175)	**32,106**

IAS8(49)(b)(ii)

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was a decrease of CU0.4 and CU0.3 cents per share respectively.

The correction further affected some of the amounts disclosed in note 5(c) and note 6(a). Depreciation expense for the prior year increased by CU250,000, and deferred tax expense decreased by CU75,000.

11(c) Revision of useful lives of plant and equipment [3]

IAS8(39)
IAS16(76)

During the year the estimated total useful lives of certain items of plant and equipment used in the manufacture of furniture at a subsidiary 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/(decreased) by the following amounts:

Year ending 31 December	**CU'000**
2024	740
2025	(610)
2026	(460)
2027	(650)

Critical estimates, judgements and errors

Disclosure not illustrated: not applicable to VALUE IFRS Plc

Sources of estimation uncertainty

IFRIC14(10)

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

Significant judgements

IAS1(123)

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

Change of accounting estimate in final interim period

IAS34(26)

3. 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.

12 Financial risk management [1,2,20,21]

Risk management disclosures may need to be updated for the impacts of rising inflation and interest rates – see commentary paras 18 and 19 at the end of this note.

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

IFRS7(21A)(a),(21C),(31),(32),(33)

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

IFRS7(33)(b)

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

IFRS7(21A)(c)

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases.

12(a) Derivatives [20]

IFRS7(24A)(b)

The group has the following derivative financial instruments in the following line items in the statement of financial position:

		2023 CU'000	2022 CU'000
	Current assets [3-5]		
IAS1(77),IFRS7(24A)(a)	Foreign currency options – cash flow hedges ((b)(i))	**1,709**	1,320
IAS1(77),IFRS7(24A)(a)	Interest rate swaps – cash flow hedges ((b)(ii))	**145**	97
IFRS7(24A)(b)	Total current derivative financial instrument assets	**1,854**	1,417
	Non-current assets [3-5]		
IAS1(77),IFRS7(24A)(a)	Interest rate swaps – cash flow hedges ((b)(ii))	**308**	712
IFRS7(24A)(b)	Total non-current derivative financial instrument assets	**308**	712
	Current liabilities [3-5]		
IAS1(77)	Foreign currency forwards – held for trading ((b)(i))	**610**	621
IAS1(77),IFRS7(24A)(a)	Foreign currency forwards – cash flow hedges ((b)(i))	**766**	777
IFRS7(24A)(b)	Total current derivative financial instrument liabilities	**1,376**	1,398

12(a) Derivatives [20]

IAS1(117)

(i) Classification of derivatives [21]

IAS1(66),(68)

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

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

The group's accounting policy for its cash flow hedges is set out in note 25(p). Further information about the derivatives used by the group is provided in note 12(b) below.

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives see note 7(h).

(iii) Hedging reserves

IFRS7(24E)(a),(24F)

The group's hedging reserves disclosed in note 9(c) relate to the following hedging instruments:

		Cash flow hedge reserve				
		Cost of hedging reserve * CU'000	Intrinsic value of options CU'000	Spot component of currency forwards CU'000	Interest rate swaps CU'000	Total hedge reserves CU'000
IFRS7(24B)(b)(ii)	**Opening balance 1 January 2022**	**(25)**	**109**	**(287)**	**-**	**(203)**
IFRS7(24E)(b),(c)	Add: Change in fair value of hedging instrument recognised in OCI	-	1,353	(935)	1,005	1,423
IFRS7(24C)(b)(i),(24E)(a)	Add: Costs of hedging deferred and recognised in OCI	73	-	-	-	73
IFRS7(24E)(a)	Less: Reclassified to the cost of inventory – not included in OCI	36	(339)	642	-	339
IFRS7(24C)(b)(iv)	Less: reclassified from OCI to profit or loss	-	-	-	(195)	(195)
	Less: Deferred tax	(33)	(304)	88	(243)	(492)
	Closing balance 31 December 2022	**51**	**819**	**(492)**	**567**	**945**
IFRS7(24E)(b),(c)	Add: Change in fair value of hedging instrument recognised in OCI for the year	-	746	(218)	(202)	326
IFRS7(24C)(b)(i),(24E)(a)	Add: Costs of hedging deferred and recognised in OCI	(88)	-	-	-	(88)
IFRS7(24E)(a)	Less: Reclassified to the cost of inventory – not included in OCI	(73)	(159)	188	-	(44)
IFRS7(24C)(b)(iv)	Less: reclassified from OCI to profit or loss – included in finance costs (see note 5(d))	-	-	-	(155)	(155)
	Less: Deferred tax	48	(176)	9	107	(12)
	Closing balance 31 December 2023	**(62)**	**1,230**	**(513)**	**317**	**972**

IFRS7(22B)(c)

* The amount deferred in the costs of hedging reserve includes CU34,000 in respect of time value of options and CU28,000 in respect of forward points (2022 – CU54,000 in respect of forward points). All of these deferred costs are in respect of transaction-related items, namely forecast inventory purchases.

IFRS7(24C)(b)(iv)

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period in relation to the foreign currency forwards and options.

(iv) Amounts recognised in profit or loss

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in profit or loss in relation to derivatives:

		2023 CU'000	2022 CU'000
IFRS7(20)(a)(i)	Net gain/(loss) on foreign currency forwards not qualifying as hedges included in other gains/(losses)	**11**	(621)
IFRS7(24C)(b)(ii),(iii)	Hedge ineffectiveness of foreign currency forwards – amount recognised in other gains/(losses)	**4**	2

12(a) Derivatives [20]

Hedge effectiveness [6]

IFRS7(22B)(b) Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

IFRS7(23D) In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of Oneland or the derivative counterparty.

IFRS7(22B)(b) The group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

IFRS7(22B)(c),(23D) Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

IFRS7(24C)(b)(ii) Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2023 and 2022.

IFRS7(33)

12(b) Market risk

IFRS7(21C)

(i) Foreign exchange risk [7,8]

Exposure

IFRS7(31),(34)(c),(22A)(c) The group's exposure to foreign currency risk at the end of the reporting period, expressed in Oneland currency units, was as follows:

	31 December 2023			31 December 2022		
	USD CU'000	**EUR CU'000**	**RMB CU'000**	USD CU'000	EUR CU'000	RMB CU'000
Trade receivables	**5,150**	**2,025**	**-**	4,130	945	
Bank loans	**(18,765)**	**-**	**(1,509)**	(8,250)	-	-
Trade payables	**(4,250)**	**-**	**-**	(5,130)	-	-
Foreign currency forwards						
buy foreign currency (cash flow hedges)	**11,519**	**-**	**-**	10,613	-	-
buy foreign currency (held for trading)	**12,073**	**-**	**-**	11,422	-	-
Foreign currency options	**10,000**	**-**	**-**	8,000		

IAS21(52)(a) The aggregate net foreign exchange gains/losses recognised in profit or loss were:

		2023 CU'000	2022 CU'000
IAS21(52)(a)	Net foreign exchange gain/(loss) included in other gains/(losses)	**518**	(259)
IAS23(6)(e)	Exchange losses on foreign currency borrowing included in finance costs	**(1,122)**	(810)
IAS21(52)(a)	Total net foreign exchange (losses) recognised in profit before income tax for the period	**(604)**	(1,069)

Instruments used by the group

IFRS7(33)(b),(22A)(a) The group operates internationally and is exposed to foreign exchange risk, primarily the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable US dollar expenditures. The risk is hedged with the objective of minimising the volatility of the Oneland currency cost of highly probable forecast inventory purchases.

IFRS7(33)

12(b) Market risk

IFRS7(22A)(b),(c)

The group treasury's risk management policy is to hedge between 65% and 80% of forecast US dollar cash flows for inventory purchases up to one quarter in advance, subject to a review of the cost of implementing each hedge. For the year ended 31 December 2023, approximately 80% of inventory purchases were hedged in respect of foreign currency risk. At 31 December 2023, 90% of forecasted US dollar inventory purchases during the first quarter of 2024 qualified as 'highly probable' forecast transactions for hedge accounting purposes (for 2022, approximately 85% of inventory purchases were hedged and 93% of the purchases qualified as 'highly probable' as at 31 December 2022).

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

IFRS7(22B)(a)

The group uses a combination of foreign currency options and foreign currency forwards to hedge its exposure to foreign currency risk. Under the group's policy, the critical terms of the forwards and options must align with the hedged items.

IFRS9(6.5.16)

The group only designates the spot component of foreign currency forwards in hedge relationships. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. It is discounted, where material.

IFRS9(6.5.15)

The intrinsic value of foreign currency options is determined with reference to the relevant spot market exchange rate. The differential between the contracted strike rate and the discounted spot market exchange rate is defined as the time value. It is discounted, where material.

IAS1(117)
IFRS7(21)

The changes in the forward element of the foreign currency forwards and the time value of the options that relate to hedged items are deferred in the costs of hedging reserve.

IFRS7(7),(21)

The group also entered into foreign currency forwards in relation to projected purchases for the next 12 months that do not qualify as 'highly probable' forecast transactions and hence do not satisfy the requirements for hedge accounting (economic hedges). The foreign currency forwards are subject to the same risk management policies as all other derivative contracts. However, they are accounted for as held for trading, with gains (losses) recognised in profit or loss.

Hedge of net investment in foreign entity

IFRS7(22A)

In 2023, VALUE IFRS Plc has entered into a bank loan amounting to CU1,699,000 which is denominated in Chinese renminbi (RMB) and which was taken out to fund an additional equity investment in the Chinese subsidiary. The forward rate of the loan has been designated as a hedge of the net investment in this subsidiary. There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

Effects of hedge accounting on the financial position and performance

The effects of the foreign currency-related hedging instruments on the group's financial position and performance are as follows:

		2023 CU'000	2022 CU'000
IFRS7(24A)(b)	*Foreign currency options*		
IFRS7(24A)(a)	Carrying amount (current asset)	**1,709**	1,320
IFRS7(24A)(d)	Notional amount	**10,000**	8,000
IFRS7(23B)(a)	Maturity date	**January 2024 – March 2024**	Jan 2023 – April 2023
IFRS7(22B)(c)	Hedge ratio *	**1:1**	1:1
IFRS7(24A)(c)	Change in intrinsic value of outstanding hedging instruments since inception of the hedge	**596**	1,353
IFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge ineffectiveness	**(596)**	(1,353)
IFRS7(23B)(b)	Weighted average strike rate for outstanding hedging instruments	**US$0.9612:CU1**	US$0.8543:CU1

IFRS7(22B)(c)

* The foreign currency forwards and options are denominated in the same currency as the highly probable future inventory purchases (US$), therefore the hedge ratio is 1:1.

IFRS7(33)

12(b) Market risk

		2023 CU'000	2022 CU'000
IFRS7(24A)(b)	*Foreign currency forwards*		
IFRS7(24A)(a)	Carrying amount (current liability)	**(766)**	(777)
IFRS7(24A)(d)	Notional amount	**11,519**	10,612
IFRS7(23B)(a)	Maturity date	**January 2024 – March 2024**	January 2023 – March 2023
IFRS7(22B)(c)	Hedge ratio *	**1:1**	1:1
IFRS7(24A)(c)	Change in discounted spot value of outstanding hedging instruments since inception of the hedge	**(218)**	(935)
IFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge ineffectiveness	**222**	937
IFRS7(23B)(b)	Weighted average hedged rate for outstanding hedging instruments (including forward points)	**US$0.9612:CU1**	US$0.9428:CU1

IFRS7(22B)(c) * The foreign currency forwards and options are denominated in the same currency as the highly probable future inventory purchases (US$), therefore the hedge ratio is 1:1.

		2023 CU'000	2022 CU'000
IFRS7(24A)(b)	*Net investment in foreign operation*		
IFRS7(24A)(a)	Carrying amount (non-current borrowings)	**(1,509)**	-
IFRS7(24A)(d)	RMB carrying amount	**RMB 6,946,000**	-
IFRS7(22B)(c)	Hedge ratio	**1:1**	-
IFRS7(24A)(c)	Change in carrying amount of bank loan as a result of foreign currency movements since 1 January, recognised in OCI – see note 9(c)	**190**	-
IFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	**(190)**	-
IFRS7(23B)(b)	Weighted average hedged rate for the year (including forward points)	**RMB5.93214:CU1**	

Sensitivity

IFRS7(40)(a),(b),(c) As shown in the table on page 127 above, the group is primarily exposed to changes in US/CU exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar-denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

	Impact on post-tax profit		Impact on other components of equity	
	2023 CU'000	2022 CU'000	**2023 CU'000**	2022 CU'000
US/CU exchange rate – increase 9% (2022 – 10%) *	**(1,494)**	(1,004)	**(806)**	(743)
US/CU exchange rate – decrease 9% (2022 – 10%) *	**1,223**	822	**660**	608

* Holding all other variables constant

Profit is more sensitive to movements in the Oneland currency unit/US dollar exchange rates in 2023 than 2022 because of the increased amount of US dollar denominated borrowings. Equity is more sensitive to movements in the Oneland currency unit/US dollar exchange rates in 2023 than 2022 because of the increased amount of foreign currency forwards. The group's exposure to other foreign exchange movements is not material.

12(b) Market risk

IFRS7(21C)

(ii) Cash flow and fair value interest rate risk [9]

IFRS7(22A)(a),(b),(33)(a),(b)

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Group policy is to maintain at least 50% of its borrowings at fixed rate, using floating-to-fixed interest rate swaps to achieve this when necessary. Generally, the group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. During 2023 and 2022, the group's borrowings at variable rate were mainly denominated in Oneland currency units and US dollars.

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

IFRS7(22A)(c),(34)(a)

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

	2023 CU'000	**% of total loans**	2022 CU'000	% of total loans
Variable rate borrowings	**54,689**	**56%**	50,150	59%
Fixed rate borrowings – repricing or maturity dates:				
Less than 1 year	**4,735**	**5%**	3,895	5%
1 – 5 years	**26,626**	**27%**	19,550	23%
Over 5 years	**11,465**	**12%**	11,000	13%
	97,515	**100%**	84,595	100%

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

Instruments used by the group

IFRS7(22B)(a),(23B)

Swaps currently in place cover approximately 18% (2022 – 17%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 7.8% and 8.3% (2022 – 9.0% and 9.6%), and the variable rates of the loans are between 0.5% and 1.0% above the 90 day bank bill rate which, at the end of the reporting period, was 8.2% (2022 – 9.4%).

IFRS7(22B)(a)

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

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the group's financial position and performance are as follows:

		2023 CU'000	2022 CU'000
	Interest rate swaps		
IFRS7(24A)(b)			
IFRS7(24A)(a)	Carrying amount (current and non-current asset)	**453**	809
IFRS7(24A)(d)	Notional amount	**10,010**	8,440
IFRS7(23B)(a)	Maturity date	**2023**	2022
IFRS7(22B)(c)	Hedge ratio	**1:1**	1:1
IFRS7(24A)(c)	Change in fair value of outstanding hedging instruments since 1 January	**(202)**	1,005
IFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	**202**	1,005
IFRS7(23B)(b)	Weighted average hedged rate for the year	**8.1%**	9.3%

12(b) Market risk

Sensitivity

IFRS7(40)(a)

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings and the fair value of debt investments at fair value through other comprehensive income.

	Impact on post-tax profit		Impact on other components of equity	
	2023 CU'000	2022 CU'000	**2023 CU'000**	2022 CU'000
Interest rates – increase by 70 basis points (2022 – 60 bps) *	**138**	(18)	**(90)**	(16)
Interest rates – decrease by 100 basis points (2022 – 80 bps) *	**(127)**	96	**129**	22

* Holding all other variables constant

IFRS7(21C)

(iii) Price risk

Exposure

IFRS7(33)(a)

Consider impact of climate change – see Appendix E

The group's exposure to equity securities price risk arises from investments held by the group and classified in the statement of financial position either as at fair value through other comprehensive income (FVOCI) (note 7(c)) or at fair value through profit or loss (FVPL) (note 7(d)).

IFRS7(33)(b)

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

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

Sensitivity

IFRS7(40)(a),(b)

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

	Impact on post-tax profit		Impact on other components of equity	
	2023 CU'000	2022 CU'000	**2023 CU'000**	2022 CU'000
Oneland Stock Exchange 200 – increase 9% (2022 – 7.5%)	**385**	361	**284**	266
NYSE International 100 – increase 7% (2022 – 6.5%)	**254**	184	**-**	-
Oneland Stock Exchange 200 – decrease 6% (2022 – 4%)	**(257)**	(193)	**(189)**	(177)
NYSE International 100 – decrease 5% (2022 – 3.5%)	**(182)**	(99)	**-**	-

Post-tax profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at FVPL. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as at FVOCI.

Amounts recognised in profit or loss and other comprehensive income

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

IFRS7(33)(a),(b)

Consider impact of climate change – see Appendix E

12(c) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

IFRS7(35B)

(i) Risk management

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

IFRS7(34)(c)

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

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

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

The group's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

IFRS7(15)(b), (36)(a),(b)

(ii) Security

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

(iii) Impairment of financial assets [21]

The group has four types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory and from the provision of consulting services
- contract assets relating to IT consulting contracts
- debt investments carried at amortised cost, and
- debt investments carried at FVOCI.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets [10]

IAS1(117),IFRS7(21) IFRS9(5.5.15)

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

IFRS7(35F)(c)

Consider impact of climate change – see Appendix E

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

IFRS7(35G)

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 or 1 January 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

12(c) Credit risk

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for both trade receivables and contract assets:

IFRS7(35N)

	31 December 2023	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
	Expected loss rate	1.8%	5%	16%	52%	
IFRS7(35K)(a)	Gross carrying amount – trade receivables	13,627	1,428	893	360	16,308
IFRS7(35K)(a)	Gross carrying amount – contract assets	1,547	-	-	-	1,547
	Loss allowance	**273**	**71**	**143**	**187**	**674**

IFRS7(35N)

	31 December 2022	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
	Expected loss rate	1.4%	5%	14%	46%	
IFRS7(35K)(a),(6)	Gross carrying amount – trade receivables	6,815	975	480	300	8,570
IFRS7(35K)(a),(6)	Gross carrying amount – contract assets	2,597	-	-	-	2,597
	Loss allowance	132	49	67	138	386

IFRS7(35H)(b)(iii) The loss allowances for trade receivables and contract assets as at 31 December reconcile to the opening loss allowances as follows:

		Contract assets		Trade receivables	
		2023 CU'000	2022 CU'000	**2023 CU'000**	2022 CU'000
	Opening loss allowance at 1 January	**36**	30	**350**	115
	Increase in loan loss allowance recognised in profit or loss during the year	**-**	6	**846**	635
IFRS7(35I)(c)	Receivables written off during the year as uncollectible	**-**	-	**(530)**	(345)
IFRS7(35I)(c)	Unused amount reversed	**(8)**	-	**(20)**	(55)
	Closing loss allowance at 31 December	**28**	36	**646**	350

IFRS7(35F)(e) Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Debt investments [11]

IFRS7(35F)(a)(i) All of the entity's debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

12(c) Credit risk

Other financial assets at amortised cost

IAS1(117) Other financial assets at amortised cost include debenture assets, zero coupon bonds and listed corporate bonds, loans to related parties and key management personnel, and other receivables.

The loss allowance for other financial assets at amortised cost as at 31 December reconciles to the opening loss allowance as follows:

IFRS7(35H)(a)

	Related parties CU'000	Key management personnel CU'000	Debentures and bonds CU'000	Other receivables CU'000	Total CU'000
Opening loss allowance as at 1 January 2022	**-**	**1**	**4**	**2**	**7**
IFRS7(20)(a)(vi) Increase in the allowance recognised in profit or loss during the period	2	1	3	3	9
Closing loss allowance as at 31 December 2022	2	2	7	5	16
IFRS7(20)(a)(vi) Increase in the allowance recognised in profit or loss during the period	2	1	17	3	23
Closing loss allowance as at 31 December 2023	**4**	**3**	**24**	**8**	**39**

Debt investments at fair value through other comprehensive income

IAS1(117)
IFRS9(5.5.2)
Debt investments at fair value through other comprehensive income (FVOCI) include listed and unlisted debt securities. The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

IFRS7(35H)(a)
IFRS7(16A)
The loss allowance for debt investments at FVOCI as at 31 December reconciles to the opening loss allowance as follows:

	CU'000
Loss allowance as at 1 January and 31 December 2022	-
IFRS7(20)(a)(viii) Increase in loan loss allowance recognised in profit or loss during the year	8
Closing loss allowance as at 31 December 2023	**8**

(iv) Significant estimates and judgements

Impairment of financial assets

IFRS9(5.5.17)
IAS1(125)

Consider impact of climate change – see Appendix E

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables above.

(v) Net impairment losses on financial and contract assets recognised in profit or loss

Not mandatory

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	2023 CU'000	2022 CU'000
Impairment losses		
- movement in loss allowance for trade receivables and contract assets	**(846)**	(641)
Impairment losses on other financial assets	**(23)**	(9)
Reversal of previous impairment losses	**28**	55
IFRS7(20)(a)(vi) Impairment losses on financial assets at amortised cost	**(841)**	(595)
IFRS7(20)(a)(viii) Impairment losses on financial assets at FVOCI	**(8)**	-
IAS1(82)(ba) Net impairment losses on financial and contract assets	**(849)**	(595)

IFRS15(113)(b) Of the above impairment losses, CU739,000 (2022 – CU607,000) relate to receivables arising from contracts with customers (see note 3).

12(c) Credit risk

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

IFRS7(36)

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (CU2,390,000; 2022 – nil).

12(d) Liquidity risk

IFRS7(33)(a),(b),(39)(c),(B11E)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the group held deposits at call of CU44,657,000 (2022 – CU24,093,000) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

IFRS7(34)(a)

Consider impact of climate change – see Appendix E

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

(i) Financing arrangements [16]

IFRS7(7),(34)(a)
IAS7(50)(a)

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

	2023 CU'000	2022 CU'000
Floating rate		
- Expiring within one year (bank overdraft and bill facility)	**12,400**	10,620
- Expiring beyond one year (bank loans)	**9,470**	8,100
	21,870	18,720

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

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. The unsecured bill acceptance facility may be drawn at any time and is subject to annual review. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in either Oneland currency units or US dollars and have an average maturity of 6.5 years (2022 – 6.9 years). [17,21]

12(d) Liquidity risk

(ii) Maturities of financial liabilities [12-15]

IFRS7(39)(a),(b),(B11B)

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

(a) all non-derivative financial liabilities, and

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

IFRS7(B11D)

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

IFRS7(39)(a),(B11B)

The group's trading portfolio of derivative instruments with a negative fair value has been included at their fair value of CU610,000 (2022 – CU621,000) within the 'less than 6 months' time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net fair value basis, rather than by maturity date.

IFRS7(39)(a),(b)(B11)

Contractual maturities of financial liabilities [12-15] At 31 December 2023	Less than 6 months CU'000	6 – 12 months CU'000	Between 1 and 2 years CU'000	Between 2 and 5 years CU'000	Over 5 years CU'000	Total contractual cash flows CU'000	Carrying amount (assets)/ liabilities CU'000
Non-derivatives							
Trade payables	**13,700**	**-**	**-**	**-**	**-**	**13,700**	**13,700**
Borrowings *	**4,439**	**4,639**	**9,310**	**46,195**	**40,121**	**104,704**	**97,515**
Lease liabilities ** (IFRS16(58))	**1,455**	**1,456**	**2,911**	**5,337**	**2,340**	**13,499**	**11,501**
Total non-derivatives	**19,594**	**6,095**	**12,221**	**51,532**	**42,461**	**131,903**	**122,716**
Derivatives							
Trading derivatives	**610**	**-**	**-**	**-**	**-**	**610**	**610**
Gross settled (foreign currency forwards – cash flow hedges)							
(inflow)	**(17,182)**	**(13,994)**	**-**	**-**	**-**	**(31,176)**	**-**
outflow	**17,521**	**14,498**	**-**	**-**	**-**	**32,019**	**766**
	949	**504**	**-**	**-**	**-**	**1,453**	**1,376**
At 31 December 2022							
Non-derivatives							
Trade payables	10,281	-	-	-	-	10,281	10,281
Borrowings	4,513	4,118	9,820	44,476	30,235	93,162	84,595
Lease liabilities **	1,174	1,174	2,415	6,845	2,017	13,625	11,291
Total non-derivatives	15,968	5,292	12,235	51,321	32,252	117,068	106,167
Derivatives							
Trading derivatives	621	-	-	-	-	621	621
Gross settled (foreign currency forwards – cash flow hedges)							
(inflow)	(11,724)	(6,560)	-	-	-	(18,284)	-
outflow	11,885	7,228	-	-	-	19,113	777
	782	668	-	-	-	1,450	1,398

IFRS7(B10A)(a)
IAS1R(75A)

Revised illustration

* Of the CU46.195m disclosed in the 2023 borrowings time band 'between 2 and 5 years', the group is considering early repayment of CU5,000,000 in the first quarter of the 2024 financial year (2022 – nil).

** The amounts disclosed for the lease liabilities include cash flows relating to extension options if they have been included in the lease term, and therefore the measurement of the lease liability as disclosed in note 8(b)(v).

Financial risk management

Classes of financial instruments

IFRS7(6),(B1)-(B3)

1. Where IFRS 7 requires disclosures by class of financial instrument, the entity shall group its financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes are determined by the entity and are therefore distinct from the categories of financial instruments specified in IFRS 9. As a minimum, the entity should distinguish between financial instruments measured at amortised cost and those measured at fair value, and treat as separate class any financial instruments outside the scope of IFRS 9. The entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position. Guidance on classes of financial instruments and the level of required disclosures is provided in Appendix B to IFRS 7.

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

IFRS7(34)(a)

2. The disclosures in relation to the financial risk management of an entity should reflect the information provided internally to key management personnel. As such, the disclosures that will be provided by an entity, their level of detail and the underlying assumptions used will vary greatly from entity to entity. The disclosures in these illustrative financial statements are only one example of the kind of information that may be disclosed and you should consider carefully what may be appropriate in your individual circumstances.

Derivative financial instruments

Classification as current or non-current

IAS1(BC38I),(BC38J),(66),(69)
IFRS9,Appendix A

3. The classification of financial instruments as held for trading under IFRS 9 does not mean that they must necessarily be presented as current in the statement of financial position. Rather, the requirements of paragraph 66 of IAS 1 should be applied in determining classification. This means that financial assets, including portions of financial assets expected to be realised within 12 months of the reporting date, should only be presented as current assets if realisation within 12 months is expected. Otherwise they should be classified as non-current.
4. Similar to financial assets, where a portion of a financial liability is expected to be settled within 12 months of the reporting date, settlement cannot be deferred for at least 12 months of the reporting date, that portion should be presented as a current liability; the remainder should be presented as a non-current liability.
5. The treatment of hedging derivatives will be similar. This suggests that hedging derivatives should be split into current and non-current portions. However, as an alternative, the full fair value of hedging derivatives could be classified as current if the hedge relationships are for less than 12 months, and as non-current if those relationships are for more than 12 months.

Disclosing how hedge ineffectiveness was determined for the current period

IFRS7(24A)(c),(24B)(b)(i),(BC35LL)

6. IFRS 7 requires the disclosure of the change in the fair value of the hedging instrument and the hedged item used as the basis for recognising hedge ineffectiveness for the period. For cash flow hedging relationships that span multiple reporting periods, the ineffectiveness for the period is calculated as the difference between the cumulative ineffectiveness as at reporting date (based on the 'lesser of' the cumulative change in the fair value of the hedging instrument and the hedged item), and the cumulative ineffectiveness reported in prior periods. It might therefore be useful to disclose additional information such as the cumulative amounts recognised as ineffectiveness in prior periods as well as the impact of the 'lesser-of assessment' (if applicable) to illustrate how the ineffectiveness for the current reporting period was calculated.

Market risk

Foreign currency risk

IFRS7(B23)

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

Financial risk management

8. For the purpose of IFRS 7, currency risk does also not arise from financial instruments that are non-monetary items. VALUE IFRS Plc has therefore excluded its US dollar-denominated equity securities from the analysis of foreign exchange risk. The foreign currency exposure arising from investing in non-monetary financial instruments is reflected in the other price risk disclosures as part of the fair value gains and losses.

Interest rate risk – fixed rate borrowings

9. Sensitivity to changes in interest rates is normally only relevant to financial assets or financial liabilities bearing floating interest rates. However, sensitivity will also be relevant to fixed rate financial assets and financial liabilities which are remeasured to fair value.

Credit risk

IFRS15(107),(108)

10. The impairment rules in IFRS 9 also apply to contract assets. A contract asset is the entity's right to consideration in exchange for goods or services that the entity has transferred to the customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the same basis as financial assets that are within the scope of IFRS 9.

IFRS9(5.5.3),(5.5.4)
IFRS9(5.4.1)(b)

11. If there is a significant increase in credit risk in relation to any of the debt instruments since initial recognition, the group would need to recognise lifetime expected credit losses for those instruments, but would continue to calculate interest revenue on the gross carrying amount of the asset. If there is objective evidence of impairment, lifetime expected credit losses must be recognised and interest revenue will be calculated on the net carrying amount (that is, net of credit allowance). In these cases, additional disclosures will be required similar to those that are illustrated for customer loans on page 142 onwards.

Liquidity risk

Maturity analysis

IFRS7(B11B)

12. All financial liabilities must be included in the maturity analysis. The analysis should generally be based on contractual maturities. However, for derivative financial liabilities the standard provides entities with a choice to base the maturity grouping on expected rather than contractual maturities, provided the contractual maturities are not essential for an understanding of the timing of the cash flows. This could be the case for derivative contracts that are held for trading. For contracts such as interest rate swaps in a cash flow hedge of a variable rate financial asset or liability and for all loan commitments, the remaining contractual maturities will be essential for an understanding of the timing of the cash flows. These contracts must therefore be grouped based on their contractual maturities.

IFRS7(39),(B11D)

13. The amounts disclosed should be the amounts expected to be paid in future periods, determined by reference to the conditions existing at the end of the reporting period. However, IFRS 7 does not specify whether current or forward rates should be used. For floating rate financial liabilities and foreign currency-denominated instruments, the use of forward interest rates and forward foreign exchange rates might be conceptually preferable, but the use of a spot rate at the end of the period is also acceptable. Whichever approach is adopted (that is, current/spot rate or forward rate at the reporting date), it should be applied consistently.

IFRS7(B11C)(c)

14. The specific time buckets presented are not mandated by the standard but are based on what is reported internally to the key management personnel. For financial guarantee contracts, the maximum amount of the guarantee must be allocated to the earliest period in which the guarantee could be called.
15. As the amounts included in the maturity tables are the contractual undiscounted cash flows, including principal and interest payments, these amounts will not reconcile to the amounts disclosed in the statement of financial position. This is in particular as far as borrowings or derivative financial instruments are concerned. Entities can choose to add a column with the carrying amounts which ties into the statement of financial position and a reconciling column if they so wish, but this is not mandatory.

Financial risk management

Financing arrangements

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

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

Terms and conditions of financial instruments

IFRS7(7),(31)
IFRS PS 2

17. Entities shall disclose sufficient information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance and the nature and extent of risks arising from these financial instruments. However, the intention of IFRS 7 was to decrease the potentially voluminous disclosures that were required by IAS 32 and replace them with shorter but more meaningful information. Under normal circumstances entities will therefore no longer need to disclose the significant terms and conditions for each of their major borrowings. Nevertheless, if an entity has a borrowing or other financial instrument with unusual terms and conditions, some information should be provided to enable users to assess the nature and extent of risks associated with these instruments. The non-mandatory IFRS Practice Statement 2 *Making Materiality Judgements* discusses the circumstances under which covenants may need to be disclosed, see paragraphs 81–83.

Impact of rising inflation and interest rates on risk management disclosures

18. Rising inflation and interest rates may also affect the financial risk management disclosures. For example:

IFRS7(40),(41)

a. Sensitivity disclosures would need to be updated if the magnitude of a reasonably possible change in interest rates is materially different from that disclosed in the previous annual financial statements. Where there are changes in expected volatility, prior year disclosures should not be restated. An entity could choose, however, to present additional sensitivity information for the comparative period in addition to the required comparative figures from the prior year.

IFRS7(34)(c),(B8)

b. Concentration risk disclosures may need to be updated where entities have made changes to cash deposits and deposit facilities.

IFRS7(35M)

c. Credit risk rating disclosures required for loan loss allowances (illustrated in the commentary on page 142) may need to be revised to reflect changed credit ratings.

IFRS7(39)(c),(B11F)

d. Liquidity risk disclosures may need to reflect changes to the availability of financing and the condition of the financial institution that is providing finance, in particular where the entity is relying on supplier finance arrangements. Increasing margin calls on derivatives requiring the posting of collateral can also pose a significant liquidity risk that may need to be disclosed. Entities may further be impacted where contractual terms include inflation-linked interest rates, for example in leasing contracts. If such contractual terms give rise to significant liquidity risk, entities should provide quantitative disclosures of their collateral and contractual arrangements to explain how this liquidity risk is managed.

e. Increased concentration of liquidity risks may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets.

IFRS7(B11F)(d),(IG18)

IFRS7(32)

19. IFRS 7 does not limit disclosure of risks to only credit risk, liquidity risk and market risk. Hence, an entity may need to provide specific disclosures relating to inflation risk, if this information is not already captured in other market risk disclosures. For example, if an entity has an inflation-linked financial instrument, the sensitivity of such an instrument to changes in inflation rates should be disclosed.

Financial risk management

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:

General financial risk management disclosures

	Issue not illustrated	Relevant disclosures or references
IFRS7(15)	Collateral held by the entity which can be sold or re-pledged	Disclose the fair value of the collateral held, the fair value of collateral sold or re-pledged and whether it must be returned, and the terms and conditions associated with the collateral.
IFRS7(35),(42)	Quantitative data is unrepresentative of the entity's risk exposure	Provide further information as necessary.
IFRS7(39)(a),(B10)(c),(B11C)(c) IFRS9(Appendix A)	Financial guarantee contract (maturity table)	This must be included in the maturity table in the earliest time bucket in which it can be called. The existence of such contracts will also need to be discussed in the context of the credit risk disclosures.

Hedge accounting disclosures

	Issue not illustrated	Relevant disclosures or reference
IFRS7(22C)	The entity has designated a specific risk component of an asset in a hedge relationship (e.g. the movement in crude oil price of a barrel of crude oil)	Provide information about how the entity has determined the risk component that is designated as the hedged item and how this component relates to the item in its entirety. See paragraph 21 below for a disclosure example.
IFRS7(23C)	The entity frequently resets hedging relationships (dynamic hedging)	Provide the additional disclosures required by paragraph 23C of IFRS 7.
IFRS7(24B),(24C)	The entity has designated fair value hedges	Provide the disclosures required by paragraphs 24B(a) and 24C(a) of IFRS 7.
IFRS7(23F) IFRS7(24C)(b)(iv) IFRS7(24C)(b)(v)	The entity designated forecast future transactions in hedge relationships which are no longer expected to occur	Provide the information required by paragraph 23F of IFRS 7. The entity would also need to disclose: • any amount reclassified from the cash flow hedge reserve and/or costs of hedging reserve into profit or loss as a reclassification adjustment, differentiating between amounts reclassified due to future transactions no longer being expected to occur and amounts that have been transferred because the hedged item has affected profit or loss, and • the line item in the statement of comprehensive income containing the reclassification adjustment.
IFRS7(24C)(b)(vi)	Designate net positions in hedge relationships	Disclose the hedging gains or losses recognised in a separate line item in the statement of comprehensive income.

Financial risk management

	Issue not illustrated	Relevant disclosures or reference
IFRS7(24G)-(30)	The entity has a credit derivative to manage the credit risk of a financial instrument and has designated the financial instrument, or a proportion of it, as measured at FVPL	Provide the information required by paragraphs 24G to 30 of IFRS 7.
IFRS7(24B)(b)(iii)	Cessation of hedging relationships during the year	Disclose the balances remaining in the cash flow hedge reserve and the foreign currency translation reserve for any hedge relationships which have been terminated.
IFRS7(23E)	There are new sources of hedge ineffectiveness emerging in the hedge relationship that are not already disclosed in note 12(a)	Disclose the new sources of hedge ineffectiveness by risk category and explain the nature of the ineffectiveness.
IFRS7(24D)	The entity believes that the volume of hedge relationships at the end of the reporting period is unrepresentative of normal volumes during the period	Disclose that fact and the reason why the entity believes the volumes are unrepresentative.

Impairment disclosures

	Issue not illustrated	Relevant disclosures or reference
IFRS7(35F)-(35M)	The entity has adopted the general expected credit loss model for material financial assets, e.g. in relation to customer loans	Provide the disclosures required by paragraphs 35F – 35M of IFRS 7, see illustration in paragraph 21 below.
IFRS7(35F)(f),(35I)(b),(35J)	The entity has financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows	Provide the disclosures required by paragraphs 35F(f), 35I(b) and 35J of IFRS 7.
IFRS7(35H)(c) IFRS7(35I)(a)	The entity has purchased or originated financial assets which are credit impaired	Disclose the information required by paragraphs 35H(c) and 35I of IFRS 7.
IFRS7(35K)	The entity has received collateral or other credit enhancements in relation to its financial assets	Explain the effect of the collateral and other credit enhancements on the amounts arising from expected credit losses by disclosing the information set out in paragraph 35K of IFRS 7.
IFRS7(35L)	Financial assets written off during the period but still subject to enforcement activity	Disclose contractual amount outstanding.
IFRS7(36)	The entity has financial assets that are within the scope of IFRS 7 but which are not subject to the impairment requirements of IFRS 9	Disclose the amount that best represents the maximum exposure to credit risk and describe any collateral held as security and other credit enhancements and their financial effect.
IFRS7(35E)	The entity believes that the credit risk disclosures are not sufficient to meet the objective of paragraph 35B of IFRS 7	Provide additional disclosures relevant to the users of the financial statements.

Financial risk management

21. The following disclosure examples may be useful where relevant to an entity:

IAS1(117)

Accounting policy for fair value hedges

IFRS9(6.5.8)

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

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

Designation of a specific risk component of an asset in a hedge relationship

IFRS7(22C)

The company purchases fuel for use in its manufacturing process. The fuel supplier charges the company for fuel delivered based on a formula which includes the spot price of Brent Crude oil at the delivery date. The future purchases of fuel are subject to market price risk, which the company hedges using Brent Crude oil futures, with critical terms matching the terms of the forecast purchase.

Brent Crude oil is a separately identifiable component of the forecast purchase as it is explicitly specified in the supply contract price. As there is a market for Brent Crude oil futures, the exposure is considered to be reliably measurable.

Accordingly, the Brent Crude oil futures are designated as cash flow hedges of the forecast purchases of fuel.

Historically, the Brent Crude oil component has accounted for 80% of the cost of fuel supplied.

Credit risk disclosures – customer loans, general expected credit loss model applied

IFRS7(35F)(a)

The company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

IFRS9(B5.5.17)

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

IFRS7(35F)(b)

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial risk management

IFRS7(35F)(e)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorises a loan or receivable for write off when a debtor fails to make contractual payments more than 120 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

(i) Loans to customers

IFRS7(35F)(a)

The company uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor, Moody's and Fitch.

A summary of the assumptions underpinning the company's expected credit loss model is as follows

IFRS7(35F)(b),(d)-(e)
IFRS7(35G)(a)

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Loans whose credit risk is in line with original expectations	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).
Underperforming	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Lifetime expected losses (stage 2).
Non-performing (credit impaired)	Interest and/or principal repayments are 60 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses (stage 3).
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off.

Interest-bearing loans are provided to small business customers to assist them with new business start-up costs as part of the company's ongoing support for local entrepreneurs. The company does not require the small business customers to pledge collateral as security against the loan.

Financial risk management

IFRS7(35G)(b)

Over the term of the loans, the company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data. The company provides for credit losses against loans to customers as follows:

IFRS7(35G)(a),(35M)

Company internal credit rating as at 31 December 2023 **	External credit rating *	Expected credit loss rate	Gross carrying amount (stage 1) CU'000	Gross carrying amount (stage 2) CU'000	Gross carrying amount (stage 3) CU'000
	AAA	0.9%	45,776	123	-
	AA	1.3%	31,668	80	-
High	A	2.2%	14,117	221	-
	BBB	7.3%	679	325	-
	BB	10.0%	140	223	-
Moderate	B	12.2%	67	54	-
	CCC	14.0%	44	252	-
	CC	18.0%	13	134	-
Low	C	30.0%	-	78	-
Credit impaired	D	50.0%	-	-	20

IFRS7(35M) * or equivalent internal rating

** Information for the comparative period would also need to be provided as per IAS 1 paragraph 38.

IFRS7(35G)(c) No significant changes to estimation techniques or assumptions were made during the reporting period.

IFRS7(35H) The loss allowance for loans to customers as at 31 December 2022 and 31 December 2023 reconciles to the opening loss allowance for that provision as follows:

		Performing CU'000	Under-performing CU'000	Non-performing CU'000	Total CU'000
IAS1(38)	Opening loss allowance as at 1 January 2022	666	12	162	840
IFRS7(35H)(b)(i)	Individual financial assets transferred to under-performing (lifetime expected credit losses)*	(xx)	xx	-	xx
IFRS7(35H)(b)(ii)	Individual financial assets transferred to non-performing (credit-impaired financial assets)	-	(x)	x	x
IFRS7(35I)(a)	New financial assets originated or purchased	xxx	-	-	Xxx
IFRS7(35I)(c)	Write-offs	-	-	(xx)	(xx)
IFRS7(35I)(c)	Recoveries	(x)	(x)	(x)	(x)
	Change in risk parameters **	xx	-	-	Xx
	Other changes	xx	xx	xx	xxx
	Loss allowance as at 31 December 2022	**721**	**82**	**192**	**995**
IFRS7(35H)(b)(i)	Individual financial assets transferred to under-performing (lifetime expected credit losses)*	(25)	33	-	8
IFRS7(35H)(b)(ii)	Individual financial assets transferred to non-performing (credit-impaired financial assets)	-	(2)	2	-
IFRS7(35I)(a)	New financial assets originated or purchased	367	-	-	367
IFRS7(35I)(c)	Write-offs	-	-	(109)	(109)
IFRS7(35I)(c)	Recoveries	(14)	(5)	(12)	(31)
	Change in risk parameters **	53	-	-	53
	Other changes	6	5	5	16
	Closing loss allowance as at 31 December 2023	**1,108**	**113**	**78**	**1,299**

* The increase in the loss allowance of 8 is due to moving assets being measured at 12-month expected credit losses to lifetime expected credit losses.

IFRS7(35I)(d) ** The increase in the loss allowance is due to an increase in the probability of default (PD) used to calculate the 12-month expected credit loss for the performing loans.

Financial risk management

IFRS7(35L)

Loans with a contractual amount of CU60,000 written off during the period are still subject to enforcement activity.

IFRS7(35K)(a)

The gross carrying amount of loan receivables, and thus the maximum exposure to loss, is as follows:

	31 December 2023 CU'000	31 December 2022 CU'000
Performing	**91,560**	xxx
Underperforming	**1,421**	xxx
Non-performing	**499**	xxx
Loans written off	**20**	xxx
Total gross loan receivables	**93,500**	xxx
Less: Loan loss allowance	**(1,299)**	xxx
Less: Write-off	**(10)**	xxx
Loan receivables net of expected credit losses	**92,191**	xxx

13 Capital management

13(a) Risk management [1]

IAS1(134),(135),(136)

The group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the group monitors capital on the basis of the following gearing ratio:

Net debt as per note 10(c)

divided by

Total 'equity' (as shown in the statement of financial position, including non-controlling interests).

IAS1(134),(135),(136)

During 2023, the group's strategy, which was unchanged from 2022, was to maintain a gearing ratio within 25% to 50% and a B credit rating. The credit rating was unchanged and the gearing ratios at 31 December 2023 and 31 December 2022 were as follows:

	2023 CU'000	2022 Restated CU'000
Net debt	**42,633**	54,672
Total equity	**157,391**	115,999
Net debt to equity ratio	**27%**	47%

IAS1(135)(c)

The net debt to equity ratio decreased from 47% to 27% as a result of the rights issue (see note 9(a)) and tighter monitoring of trade debtor payments, which has resulted in an increase of operating cash flows and cash held by the group at the end of the year.

Revised illustration

(i) Loan covenants [1-3,6]

IAS1(135)(d)
IAS1R(76ZA)(a)

Under the terms of the major bank loan, which has a carrying amount of CU35,000 (2022 – CU37,000), the group is required to comply with the following financial covenants at the end of each annual and interim reporting period:

- the gearing ratio must be not more than 50%, and
- the ratio of net finance cost to EBITDA must be not more than 10%.

The group has complied with these covenants throughout the reporting period. As at 31 December 2023, the ratio of net finance cost to EBITDA was 8% (10% as at 31 December 2022).

IAS1R(76ZA)(b)

There are no indications that the entity may have difficulties complying with the covenants when they will be next tested as at the 30 June 2024 interim reporting date. [6]

13(b) Dividends [4-6]

		2023 CU'000	2022 CU'000
	(i) Ordinary shares		
IAS1(107)	Final dividend for the year ended 31 December 2022 of 21 cents (2021 – 10 cents) per fully paid share	**11,506**	5,455
IAS1(107)	Interim dividend for the year ended 31 December 2023 of 20 cents (2022 – 10 cents) per fully paid share	**11,310**	5,476
	(ii) 7% non-redeemable participating preference shares		
IAS1(107)	Annual dividend of 7% (2022 – 7%) on the face value of the shares	**107**	107
IAS1(107)	Total dividends provided for or paid	**22,923**	11,038
	Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2023 and 2022 were as follows:		
	Paid in cash	**22,357**	10,479
IAS7(43)	Satisfied by issue of shares	**566**	559
		22,923	11,038
	(iii) Dividends not recognised at the end of the reporting period		
IAS1(137)(a) IAS10(12) **Dates not mandatory**	In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 22 cents per fully paid ordinary share (2022 – 21 cents). The aggregate amount of the proposed dividend expected to be paid on 10 April 2024 out of retained earnings at 31 December 2023, but not recognised as a liability at year end, is	**12,782**	11,506

Capital management

Capital risk management

IAS1(134),(135)

1. Capital is not defined in any of the IFRSs. Entities must describe what they manage as capital, based on the type of information that is provided internally to the key management personnel. It therefore depends on the individual entity as to whether capital includes interest-bearing debt or not. If such debt is included, however, and the loan agreements include capital requirements such as financial covenants that must be satisfied, then these need to be disclosed under paragraph 135(d) of IAS 1 *Presentation of Financial Statements*.

IAS1R(76ZA)

2. In November 2022, the IASB made amendments to IAS 1 which require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:
   (a) the carrying amount of the liability
   (b) information about the covenants, and
   (c) facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.
3. The amendments apply to financial years beginning on or after 1 January 2024 but can be applied early. We have revised the disclosure in note 13(a) to reflect early adoption of these requirements.

Capital management

Dividends

Parent vs consolidated information

4. The dividends disclosed in this note are only those paid by the parent entity and do not include dividends paid by subsidiaries to non-controlling interests. IAS 1 requires disclosure of the dividends recognised as distribution to owners during the period (paragraph 107). The term 'owners' is generally used in IAS 1 in the context of owners of the parent entity (e.g. paragraphs 81B and 106). The focus of the financial statements is still on the parent entity shareholders and on that basis a disclosure of dividends per share is only relevant for the owners of the parent entity. This disclosure also correlates to the disclosure of the number of shares issued as required under paragraph 79 of IAS 1. Holders of non-controlling interests will receive their dividend information from the separate financial statements of the relevant subsidiaries.

Disclosure not illustrated: not applicable to VALUE IFRS Plc

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

	Issue not illustrated	Relevant disclosures or references
IAS1(137)(b)	Cumulative preference dividends not recognised	Disclose amount.
IFRIC17(15)-(17)	Dividends in the form of non-cash assets	Various disclosures, see IFRIC 17 and the illustrative example below for details.
IAS1R(76ZA)(b)	Entity may have difficulties complying with covenants after the reporting date	Disclose the facts and circumstances that indicate that the entity may have difficulty complying with the covenants.

6. The following illustrative disclosure may be useful where relevant to an

entity: *Difficulties complying with covenants*

IAS1R(76ZA)(b) Where there are indications that an entity may have difficulty complying with covenants, and that there is therefore a risk that a non-current liability may become repayable within 12 months after the reporting period, the entity might disclose something along the following lines (note that we have changed the covenant terms for these illustrative purposes):

Under the terms of the major bank loan, which has a carrying amount of CU35,000 (2022 – CU37,000), the group is required to comply with the following covenants at the end of March and September each year:

- the gearing ratio must be not more than 50%, and
- the ratio of net finance cost to EBITDA must be not more than 5%.

The bank loan bears interest at a variable interest rate. The group experienced a significant increase in interest costs on the loan during 2023 due to the current economic environment of high interest rates. As a result, at 31 December 2023 the group's ratio of net finance costs to EBITDA is 6.2%. There is therefore a risk that the group will not comply with the covenants when they are tested at the end of March, in which case the loan will become immediately repayable. The group is currently in negotiations with the bank to revise the covenant related to the ratio of net finance cost to EBITDA.

Non-cash dividends

IFRIC17(11),(14),(15),(16) Where an entity distributes non-cash assets to its owners, an explanation could read as follows:

In November 2023, XYZ Plc transferred all of the shares held in its subsidiary, ABC Limited, to its parent entity as a non-cash dividend. The dividend was measured at the fair value of the subsidiary (CU2,500,000). The difference between the fair value of the shares and their carrying amount (CU1,800,000) is presented in the statement of profit or loss as other income (CU700,000).

Group structure

Not mandatory

This section provides information which will help users understand how the group structure affects the financial position and performance of the group as a whole. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation
- transactions with non-controlling interests, and
- interests in joint operations.

A list of significant subsidiaries is provided in note 16. This note also discloses details about the group's equity-accounted investments.

14 Business combination [2]

14(a) Summary of acquisition

IFRS3(B64)(a)-(d) On 1 April 2023 VALUE IFRS Plc acquired 70% of the issued share capital of VALUE IFRS Electronics Group, a manufacturer of electronic equipment. The acquisition has significantly increased the group's market share in this industry and complements the group's existing IT consultancy division.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

		CU'000
IFRS3(B64)(f)	Purchase consideration (refer to (b) below):	
	Cash paid	**3,000**
	Ordinary shares issued	**9,765**
	Contingent consideration	**135**
IAS7(40)(a)	Total purchase consideration	**12,900**

IFRS3(B64)(f)(iv),(m) The fair value of the 1,698,000 shares issued as part of the consideration paid for VALUE IFRS Electronics Group (CU9.765m) was based on the published share price on 1 April 2023 of CU5.78 per share. Issue costs of CU50,000 which were directly attributable to the issue of the shares have been netted against the deemed proceeds.

IFRS3(B64)(i)
IAS7(40)(d) The assets and liabilities recognised as a result of the acquisition are as follows:

		Fair value CU'000
	Cash	**1,550**
	Trade receivables	**780**
	Inventories	**1,140**
	Land and buildings	**4,200**
	Plant and equipment	**7,610**
	Deferred tax asset	**2,359**
	Intangible assets: trademarks	**3,020**
	Intangible assets: customer contracts	**3,180**
	Trade payables	**(470)**
	Contract liabilities – consulting contracts	**(300)**
	Bank overdraft	**(1,150)**
	Contingent liability	**(450)**
	Deferred tax liability	**(2,304)**
	Post-employment benefit obligations	**(1,914)**
	Other employee benefit obligations	**(415)**
	Net identifiable assets acquired	**16,836**
IFRS3(B64)(o)(i)	Less: non-controlling interests	**(5,051)**
	Add: goodwill	**1,115**
	Net assets acquired	**12,900**

IFRS3(B64)(e),(k) The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

IAS1(38) There were no acquisitions in the year ending 31 December 2022. [1]

(i) Significant estimate: contingent consideration

IFRS3(B64)(g)(i) In the event that certain pre-determined sales volumes are achieved by the subsidiary for the year ended 31 December 2023, additional consideration of up to CU1,000,000 may be payable in cash on 1 September 2024.

IFRS3(B64)(g)(ii),(iii) The potential undiscounted amount payable under the agreement is between CU0 for sales below CU10,000,000 and CU1,000,000 for sales above CU18,000,000. The fair value of the contingent consideration of CU135,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 6% and assumed probability-adjusted sales of VALUE IFRS Electronics Group of between CU12,000,000 and CU12,500,000.

14(a) Summary of acquisition

IFRS3(B67)(b)

As at 31 December 2023, the contingent consideration has been derecognised, as the actual sales revenue achieved by VALUE IFRS Electronics Group was below CU10,000,000. A gain of CU135,000 was included in other income.

(ii) Significant judgement: contingent liability

IFRS3(B64)(j)
IAS37(85)
IFRS3(B67)(c)

A contingent liability of CU450,000 was recognised on the acquisition of VALUE IFRS Electronics Group for a pending lawsuit in which the entity is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by June 2024. The potential undiscounted amount of all future payments that the group could be required to make, if there was an adverse decision related to the lawsuit, is estimated to be between CU250,000 and CU700,000. As at 31 December 2023, there has been no change in the amount recognised for the liability in April 2023 (except for the unwinding of the discount of CU27,000), as there has been no change in the probability of the outcome of the lawsuit.

IFRS3(B64)(h)

(iii) Acquired receivables

The fair value of acquired trade receivables is CU780,000. The gross contractual amount for trade receivables due is CU807,000, with a loss allowance of CU27,000 recognised on acquisition.

(iv) Accounting policy choice for non-controlling interests

IFRS3(B64)(o)(i)

The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in VALUE IFRS Electronics Group, the group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 25(i) for the group's accounting policies for business combinations.

(v) Revenue and profit contribution

IFRS3(B64)(q)

The acquired business contributed revenues of CU3,850,000 and net profit of CU1,405,000 to the group for the period from 1 April to 31 December 2023.

If the acquisition had occurred on 1 January 2023, consolidated pro-forma revenue and profit for the year ended 31 December 2023 would have been CU212,030,000 and CU38,070,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2023, together with the consequential tax effects.

14(b) Purchase consideration – cash outflow

		2023 CU'000	2022 CU'000
	Outflow of cash to acquire subsidiary, net of cash acquired		
IAS7(40)(b)	Cash consideration	**3,000**	-
IAS7(40)(c)	Less: Balances acquired		
	Cash	**1,550**	-
	Bank overdraft	**(1,150)**	-
		400	-
	Net outflow of cash – investing activities	**2,600**	-

Acquisition-related costs

IFRS3(B64)(m)

Acquisition-related costs of CU750,000 that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

Business combination

Comparatives

IAS1(38)

1. Under IAS 1, comparative information must be given for all numerical information reported in the financial statements, including narratives. However, IFRS 3 does not separately require comparative information in respect of business combinations. In our view, the IFRS 3 disclosures are required only for business combinations occurring during the period. This means that in the period following the combination, the disclosures required in paragraph B64 of IFRS 3 do not need to be repeated. However, the disclosures that are required in relation to a prior business combination in paragraph B67 of IFRS 3 must be made.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

Additional disclosures

2. 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
IFRS3(B64)(g)	The entity has recognised an indemnification asset	Disclose the amount recognised on acquisition, a description of the arrangement and the basis for determining the amount of the payment, and information about the range of outcomes as specified in IFRS 3.
IFRS3(B64)(l),(52)	Transactions that are recognised separately from the business combination	Disclose a description of the transaction and how it was accounted for, the amounts recognised and other information as specified in IFRS 3.
IFRS3(B64)(n)	The entity has made a bargain purchase	Disclose the gain recognised and explain why the transaction resulted in a gain.
IFRS3(B64)(p)	The business combination was achieved in stages	Disclose the acquisition-date FV of the equity interest held immediately before the acquisition and the gain or loss recognised as a result of remeasuring the equity interest to fair value.
IFRS3(B67)(a)	The initial accounting for the business combination is incomplete	Explain why the initial accounting is incomplete, which items are affected and any adjustments recognised during the reporting period.
IFRS3(B67)(e)	The entity has recognised a gain or loss in the current reporting period relating to identifiable assets acquired or liabilities assumed in a business combination from the current or a prior period	Disclose the amount and provide an explanation of the gain or loss.
IFRS3(63)	The objectives of IFRS 3 are not satisfied with the required disclosures	Provide additional explanations as necessary.

15 Discontinued operation [3]

15(a) Description

IFRS5(41)(a),(b),(d) On 30 October 2022 the group announced its intention to exit the engineering business and initiated an active program to locate a buyer for its German subsidiary, VALUE IFRS Engineering GmbH. The associated assets and liabilities were consequently presented as held for sale in the 2022 financial statements.

IFRS5(30) The subsidiary was sold on 28 February 2023 with effect from 1 March 2023 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

15(b) Financial performance and cash flow information [1,2]

The financial performance and cash flow information presented are for the two months ended 28 February 2023 (2023 column) and the year ended 31 December 2022.

Reference		2023 CU'000	2022 CU'000
IFRS5(33)(b)(i)	Revenue (note 3)	**4,200**	26,460
IFRS5(33)(b)(i)	Other gains/(losses) (revaluation of contingent consideration receivable, see (c) below)	**90**	-
IFRS5(33)(b)(i)	Expenses	**(3,939)**	(25,890)
IFRS5(33)(b)(i)	Profit before income tax	**351**	570
IFRS5(33)(b)(ii) IAS12(81)(h)(ii)	Income tax expense	**(105)**	(171)
	Profit after income tax of discontinued operation	**246**	399
IFRS12(19)(b)	Gain on sale of the subsidiary after income tax (see (c) below)	**481**	-
	Profit from discontinued operation	**727**	399
IFRS5(38)	Exchange differences on translation of discontinued operations	**170**	58
	Other comprehensive income from discontinued operations	**170**	58
IFRS5(33)(c)	Net cash inflow from operating activities	**1,166**	710
IFRS5(33)(c)	Net cash inflow/(outflow) from investing activities (2023 includes an inflow of CU3,110,000 from the sale of the division)	**3,110**	(190)
IFRS5(33)(c)	Net cash (outflow) from financing activities	**-**	(280)
	Net increase in cash generated by the subsidiary	**4,276**	240

15(c) Details of the sale of the subsidiary

Reference		2023 CU'000	2022 CU'000
	Consideration received or receivable:		
IAS7(40)(b)	Cash	**3,110**	-
	Fair value of contingent consideration	**1,200**	-
IAS7(40)(a)	Total disposal consideration	**4,310**	-
	Carrying amount of net assets sold	**(3,380)**	-
	Gain on sale before income tax and reclassification of foreign currency translation reserve	**930**	-
IFRS5(38)	Reclassification of foreign currency translation reserve	**(170)**	-
IAS12(81)(h)(i)	Income tax expense on gain	**(279)**	-
IFRS12(10)(b)(iv),(19)	**Gain on sale after income tax**	**481**	-

15(c) Details of the sale of the subsidiary

IAS32(11) In the event the operations of the subsidiary achieve certain performance criteria during the period 1 March 2023 to 28 February 2025, as specified in an 'earn out' clause in the sale agreement, additional cash consideration of up to CU2,400,000 will be receivable. At the time of the sale the fair value of the consideration was determined to be CU1,200,000. It has been recognised as a financial asset at fair value through profit or loss (see note 7(d)).

IFRS5(35) At year end, the fair value was re-estimated to be CU1,290,000. The gain of CU90,000 is presented in discontinued operations net of related income tax, see analysis in (a) above.

IAS7(40)(d) The carrying amounts of assets and liabilities as at the date of sale (28 February 2023) were:

	28 February 2023 CU'000
Property, plant and equipment	**1,660**
Trade receivables	**1,200**
Inventories	**950**
Total assets	**3,810**
Trade creditors	**(390)**
Employee benefit obligations	**(40)**
Total liabilities	**(430)**
Net assets	**3,380**

15(d) Assets and liabilities of disposal group classified as held for sale

IFRS5(38) The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2022:

		2023 CU'000	2022 CU'000
IAS1(77)	Assets classified as held for sale		
	Property, plant and equipment	**-**	1,995
	Trade receivables	**-**	1,570
	Inventories	**-**	1,390
	Total assets of disposal group held for sale	**-**	4,955
IAS1(77)	Liabilities directly associated with assets classified as held for sale		
	Trade creditors	**-**	(450)
	Employee benefit obligations	**-**	(50)
	Total liabilities of disposal group held for sale	**-**	(500)

IFRS5(38) The cumulative foreign exchange losses recognised in other comprehensive income in relation to the discontinued operation as at 31 December 2022 were CU170,000.

Discontinued operation

Restating prior periods

IFRS5(34)

1. An entity must re-present the disclosures for discontinued operations for prior periods presented in the financial statements, so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented. The discontinued operations presented in the statement of comprehensive income and statement of cash flows in the comparative period should therefore include all operations that have been discontinued by the end of the most recent reporting period. This means that the statements of comprehensive income and cash flows for the comparative period should show as discontinued operations both, those reported as discontinued in the previous period together with those classified as discontinued in the current period. This will ensure that the amounts disclosed in the statement of comprehensive income and cash flows for continuing operations are comparable and provide a more useful basis for predicting future results.

IFRS5(40)

2. In contrast, the information in the statement of financial position for the prior year is neither restated nor remeasured.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

	Issues not illustrated	Relevant disclosures or references
IFRS5(36),(42)	Asset or disposal group is no longer classified as held for sale	Reclassify the results previously presented as discontinued operations and provide appropriate explanations.
IFRS5(41)(c)	Gains or losses recognised as a result of a remeasurement to fair value less costs to sell	Disclose the gain or loss recognised following the remeasurement and where the gain or loss is presented in the statement of profit or loss.
IFRS12(19)	Loss of control over subsidiary but retained an investment	Disclose gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost and the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).
IAS7(40)(c)	Subsidiary (or business) had cash or cash equivalents at the time of the disposal	Disclose amount of cash and cash equivalents over which control was lost.
IFRIC17	Information about dividends in the form of non-cash assets	Provide details as required by Interpretation 17.

16 Interests in other entities [4,5]

16(a) Material subsidiaries [1]

IFRS12(10)(a)

The group's principal subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

IFRS12(10)(a)(i),(ii)
IAS24(13)
IFRS12(12)(a)-(d)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group 2023	Ownership interest held by the group 2022	Ownership interest held by non-controlling interests 2023	Ownership interest held by non-controlling interests 2022	Principal activities
		%	%	**%**	%	
VALUE IFRS Retail Limited	Oneland	**100**	100	**-**	-	Furniture retail stores
VALUE IFRS Manufacturing Limited (note 16(c))	Oneland	**90**	85	**10**	15	Furniture manufacture
VALUE IFRS Electronics Group	Oneland	**70**	-	**30**	-	Electronic equipment manufacture
VALUE IFRS Overseas Ltd (i),(ii)	China	**45**	45	**55**	55	Furniture manufacture
VALUE IFRS Consulting Inc	US	**100**	100	**-**	-	IT consulting
VALUE IFRS Development Limited	Oneland	**100**	100	**-**	-	Development of residential land
VALUE IFRS Engineering GmbH	Germany	**-**	100	**-**	-	Engineering business; see note 15

IAS1(122)
IFRS12(7)(a),(9)(b)

(i) Significant judgement: consolidation of entities with less than 50% ownership

The directors have concluded that the group controls VALUE IFRS Overseas Ltd, even though it holds less than half of the voting rights of this subsidiary. This is because the group is the largest shareholder with a 45% equity interest, while the remaining shares are widely dispersed. An agreement signed between the shareholders grants VALUE IFRS Plc the right to appoint, remove and set the remuneration of management responsible for directing the relevant activities. A 67% majority vote is required to change this agreement, which cannot be achieved without the group's consent as the group holds 45% of the voting rights.

(ii) Significant restrictions

IFRS12(10)(b)(i),(13)

Cash and short-term deposits held in Asian countries (including China) are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

IFRS12(13)(c)

The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is CU650,000 (2022 – CU410,000).

16(b) Non-controlling interests (NCI)

IFRS12(12)(g)
IFRS12(B11)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

IFRS12(B10)(b)

Summarised statement of financial position	VALUE IFRS Manufacturing Limited		VALUE IFRS Overseas Ltd		VALUE IFRS Electronics Group	
	31 Dec 2023 CU'000	31 Dec 2022 CU'000	**31 Dec 2023 CU'000**	31 Dec 2022 CU'000	**31 Dec 2023 CU'000**	31 Dec 2022 CU'000
Current assets	**13,870**	13,250	**11,500**	9,800	**7,875**	-
Current liabilities	**12,570**	7,595	**10,570**	8,300	**1,200**	-
Current net assets	**1,300**	5,655	**930**	1,500	**6,675**	-
Non-current assets	**28,010**	22,910	**15,570**	12,730	**18,900**	-
Non-current liabilities	**5,800**	3,400	**12,735**	10,748	**10,100**	-
Non-current net assets	**22,210**	19,510	**2,835**	1,982	**8,800**	-
Net assets	**23,510**	25,165	**3,765**	3,482	**15,475**	-
Accumulated NCI (IFRS12(12)(f))	**2,751**	3,775	**2,071**	1,914	**4,641**	-

IFRS12(B10)(b)

Summarised statement of comprehensive income	VALUE IFRS Manufacturing Limited		VALUE IFRS Overseas Ltd		VALUE IFRS Electronics Group	
	2023 CU'000	2022 CU'000	**2023 CU'000**	2022 CU'000	**2023 CU'000**	2022 CU'000
Revenue	**30,200**	27,800	**14,100**	14,450	**3,850**	-
Profit for the period	**10,745**	7,900	**2,412**	2,062	**1,405**	-
Other comprehensive income	**1,265**	830	**(447)**	243	**-**	-
Total comprehensive income	**12,010**	8,730	**1,965**	2,305	**1,405**	-
Profit allocated to NCI (IFRS12(12)(e))	**1,257**	1,185	**1,327**	1,134	**422**	-
Dividends paid to NCI (IFRS12(B10)(a))	**1,262**	935	**925**	893	**830**	-

IFRS12(B10)(b)

Summarised cash flows	VALUE IFRS Manufacturing Limited		VALUE IFRS Overseas Ltd		VALUE IFRS Electronics Group	
	2023 CU'000	2022 CU'000	**2023 CU'000**	2022 CU'000	**2023 CU'000**	2022 CU'000
Cash flows from operating activities	**2,989**	2,780	**1,203**	1,160	**980**	-
Cash flows from investing activities	**(1,760)**	(1,563)	**(584)**	(859)	**(870)**	-
Cash flows from financing activities	**390**	(950)	**256**	330	**(235)**	-
Net increase/ (decrease) in cash and cash equivalents	**1,619**	267	**875**	631	**(125)**	-

16(c) Transactions with non-controlling interests

IFRS12(10)(b)(iii),(18)

On 21 October 2023, the group acquired an additional 5% of the issued shares of VALUE IFRS Manufacturing Limited for CU1,500,000. Immediately prior to the purchase, the carrying amount of the existing 15% non-controlling interest in VALUE IFRS Manufacturing Limited was CU3,501,000. The group recognised a decrease in non-controlling interests of CU1,167,000 and a decrease in equity attributable to owners of the parent of CU333,000. The effect on the equity attributable to the owners of VALUE IFRS Plc during the year is summarised as follows:

	2023 CU'000	2022 CU'000
Carrying amount of non-controlling interests acquired	**1,167**	-
Consideration paid to non-controlling interests	**(1,500)**	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(333)**	-

There were no transactions with non-controlling interests in 2022.

16(d) Joint operations [2]

IFRS12(7)(b),(21)(a)

A subsidiary has a 50% interest in a joint arrangement called the Fernwood Partnership which was set up as a partnership together with House of Cards Constructions Limited, to develop properties for residential housing in regional areas in the south of Oneland.

IFRS12(21)(a)(iii)

The principal place of business of the joint operation is in Oneland.

(i) Significant judgement: classification of joint arrangements

IFRS12(7)(c)

The joint venture agreements in relation to the Fernwood Partnership require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation, and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in note 25(b)(iii).

16(e) Interests in associates and joint ventures [6]

Set out below are the associates and joint ventures of the group as at 31 December 2023 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

IFRS12(21)(a),(b)(i),(iii)

Name of entity	Place of business/ country of incorporation	% of ownership interest 2023	% of ownership interest 2022	Nature of relationship	Measurement method	Quoted fair value 2023	Quoted fair value 2022	Carrying amount 2023	Carrying amount 2022
		%	%			**CU'000**	CU'000	**CU'000**	CU'000
Big Hide Pet SA	France	**15**	15	Associate (1)	Equity method	**585**	560	**568**	540
Cuddly Bear Plc	Oneland	**35**	35	Associate (2)	Equity method	**495**	505	**492**	490
Squirrel Ltd	Oneland	**40**	40	Joint Venture (3)	Equity method	**- ***	- *	**2,340**	1,900
Immaterial associates (iii) below								**375**	345
Total equity-accounted investments								**3,775**	3,275

IFRS12(21)(a)(ii)

(1) Big Hide Pet SA is a manufacturer of specialised furniture for the hospitality industry, including cafés and restaurants. Its product range complements the group's commercial furniture range and provides access to markets not previously serviced by the group.

(2) Cuddly Bear Plc develops residential land. It is a strategic investment which utilises the group's knowledge and expertise in the development of residential land but at the same time limits the group's risk exposure through a reduced equity holding.

(3) Squirrel Ltd distributes computer software to wholesale customers in the Oneland market. It is a strategic investment for the group which complements the services provided by the IT consulting segment.

* Private entity – no quoted price available.

(i) Significant judgement: existence of significant influence

IFRS12(9)(e)

Through the shareholder agreement, VALUE IFRS Plc is guaranteed two seats on the board of Big Hide Pet SA and participates in all significant financial and operating decisions. The group has therefore determined that it has significant influence over this entity, even though it only holds 15% of the voting rights.

16(e) Interests in associates and joint ventures [6]

(ii) Commitments and contingent liabilities in respect of associates and joint ventures

		2023 CU'000	2022 CU'000
IFRS12(23)(a),(B18)	*Commitments – joint ventures*		
IFRS12(B19)(a)	Commitment to provide funding for joint venture's capital commitments, if called	**250**	200
IFRS12(23)(b)	*Contingent liabilities – associates*		
	Share of contingent liabilities incurred jointly with other investors of the associate	**150**	120
	Contingent liabilities relating to liabilities of the associate for which the company is severally liable	**-**	80
	Contingent liabilities – joint ventures		
	Share of joint venture's contingent liabilities in respect of a legal claim lodged against the entity	**200**	180
		350	380

(iii) Summarised financial information for associates and joint ventures [3,6]

IFRS12(21)(b)(ii),(B14) The tables below provide summarised financial information for those joint ventures and associates that are material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not VALUE IFRS Plc's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

IFRS12(B12),(B13)	Summarised statement of financial position	Big Hide Pet SA 31 Dec 2023 CU'000	Big Hide Pet SA 31 Dec 2022 CU'000	Cuddly Bear Plc 31 Dec 2023 CU'000	Cuddly Bear Plc 31 Dec 2022 CU'000	Squirrel Ltd 31 Dec 2023 CU'000	Squirrel Ltd 31 Dec 2022 CU'000
IFRS12(B12)(b)(i)	Current assets						
IFRS12(B13)(a)	Cash and cash equivalents	*	*	*	*	**300**	275
	Other current assets	*	*	*	*	**1,700**	1,475
	Total current assets	**1,333**	1,083	**243**	371	**2,000**	1,750
IFRS12(B12)(b)(ii)	Non-current assets	**5,754**	5,083	**1,834**	1,800	**7,350**	6,500
IFRS12(B12)(b)(iii)	Current liabilities						
IFRS12(B13)(b)	Financial liabilities (excluding trade payables)	*	*	*	*	**150**	250
	Other current liabilities	*	*	*	*	**1,100**	625
	Total current liabilities	**583**	400	**271**	171	**1,250**	875
IFRS12(B12)(b)(iv)	Non-current liabilities						
IFRS12(B13)(c)	Financial liabilities (excluding trade payables)	*	*	*	*	**1,900**	2,250
	Other non-current liabilities	*	*	*	*	**350**	375
	Total non-current liabilities	**2,717**	2,166	**400**	600	**2,250**	2,625
	Net assets	**3,787**	3,600	**1,406**	1,400	**5,850**	4,750
IFRS12(B14)(b)	**Reconciliation to carrying amounts:**						
	Opening net assets 1 January	**3,600**	2,967	**1,400**	1,286	**4,750**	4,500
	Profit for the period	**322**	400	**34**	171	**625**	550
	Other comprehensive income	**132**	767	**-**	-	**750**	-
	Dividends paid	**(267)**	(534)	**(28)**	(57)	**(275)**	(300)
	Closing net assets	**3,787**	3,600	**1,406**	1,400	**5,850**	4,750
	Group's share in %	**15%**	15%	**35%**	35%	**40%**	40%
	Group's share in CU	**568**	540	**492**	490	**2,340**	1,900
	Goodwill	**-**	-	**-**	-	**-**	-
	Carrying amount	**568**	540	**492**	490	**2,340**	1,900

16(e) Interests in associates and joint ventures [6]

IFRS12(B12),(B13)

Summarised statement of comprehensive income	Big Hide Pet SA 2023	Big Hide Pet SA 2022	Cuddly Bear Plc 2023	Cuddly Bear Plc 2022	Squirrel Ltd 2023	Squirrel Ltd 2022
	CU'000	CU'000	**CU'000**	CU'000	**CU'000**	CU'000
IFRS12(B12)(b)(v) Revenue	**8,733**	8,400	**2,657**	2,457	**10,038**	9,800
IFRS12(B13)(e) Interest income	*	*	*	*	**-**	-
IFRS12(B13)(d) Depreciation and amortisation	*	*	*	*	**(2,800)**	(1,890)
IFRS12(B13)(f) Interest expense	*	*	*	*	**(340)**	(280)
IFRS12(B13)(g) Income tax expense	*	*	*	*	**-**	-
IFRS12(B12)(b)(vi) **Profit from continuing operations**	**322**	400	**34**	171	**625**	550
IFRS12(B12)(b)(vii) Profit from discontinued operations	**-**	-	**-**	-	**-**	-
Profit for the period	**322**	400	**34**	171	**625**	550
IFRS12(B12)(b)(viii) Other comprehensive income	**132**	767	**-**	-	**750**	-
IFRS12(B12)(b)(ix) Total comprehensive income	**454**	1,167	**34**	171	**1,375**	550
IFRS12(B12)(a) Dividends received from associates and joint venture entities	**40**	80	**10**	20	**110**	120

* Shading indicates disclosures that are not required for investments in associates. [3]

(iv) Individually immaterial associates

IFRS12(21)(c),(B16)

In addition to the interests in associates disclosed above, the group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2023 CU'000	2022 CU'000
Aggregate carrying amount of individually immaterial associates	**375**	345
Aggregate amounts of the group's share of:		
Profit from continuing operations	**30**	15
Post-tax profit or loss from discontinued operations	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**30**	15

Interests in other entities

Listing of significant subsidiaries

IFRS12(10)(a),(4)

1. IFRS 12 requires entities to disclose information about the composition of the group. This information can be provided in different ways; e.g. by identifying major subsidiaries as we have done in this note. However, preparers of financial statements should consider what level of detail is necessary to satisfy the overall disclosure objective of the standard. Useful information should not be obscured by including a large amount of insignificant detail (e.g. a complete listing of all subsidiaries within the group). It may also not always be necessary to disclose the principal activity of each subsidiary.

Joint operations – summary of assets employed/liabilities incurred

IAS1(112)(c)

2. If an entity has significant interests in joint operations, it should consider disclosing the group's interests in the assets employed and liabilities incurred in relation to these joint operations. This information will assist users in assessing the extent and financial impact of the joint operations and may – in certain circumstances – be required on the basis that it is relevant to an understanding of the financial statements (paragraph 112(c) of IAS 1).

Summarised financial information of associates and joint ventures

3. The disclosure requirements in relation to summarised financial information of joint ventures are more onerous than those for interests in associates. Where certain information is not required for interests in associates, the relevant parts of the table have been shaded. We have chosen this form of presentation primarily to illustrate the similarities and differences in the disclosures for associates and joint ventures. This form of presentation may not be suitable for all entities.

Interests in other entities

Entities classified as held for sale

IFRS12(5A),(B17)

4. The disclosure requirements of IFRS 12 also apply to interests in entities that are classified as held for sale, except for the summarised information in paragraphs B10 to B16 of IFRS 12.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

	Issue not illustrated	Relevant disclosures or references
IFRS12(14)-(17)	Consolidated structured entities	Provide information as specified in paragraphs 14–17 of IFRS 12. Entities such as employee share trusts will often qualify as structured entities. To the extent they are significant, the disclosures in IFRS 12 should therefore be considered in this context. Note 21(b) illustrates the disclosures that would apply to the VALUE IFRS Employee Share Trust.
IFRS12(11),(22)(b)	Subsidiaries, associates or joint ventures with different reporting dates	Disclose the reporting date and the reasons for using a different date or period.
IFRS12(21)(c),(B16)	Individually immaterial joint ventures	Disclose the same information as illustrated in note 16(e) for immaterial associates.
IFRS12(22)(a)	Significant restrictions – associates or joint ventures	Disclose the nature and extent of the restrictions on the ability of a joint venture or associate to transfer funds in the form of cash dividends, or to repay loans or advances made by the entity.
IFRS12(22)(c)	Unrecognised share of losses of joint ventures and associates	Disclose the unrecognised amounts both for the reporting period and cumulatively.
IFRS12(B15)	Interests in associates and joint ventures measured at fair value	The summarised financial information that must be provided for each material associate or joint venture may be presented based on non-IFRS compliant financial statements if preparation of IFRS compliant financial statements would be impracticable or cause undue cost.
IFRS12(B17)	Interest in subsidiary, associate or joint venture classified as held for sale	Summarised financial information does not need to be provided for associates or joint ventures that are held for sale.
IFRS12(B19)(b)	Commitment to acquire another party's ownership interest in a joint venture	Disclose as part of the disclosures of unrecognised commitments.
IFRS12(24)-(31)	Information about unconsolidated structured entities	Various disclosures, see paragraphs 24–31 of IFRS 12 for details.
IFRS12(9A),(9B),(19A)-(19G),(25A)	Investment entities – information about unconsolidated subsidiaries	Various disclosures, see paragraphs 9A, 9B, 19A–19G and 25A of IFRS 12 for details.

Interests in other entities

6. While not required under IFRS 12, readers of the financial statements may find it useful if the note for equity-accounted investments also provides a reconciliation of the aggregate carrying amounts from opening to closing balances. This could look as follows:

	2023 CU'000	2022 CU'000
Opening balance 1 January	**3,275**	3,025
Share of operating profits	**340**	355
Share of other comprehensive income	**320**	115
Dividends received	**(160)**	(220)
Closing balance 31 December	**3,775**	3,275

Unrecognised items

Not mandatory

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also:

(a) unrecognised tax amounts – see note 6

(b) non-cash investing and financing transactions – see note 10(b).

Unrecognised items

1. There is no requirement to highlight separately any unrecognised items. However, we believe that this information is useful for users in assessing the financial performance and position of the group.

17 Contingent liabilities and contingent assets [2]

17(a) Contingent liabilities [1]

The group had contingent liabilities at 31 December 2023 in respect of:

(i) Claims

IAS37(86),(91) A claim for unspecified damages was lodged against VALUE IFRS Retail Limited in December 2022 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 material liability will arise.

IAS37(86) In September 2023, 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 2024. 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 see note 16(e).

17(b) Contingent assets

IAS37(89) A subsidiary has lodged a claim against a supplier for damages caused by the supply of faulty products. The matter has been referred to arbitration and, having received legal advice, the directors believe that a favourable outcome is probable. However, the contingent asset has not been recognised as a receivable at 31 December 2023 as receipt of the amount is dependent on the outcome of the arbitration process.

Contingent liabilities and contingent assets

Definitions

IAS37(10) *Application of definitions*

1. Careful consideration will need to be given to each potential contingent liability or asset. For example, in the case of an entity that has:
   (a) incurred liabilities in acting as trustee for a trust: if the liabilities of the trust are insignificant compared to the assets in the trust and the chances of the trustee being called to meet those liabilities is remote, no contingent liability and asset disclosures will need to be made. It is likely that it will be possible to demonstrate remoteness where the entity is acting as trustee for an equity trust that has no borrowings and holds investments that can be readily sold to meet any liabilities that do arise. Remoteness is unlikely to be demonstrated where an entity acts as trustee for a trust that is carrying on a business and the trustee is incurring liabilities and undertaking the risks relating to the business
   (b) provided a guarantee or indemnity to another party: it will be more difficult to demonstrate the probability of having to meet the potential liabilities as being remote because there are likely to be commercial risks which gave rise to the need for the guarantee or indemnity.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

	Issue not illustrated	Relevant disclosures or references
IAS37(88)	Provisions and contingent liabilities arising from the same set of circumstances	Make the required disclosures in such a way that the link between the provision and the contingent liability is clear.
IAS37(91)	Information cannot be disclosed because it is not practicable to do so	Disclose the fact.
IAS37(92)	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.
IAS19(152)	Contingent liabilities arising from post-employment benefit plans	Provide information about these contingent liabilities where required by IAS 37.

18 Commitments

18(a) Capital commitments

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

		2023 CU'000	2022 CU'000
IAS16(74)(c)	Property, plant and equipment	**4,200**	800
IAS40(75)(h)	Investment property	**520**	1,250
IAS38(122)(e)	Intangible assets	**450**	-

Fernwood Partnership

IFRS12(23)(a)

The above commitments include capital expenditure commitments of CU500,000 (2022 – nil) relating to the Fernwood Partnership (see note 16(d)).

18(b) Repairs and maintenance: investment property

		2023 CU'000	2022 CU'000
IAS40(75)(h)	Contractual obligation for future repairs and maintenance – not recognised as a liability	**540**	389

19 Events occurring after the reporting period [1]

19(a) Acquisition of Better Office Furnishings Limited

IAS10(21)(a),(b)
IFRS3(59)(b)
IFRS3(B64),(B66)

On 15 February 2024, VALUE IFRS Plc acquired 87.5% of the issued shares in Better Office Furnishings Limited, a manufacturer of office furniture and equipment, for consideration of CU12,030,000. The acquisition is expected to increase the group's market share and reduce cost through economies of scale.

The financial effects of this transaction have not been recognised at 31 December 2023. The operating results and assets and liabilities of the acquired company will be consolidated from 15 February 2024.

(i) Purchase consideration and fair value of net assets acquired

IFRS3(B64)(f)

Details of the consideration transferred are:

	CU'000
Purchase consideration	
Cash paid	**11,750**
Contingent consideration	**280**
Total purchase consideration	**12,030**

19(a) Acquisition of Better Office Furnishings Limited

IFRS3(B64)(i)

The provisionally determined fair values of the assets and liabilities of Better Office Furnishings Limited as at the date of acquisition are as follows:

	Fair value CU'000
Cash and cash equivalents	**575**
Property, plant and equipment	**12,095**
Intangible assets: customer list	**2,285**
Intangible assets: customer contracts	**1,180**
Inventories	**1,010**
Receivables	**685**
Payables	**(2,380)**
Employee benefit obligations	**(230)**
Borrowings	**(3,250)**
Net deferred tax assets	**420**
Net identifiable assets acquired	**12,390**
Less: non-controlling interests	**(1,720)**
Add: goodwill	**1,360**
Net assets acquired	**12,030**

IFRS3(B64)(e),(k)

The goodwill is attributable to Better Office Furnishings Limited's strong position and profitability in trading in the office furniture and equipment market and synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

(ii) Contingent consideration

IFRS3(B64)(g)

The contingent consideration arrangement requires the group to pay the former owners of Better Office Furnishings Limited 5% of the profit of Better Office Furnishings Limited, in excess of CU4,000,000 for the year ending 31 December 2024, up to a maximum undiscounted amount of CU800,000.

The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between CU0 and CU800,000. The fair value of the contingent consideration arrangement of CU280,000 has been estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 8% and assumed probability-adjusted profit in Better Office Furnishings Limited of CU4,400,000 to CU4,800,000.

(iii) Acquisition-related costs

IFRS3(B64)(m)

Acquisition-related costs of CU750,000 will be included in administrative expenses in the statement of profit or loss in the reporting period ending 31 December 2024.

(iv) Non-controlling interest

IFRS3(B64)(o)

The group has chosen to recognise the non-controlling interest at its fair value for this acquisition. The fair value of the non-controlling interest in Better Office Furnishings Limited, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:

(a) an assumed discount rate of 8%

(b) an assumed terminal value based on a range of terminal EBITDA multiples between three and five times

(c) long-term sustainable growth rate of 2%

(d) assumed financial multiples of companies deemed to be similar to Better Office Furnishings Limited, and

(e) assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interest in Better Office Furnishing Limited.

(v) Information not disclosed as not yet available

IFRS3(B66)

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Better Office Furnishings Limited. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

19(b) Refinancing of borrowing

IAS10(21)

At the beginning of February 2024, the group renegotiated its existing loan facility to finance the construction of the new production plant for the electronic equipment division. The total available amount under the facility was increased by CU20,000,000, which is expected to be drawn down over the next 12 months. The facility is now repayable in three annual instalments, commencing 1 June 2029. The refinancing resulted in the recognition of a modification gain of CU80,000 which will be recognised in profit or loss in the 2024 financial year.

19(c) Other events

IAS10(21)

See note 13(b) for the final dividend recommended by the directors, to be paid on 10 April 2024.

Events occurring after the reporting period

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

	Issue not illustrated	Relevant disclosures or references
IAS10(21),(22)(c) IFRS3(B64)	Business combination disclosures	Information about acquired receivables, recognised or unrecognised contingent liabilities, equity instruments issued or issuable, transactions that are recognised separately from the business combination, a bargain purchase and business combinations achieved in stages.
IAS10(21),(22)(c) IFRS5(12),(41)(a),(b),(d)	Discontinued operations or assets held for sale where the criteria as held for sale were met after the end of the reporting period	Provide a description of the non-current asset or disposal group, the facts and circumstances and expected timing of the sale or disposal, and the reportable segment in which the asset(s) are presented (where applicable).
IAS1(76)	Events that occurred after the reporting date and which would have affected the classification of a loan as current if they had occurred before the end of the reporting period	The following events may require disclosures: • refinancing on a long-term basis • rectification of a breach of a long-term agreement, and • the receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least 12 months after the reporting period.

Further details

Not mandatory

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

20 Related party transactions [1-2,5,10]

20(a) Parent entities

IAS1(138)(c) The group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 2023	Ownership interest 2022 [7,8]
Lion (Oneland) Plc	Immediate parent entity	Oneland	**60%**	63.7%
Lion AG	Ultimate parent entity and controlling party	Germany	**60% ***	63.7% *

IAS24(13), IAS1(138)(c) / IAS24(13) IAS1(138)(c)

* Lion AG holds 100% of the issued ordinary shares of Lion (Oneland) Plc.

20(b) Subsidiaries

Interests in subsidiaries are set out in note 16(a).

IAS24(17)

20(c) Key management personnel compensation [3]

		2023 CU'000	2022 CU'000 [8,9]
IAS24(17)(a)	Short-term employee benefits	**2,333**	2,103
IAS24(17)(b)	Post-employment benefits	**180**	161
IAS24(17)(c)	Long-term benefits	**39**	33
IAS24(17)(d)	Termination benefits	**115**	-
IAS24(17)(e)	Share-based payments	**705**	548
		3,372	2,845

IAS24(18)(b)
Revised illustration

The short-term benefits disclosed above include CU354,000 (2023 – CU296,000) of bonuses payable under a short-term incentive scheme which were unpaid as at year end and are included in other payables. In addition, the leave obligations disclosed in note 8(h)(i) include CU234,000 (2022 – CU56,000) and the defined pension benefits disclosed in note 8(h)(ii) include CU534,000 (2022 – CU585,000) of obligations payable to the key management personnel (KMP). The share-based payments provided to KMP consist of options and deferred shares which are both equity-settled, see note 21(a) and 21(b). [4]

Detailed remuneration disclosures are provided in the remuneration report on pages [x] to [y].

IAS24(18)(b) In addition to the above, the group is committed to pay the CEO and the CFO up to CU250,000 in the event of a change in control of the group. [7]

IAS24(18)

20(d) Transactions with other related parties [7]

IAS24(18)(a) The following transactions occurred with related parties:

		2023 CU'000	2022 CU'000 [8,9]
	Sales and purchases of goods and services		
IAS24(19)(d)	Sale of goods to associates	**125**	-
IAS24(19)(a)	Purchase of management services from parent	**450**	370
IAS24(19)(g)	Purchases of electronic equipment from other related parties	**182**	78
IAS24(19)(f)	Purchases of various goods and services from entities controlled by key management personnel (i)	**764**	576
	Dividend revenue		
IAS24(19)(g)	Other related parties	**150**	300
	Superannuation contributions [6]		
IAS24(19)(g)	Contributions to superannuation funds on behalf of employees *	**3,719**	3,287

* See note 8(h) for information about VALUE IFRS Plc shares held by the group's defined benefit plan and property owned by the plan that is occupied by the group.

IAS24(18)

20(d) Transactions with other related parties [7]

		2023 CU'000	2022 CU'000 [8,9]
	Other transactions		
IAS24(19)(a)	Dividends paid to Oneland parent entity	**13,690**	6,963
IAS24(19)(a)	Final call on partly paid ordinary shares paid by Oneland parent entity (note 9(a))	**840**	-
IAS24(19)(a)	Subscriptions for new ordinary shares by Oneland parent entity (note 9(a))	**4,626**	-
IAS24(19)(f)	Subscription for new ordinary shares by key management personnel as a result of the rights issue (note 9(a))	**118**	-

(i) Purchases from entities controlled by key management personnel

IAS24(18) The group acquired the following goods and services from entities that are controlled by members of the group's key management personnel:

- construction of a warehouse building
- rental of an office building, and
- legal services.

20(e) Outstanding balances arising from sales/purchases of goods and services

IAS24(18)(b) The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

		2023 CU'000	2022 CU'000 [8,9]
	Current payables (purchases of goods and services)		
IAS24(19)(a)	Lion (Oneland) Plc (parent entity)	**58**	73
IAS24(19)(f)	Entities controlled by key management personnel	**196**	91
IAS24(19)(g)	Other related parties	**265**	94

20(f) Loans to/from related parties

		2023 CU'000	2022 CU'000
IAS24(19)(f)	*Loans to key management personnel*		
IAS24(18)(b)	Beginning of the year	**604**	502
IAS24(18)(a)	Loans advanced	**220**	150
IAS24(18)(a)	Loan repayments received	**(109)**	(46)
IAS24(18)(a)	Interest charged	**57**	41
IAS24(18)(a)	Interest received	**(57)**	(41)
	Increase in loss allowance (see note 12(c))	**(1)**	(2)
IAS24(18)(b)	End of year	**714**	604
IAS24(19)(g)	*Loans to other related parties*		
IAS24(18)(b)	Beginning of the year	**698**	600
IAS24(18)(a)	Loans advanced	**1,000**	600
IAS24(18)(a)	Loan repayments received	**(400)**	(500)
IAS24(18)(a)	Interest charged	**81**	62
IAS24(18)(a)	Interest received	**(81)**	(62)
	Increase in loss allowance (see note 12(c))	**(2)**	(2)
IAS24(18)(b)	End of year	**1,296**	698
IAS24(19)(a)	*Loans from Lion (Oneland) Plc (parent entity)*		
IAS24(18)(b)	Beginning of the year	**4,000**	-
IAS24(18)(a)	Loans advanced	**7,150**	4,100
IAS24(18)(a)	Loan repayments made	**(2,050)**	(100)
IAS24(18)(a)	Interest charged	**185**	104
IAS24(18)(a)	Interest paid	**(185)**	(104)
IAS24(18)(b)	End of year	**9,100**	4,000

20(f) Loans to/from related parties

		2023 CU'000	2022 CU'000 [8,9]
IAS24(19)(d)	*Loans from associates*		
IAS24(18)(b)	Beginning of the year	**-**	-
IAS24(18)(a)	Loans advanced	**6,285**	800
IAS24(18)(a)	Loan repayments made	**(200)**	(800)
IAS24(18)(a)	Interest charged	**245**	84
IAS24(18)(a)	Interest paid	**(245)**	(84)
IAS24(18)(b)	End of year	**6,085**	-

IAS24(18)(c),(d) A small loss allowance of CU2,000 (2022 – CU2,000) was recognised in relation to loans to related parties during the year, and the loss allowance on loans to key management personnel was increased by CU1,000 (2022 – CU1,000), see note 12(c) for further information.

20(g) Terms and conditions [9]

IAS24(18)(b)(i) Transactions relating to dividends, calls on partly paid ordinary shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

The loans to key management personnel are generally for periods of ten years, repayable in quarterly instalments at interest rates of 5% per annum. They are secured by first mortgages over the individuals' residences. One unsecured loan of CU60,000 was made to a director of VALUE IFRS Plc for a period of two years with an interest rate of 8% per annum. This loan is repayable in full on 30 March 2024.

Goods were sold to associates during the year based on the price lists in force and terms that would be available to third parties. Management services were bought from the immediate parent entity on a cost-plus basis, allowing a margin ranging from 15% to 30% (2022 – 10% to 24%). All other transactions were made on normal commercial terms and conditions and at market rates. The loans to other related parties are repayable between two to four years from the reporting date, the loans from the associates mature in three years, and the loans from the parent entity are repayable in instalments from 2028. The average interest rate on the other loans during the year was 9.5% (2022 – 9.75%).

IAS24(18)(b)(i) Outstanding balances other than loans to key management personnel are unsecured and are repayable in cash.

Related party transactions

Presentation

1. All of the related party information required by IAS 24 that is relevant to VALUE IFRS Plc has been presented, or referred to, in one note. This is considered to be a convenient and desirable method of presentation, but there is no requirement to present the information in this manner. Compliance with the standard could also be achieved by disclosing the information in relevant notes throughout the financial statements.

Materiality

IAS1(7)

2. The disclosures required by IAS 24 apply to the financial statements when the information is material. According to IAS 1 *Presentation of Financial Statements*, materiality depends on the size and nature of an item. It may be necessary to treat an item or a group of items as material because of their nature, even if they would not be judged material on the basis of the amounts involved. This may apply when transactions occur between an entity and parties who have a fiduciary responsibility in relation to that entity, such as those transactions between the entity and its key management personnel.

Key management personnel (KMP) compensation

3. While the disclosures under paragraph 17 of IAS 24 are subject to materiality, this must be determined based on both quantitative and qualitative factors. In our view, it will not be appropriate to omit the aggregate compensation disclosures based on materiality.
4. Whether it is necessary to disclose additional information about KMP compensation and amounts such as outstanding leave balances, unpaid salaries, bonuses or pension obligations to satisfy the requirements in paragraph 18 of IAS 24 will depend on the individual circumstances and on the materiality of the amounts involved – from both a quantitative and a qualitative point of view. Disclosure will more likely be required if there are unusual circumstances associated with those payments and balances, such as special bonuses provided to KMPs only, unusual payment terms or unusually large unpaid amounts.

Related party transactions

Related party definition

IAS24(9),(IE4)-(IE26) 5. The definition of a related party includes the following persons and entities:

(a) A person (or a close member of that person's family) is related to the reporting entity if the person:

(i) has control or joint control over the reporting entity

(ii) has significant influence over the reporting entity, or

(iii) is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.

(b) The reporting entity (A) is related to another entity (B) if:

(i) A and B are members of the same group (that is, all entities within a group are related to each other)

(ii) A is an associate or joint venture of B. In this case, A is related to all members of the group that B belongs to

(iii) A and B are joint ventures of the same third party, C

(iv) A is a joint venture of C and B is an associate of C (or vice versa)

(v) B is a post-employment benefit plan for the benefit of employees of A or an entity related to A. If A is itself a post-employment benefit plan, any sponsoring employers are also related to A

(vi) B is controlled or jointly controlled by a person identified in (a) above

(vii) a person who has control or joint control over A has significant influence over B or is a member of the key management personnel of B or B's parent, or

(viii) B (or any member of the group of which B is a part) provides key management personnel services to A or A's parent.

IAS24(12) In this definition, an associate includes subsidiaries of the associate, and a joint venture includes subsidiaries of the joint venture.

Post-employment benefit plans

IAS24(9)(b)(v)
IAS19(151) 6. Post-employment benefit plans for the benefit of employees of the entity, or of any entity that is a related party of the entity, are related parties under the definition in paragraph 9 of IAS 24. This means that contributions made to such plans by the entity or any other entity in the consolidated group must be disclosed as a related party transaction, regardless of whether the plans are defined contribution or defined benefit plans. However, industry-wide and state pension schemes that are not exclusively for the benefit of the entity's employees, or for the benefit of employees of the entity's related parties, would generally not be regarded as related parties of the entity. Similarly, where employees have a choice of selecting a post-employment benefit plan into which the entity will make contributions and the plan is otherwise unrelated to the reporting entity it would not become a related party merely because of the employees' membership.

Transactions with related parties

IAS24(9),(21)
IAS37(3) 7. Related party transactions are transfers of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. They include commitments to do something if a particular event occurs (or does not occur) in the future and executory contracts (recognised or unrecognised). As per IAS 37, executory contracts are contracts under which neither party has performed any of its obligations, or both parties have partially performed their obligations to an equal extent.

Comparatives

IAS1(38) 8. IAS 24 is silent on comparatives. Under IAS 1, comparative information must be provided for all amounts reported in the financial statements, except where a standard provides otherwise, which is not the case with IAS 24. As the notes are part of the financial statements (see paragraph 10 of IAS 1), comparative information should be included for all amounts that provide further analysis of the line items in the financial statements.

Related party transactions

9. IAS 1 further states that comparative information should also be provided for narrative and descriptive information where it is relevant to an understanding of the current period's financial statements. In the case of related party disclosures, comparative information is likely to be relevant for all narrative and descriptive information. The comparative information should disclose transactions with parties that were related at the time the transaction took place, but need not include information about transactions with parties that were unrelated at that time.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

10. 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
IAS24(18)(b)	Commitments to related parties, including committed future purchases or sales	Disclose amount of commitments as at the end of the reporting period, including terms and conditions.
IAS24(18),(18A)	Key management personnel (KMP) services are provided by a separate management entity	Disclose fee paid to the management entity for the KMP services and any other transactions with that entity.
IAS24(21)(h)	Guarantees given or received in relation to outstanding balances due to/from related parties	Disclose the details of the guarantees.
IAS24(25)-(27)	The entity applies the exemption for government-related entities	Provide the information required by paragraphs 25–27 of IAS 24.
	An investment entity is exempt from consolidating certain subsidiaries and measures them at fair value through profit or loss instead	Disclose any transactions and outstanding balances with those subsidiaries, as they are not eliminated on consolidation.

21 Share-based payments [2,3]

21(a) Employee Option Plan

IFRS2(44),(45)(a)

The establishment of the VALUE IFRS Employee Option Plan was approved by shareholders at the 2018 annual general meeting. The Employee Option Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on VALUE IFRS Plc's total shareholder return (TSR), including share price growth, dividends and capital returns, ranking within a peer group of 20 selected companies that are listed on the Oneland Stock Exchange over a three-year period. Once vested, the options remain exercisable for a period of two years.

Options are granted under the plan for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share 14 days after the release of the half-yearly and annual financial results of the group to the market.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Oneland Stock Exchange during the week up to and including the date of the grant.

The Employee Option Plan is administered by the VALUE IFRS Employee Share Trust, which is consolidated in accordance with the principles in note 25(b)(i). When the options are exercised, the trust transfers the appropriate amount of shares to the employee. The proceeds received, net of any directly attributable transaction costs, are credited directly to equity.

21(a) Employee Option Plan

Set out below are summaries of options granted under the plan:

IFRS2(45)(b)(i),(ii),(iii),(iv),(vii)

	2023 Average exercise price per share option	**2023** Number of options	2022 Average exercise price per share option	2022 Number of options
As at 1 January	**CU5.55**	**2,056,000**	CU5.33	1,688,000
Granted during the year	**CU6.18**	**818,000**	CU5.78	814,000
Exercised during the year *	**CU5.28**	**(228,000)**	-	-
Forfeited during the year	**CU5.71**	**(445,000)**	CU5.12	(446,000)
As at 31 December	**CU5.78**	**2,201,000**	CU5.55	2,056,000
Vested and exercisable at 31 December	**CU5.28**	**263,000**	-	-

IFRS2(45)(c)

* The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2023 was CU6.35 (2022 – not applicable).

IFRS2(45)(b)(v)

No options expired during the periods covered by the above tables.

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

IFRS2(45)(b)(vi),(d)

Grant date	Expiry date	Exercise price	Share options 31 December 2023	Share options 31 December 2022
1 November 2020	30 October 2025	CU5.28	**263,000**	546,000
1 November 2021	30 October 2026	CU5.51	**569,000**	709,000
1 November 2022	30 October 2027	CU5.78	**641,000**	801,000
1 November 2023	30 October 2028	CU6.18	**728,000**	-
Total			**2,201,000**	2,056,000
Weighted average remaining contractual life of options outstanding at end of period (IFRS2(45)(d))			**3.67 years**	3.96 years

(i) Fair value of options granted

IFRS2(46),(47)(a)(i)

The assessed fair value at grant date of options granted during the year ended 31 December 2023 was CU1.80 per option (2022 – CU1.75). The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, and the correlations and volatilities of the peer group companies.

IFRS2(47)(a)(i),(iii)

The model inputs for options granted during the year ended 31 December 2023 included:

(a) options are granted for no consideration and vest based on VALUE IFRS Plc's TSR ranking within a peer group of 20 selected companies over a three-year period. Vested options are exercisable for a period of two years after vesting

(b) exercise price: CU6.18 (2022 – CU5.78)

(c) grant date: 1 November 2023 (2022 – 1 November 2022)

(d) expiry date: 30 October 2028 (2022 – 30 October 2027)

(e) share price at grant date: CU6.12 (2022 – CU5.83)

(f) expected price volatility of the company's shares: 35% (2022 – 30%)

(g) expected dividend yield: 3.8% (2022 – 3.2%), and

(h) risk-free interest rate: 6% (2022 – 5.5%).

IFRS2(47)(a)(ii)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

21(b) Deferred shares – executive short-term incentive scheme

IFRS2(45)(a)

Under the group's short-term incentive (STI) scheme, executives receive 50% of the annual STI achieved in cash and 50% in the form of rights to deferred shares of VALUE IFRS Plc. The rights are granted on the 28 February of the following year and vest after two years from the grant date. They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executives do not receive any dividends and are not entitled to vote in relation to the deferred shares during the vesting period. If an executive ceases to be employed by the group within this period, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

IFRS12(14),(17)

The deferred shares are administered by the VALUE IFRS Employee Share Trust. This trust is consolidated in accordance with note 25(b)(i). The shares are acquired on market at the grant date and are held as treasury shares until such time as they are vested. Forfeited shares are reallocated in subsequent grants. Under the terms of the trust deed, VALUE IFRS Plc is required to provide the trust with the necessary funding for the acquisition of the shares at the time of the grant.

IFRS2(47)(b)

The number of rights to be granted is determined based on the currency value of the achieved STI divided by the weighted average price at which the company's shares are traded on the Oneland Stock Exchange during the week up to and including the date of the grant (CU5.94 for the rights granted in February 2023, and CU6.08 for the rights granted in 2022).

IFRS2(47)(b)

The fair value of the rights at grant date (CU5.50; 2022 – CU5.71) was estimated by taking the market price of the company's shares on that date less the present value of expected dividends that will not be received by the executives on their rights during the two-year vesting period. The fair value is recognised as an expense over the relevant service period, which is the year to which the bonus relates and the vesting period of the shares.

The following table shows the deferred shares granted and outstanding at the beginning and end of the reporting period: [1]

IFRS2(45)(b)(i),(ii),(iii),(iv),(vii)

	2023 Number of shares	2022 Number of shares
As at 1 January	**88,360**	46,916
Granted during the year	**57,636**	52,364
Vested during the year	**(40,374)**	-
Forfeited during the year	**(21,699)**	(10,920)
As at 31 December	**83,923**	88,360
Weighted average remaining contractual life of the deferred shares outstanding at end of period (IFRS2(45)(d))	**0.68 years**	0.70 years

(i) Net settlement feature for withholding tax obligations

IFRS2(44),(45)(a)

Under Oneland tax law, VALUE IFRS Plc must withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount in cash to the tax authority on the employee's behalf. The deferred shares granted under the group's STI scheme include a net settlement feature under which the trust withholds shares in order to settle the employee's tax obligations.

IFRS2(52)

The group is settling the deferred share grant on a net basis by withholding the number of shares with a fair value equal to the monetary value of the employee's tax obligation and only issuing the remaining shares on completion of the vesting period. This reduces the dilutive impact of the deferred share scheme. If all of the deferred shares outstanding as at 31 December 2023 will subsequently vest, the group will be required to pay approximately CU46,000 to the taxation authority (2022 - nil).

21(c) Employee share scheme

IFRS2(44),(45)(a)

A scheme under which shares may be issued by the company to employees for no cash consideration was approved by shareholders at the 2019 annual general meeting. All Oneland resident permanent employees (excluding executive directors, other key management personnel of the group and the group company secretary) who have been continuously employed by the group for a period of at least one year are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Since the current reporting period, the employee share scheme is also administered by the VALUE IFRS Employee Share Trust. This trust is consolidated in accordance with note 25(b)(i).

Shares issued by the trust to the employees are acquired on-market prior to the issue. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements (see note 9(b)).

IFRS2(47)(b)

IFRS2(46)

Under the scheme, eligible employees may be granted up to CU1,000 worth of fully paid ordinary shares in VALUE IFRS Plc annually for no cash consideration. The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the company's shares are traded on the Oneland Stock Exchange during the week up to and including the date of grant. The shares vest immediately on grant date and are recognised at the closing share price on the grant date (grant date fair value) as an issue of treasury shares by the trust (in 2022 as share capital, see note 9(a)) and as part of employee benefit costs in the period the shares are granted.

Offers under the scheme are at the discretion of the company, and no offer may be made unless annual profit growth in the financial year prior to the date of the offer was at least 3% greater than the increase in the consumer price index.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment by the group. In all other respects the shares rank equally with other fully paid ordinary shares on issue (see note 9(a)).

IFRS2(45)(a)

	2023	2022
Number of shares issued under the plan to participating employees on 1 June 2023 (2 June 2022)	**145,902**	142,857

IFRS2(47)(b)

Each participant was issued with shares worth CU1,000 based on the weighted average market price of CU6.42 (2022 – CU5.50). The shares had a grant date fair value of CU6.18 (2022 – CU5.59).

21(d) Share appreciation rights

IFRS2(44),(45)(a)

In September 2023, the remuneration committee decided to reward divisional managers for their contribution to the performance of the group by granting them 200,000 share appreciation rights (SARs). The rights entitle the employees to a cash payment after three years of service. The amount payable will be determined based on the increase of VALUE IFRS Plc's share price between the grant date (25 September 2023: CU5.43) and the vesting date (25 September 2026). The rights must be exercised on vesting date and will expire if not exercised on that date.

IFRS2(46)

The fair value of the SARs was determined using the Black-Scholes model using the following inputs as at 31 December 2023:

		31 December 2023
	Share price at measurement date	**CU6.19**
	Expected volatility	**32%**
	Dividend yield	**3.8%**
	Risk-free interest rate	**6%**
IFRS2(51)(b)(i)	Carrying amount of liability – included in employee benefit obligations (note 8(h))	**CU138,000**

IFRS2(51)(b)(ii)

There were no SARs granted in prior years, and none of the SARs had vested as at 31 December 2023.

21(e) Expenses arising from share-based payment transactions

IFRS2(50),(51)(a) Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2023 CU'000	2022 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

Share award disclosures

IFRS2(45)

1. The detailed disclosures in paragraph 45 of IFRS 2 are only required for share options. However, share awards such as the deferred shares in our example, are equivalent to share options with a zero exercise price. It may therefore be appropriate to provide similar disclosures to the extent they are applicable to the share awards.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

	Issue not illustrated	Relevant disclosures or references
IFRS2(47)(c)	Modification of share-based payment arrangements	Explain the modifications, disclose the incremental fair value granted and how this was measured (see below).
IFRS2(49)	Rebuttal of the presumption that the fair value of goods or services received from parties other than employees can be measured reliably	Disclose that fact and explain why the presumption was rebutted.
IFRS2(52)	The information disclosed does not satisfy the principles in paragraphs 44, 46 and 50 of IFRS 2	Provide additional information as necessary.

3. The following illustrative disclosure may be useful where relevant to an entity:

Modification of share-based payment arrangements

IFRS2(47)(c) In May 2023, VALUE IFRS Plc increased the vesting period for the employee share options granted in October 2022 from three to five years and reduced the exercise price to CU4.00 to reflect the recent fall in the company's share price. The fair value of the options at the date of the modification was determined to be CU2.05. The incremental fair value of CU0.25 will be recognised as an expense over the period from the modification date to the end of the extended vesting period. The expense for the original option grant will continue to be recognised as if the terms had not been modified.

The fair value of the modified options was determined using the same models and principles as described above, with the following model inputs: [provide details].

22 Earnings per share [1]

		2023 Cents	2022 Cents
	22(a) Basic earnings per share		
	From continuing operations attributable to the ordinary equity holders of the company	**56.9**	47.3
IAS33(68)	From discontinued operation	**1.3**	0.7
	Total basic earnings per share attributable to the ordinary equity holders of the company	**58.2**	48.0
	22(b) Diluted earnings per share		
	From continuing operations attributable to the ordinary equity holders of the company	**55.8**	47.1
IAS33(68)	From discontinued operation	**1.3**	0.7
	Total diluted earnings per share attributable to the ordinary equity holders of the company	**57.1**	47.8

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

		2023 CU'000	2022 CU'000
IAS33(70)(a)	*Basic earnings per share*		
	Profit from continuing operations as presented in the statement of profit or loss	**34,904**	28,042
	Less: Dividends paid to non-redeemable participating preference shareholders ((e)(v))	**(107)**	(107)
	Less: Profit from continuing operations attributable to non-controlling interests	**(3,005)**	(2,318)
	Profit from continuing operations attributable to the ordinary equity holders	**31,792**	25,617
	Profit from discontinued operation	**727**	399
	Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**32,519**	26,016
IAS33(70)(a)	*Diluted earnings per share*		
	Profit from continuing operations attributable to the ordinary equity holders of the company:		
	Used in calculating basic earnings per share	**31,792**	25,617
IAS33(70)(a)	Add: interest savings on convertible notes	**435**	-
	Used in calculating diluted earnings per share	**32,227**	25,617
	Profit from discontinued operation	**727**	399
	Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**32,954**	26,016

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

		2023 Number	2022 Number
IAS33(70)(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**55,889,119**	54,184,666
IAS33(70)(b)	Adjustments for calculation of diluted earnings per share:		
	Amounts uncalled on partly paid shares and calls in arrears	**101,088**	90,517
	Options	**166,112**	87,346
	Deferred shares	**101,045**	82,315
	Convertible notes	**1,456,064**	-
IAS33(70)(b)	Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**57,713,428**	54,444,844

IAS33(64)
Revised illustration

The earnings per share calculations for the current and prior year have been adjusted for the bonus element in the rights issue undertaken during the current year and the shares issued under the dividend reinvestment plan – see note 9(a) for details.

22(e) Information concerning the classification of securities

(i) Partly paid ordinary shares

IAS33(72)

Partly paid ordinary shares carry the right to participate in dividends in proportion to the amount paid relative to the total issue price. To that extent they have been recognised as ordinary share equivalents in the determination of basic earnings per share. Amounts uncalled on partly paid shares and calls in arrears are treated as the equivalent of options to acquire ordinary shares, and are included as potential ordinary shares in the determination of diluted earnings per share.

(ii) Options

IAS33(72)

Options granted to employees under the VALUE IFRS Employee Option Plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required TSR hurdles would have been met based on the company's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 21(a).

IAS33(70)(c)

The 818,000 options granted on 1 November 2023 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2023. These options could potentially dilute basic earnings per share in the future.

(iii) Deferred shares

IAS33(46),(72)

Rights to deferred shares granted to executives under the group's short-term incentive scheme are included in the calculation of diluted earnings per share, assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share. Further information about the rights is provided in note 21(b).

(iv) Convertible notes

IAS33(72)

Convertible notes issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The notes have not been included in the determination of basic earnings per share. Details relating to the notes are set out in note 7(g).

(v) 7% non-redeemable participating preference shares

IAS33(72)
IAS33(A14)(b)

The 7% non-redeemable participating preference shares were classified as equity and were a separate category of ordinary shares for the purposes of determining earnings per share, rather than potential ordinary shares. The shares were bought back and cancelled during the year (see note 9(a)). The only profit attributable to these shares was the CU107,000 dividends paid to the preference shareholders each year. While the shares would have participated equally with ordinary shares on a winding up of the company, they were not entitled to any additional earnings above and beyond the 7% paid during the year.

(vi) 6% cumulative redeemable preference shares

IAS33(72)

The 6% cumulative redeemable preference shares are not ordinary or potential ordinary shares and have not been included in the determination of basic and diluted earnings per share. These shares are classified as liabilities (see note 7(g)).

Earnings per share

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

	Issue not illustrated	Relevant disclosures or references
IAS33(70)(d)	Share transactions after the end of the reporting period	Provide a description of material share transactions that occurred after the end of the reporting period and that were not retrospectively adjusted in the calculation of earnings per share (EPS).
IAS33(73)	EPS based on alternative earnings	Indicate the basis on which the alternative earnings are determined, including whether the amounts are before or after tax. Provide a reconciliation between the earnings used and a line item that is reported in the statement of comprehensive income, where necessary.
IAS1(112)(c)	Major capital restructuring	Consider providing appropriate explanations in the notes where the restructuring had a significant impact on the EPS information that was calculated in accordance with the requirements of IAS 33.
IAS33(64)	The number of ordinary or potential ordinary shares changes as a result of a capitalisation, bonus issue, share split or reverse share split	Retrospectively adjust the calculation of basic and diluted EPS for all periods presented and explain the changes made. This applies regardless of whether the change occurred during the reporting period or after the end of the period before the financial statements are authorised for issue.

23 Offsetting financial assets and financial liabilities [1-4,7]

IAS32(42) IFRS7(13A),(13B)

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where VALUE IFRS Plc currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. VALUE IFRS Plc has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2023 and 31 December 2022. The column 'net amount' shows the impact on the group's statement of financial position if all set-off rights were exercised.

IFRS7(13C)

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts	Gross amounts set off in the statement of financial position	Net amounts presented in the statement of financial position	Amounts subject to master netting arrange-ments	Financial instrument collateral	Net amount
2023	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**
Financial assets						
Cash and cash equivalents (c)	**55,083**	**-**	**55,083**	**-**	**(24,678)**	**30,405**
Trade receivables (a)(i),(c)	**16,661**	**(999)**	**15,662**	**-**	**(10,410)**	**5,252**
Financial assets at FVPL (c)	**11,300**	**-**	**11,300**	**-**	**(11,300)**	**-**
Other financial assets (a)(ii)	**1,000**	**(1,000)**	**-**	**-**	-	**-**
Derivative financial instruments (b),(c)	**2,162**	**-**	**2,162**	**(308)**	**(1,088)**	**766**
Total	**86,206**	**(1,999)**	**84,207**	**(308)**	**(47,476)**	**36,423**
Financial liabilities						
Trade payables (a)(i)	**10,999**	**(999)**	**10,000**	**-**	**-**	**10,000**
Borrowings (a)(ii),(c)	**98,515**	**(1,000)**	**97,515**	**-**	**(47,476)**	**50,039**
Derivative financial instruments (b)	**1,376**	**-**	**1,376**	**(308)**	**-**	**1,068**
Total	**110,890**	**(1,999)**	**108,891**	**(308)**	**(47,476)**	**61,107**
2022						
Financial assets						
Cash and cash equivalents (c)	30,299	-	30,299	-	(11,154)	19,145
Trade receivables (a)(i),(c)	8,670	(450)	8,220	-	(6,542)	1,678
Financial assets at FVPL (c)	10,915	-	10,915	-	(10,915)	-
Other financial assets (a)(ii)	1,000	(1,000)	-	-	-	-
Derivative financial instruments (b),(c)	2,129	-	2,129	(621)	(640)	868
Total	53,013	(1,450)	51,563	(621)	(29,251)	21,691
Financial liabilities						
Trade payables (a)(i)	8,681	(450)	8,231	-	-	8,231
Borrowings (a)(ii),(c)	85,595	(1,000)	84,595	-	(29,251)	55,344
Derivative financial instruments (b)	1,398	-	1,398	(621)	-	777
Total	95,674	(1,450)	94,224	(621)	(29,251)	64,352

23(a) Offsetting arrangements

(i) Trade receivables and payables

IFRS7(13B)

VALUE IFRS Manufacturing Limited gives volume-based rebates to selected wholesalers. Under the terms of the supply agreements, the amounts payable by VALUE IFRS Manufacturing Limited are offset against receivables from the wholesalers and only the net amounts are settled. The relevant amounts have therefore been presented net in the statement of financial position.

(ii) Borrowings

IFRS7(13B)

VALUE IFRS Plc is required to maintain cash on deposit of CU1,000,000 in respect of certain borrowings. The cash cannot be withdrawn or used by the company for liquidity purposes whilst the borrowing is outstanding. Upon maturity of the borrowing, the company and the lender intend to net settle. As a result, VALUE IFRS Plc's borrowings have been presented net of the cash on deposit, as the requirements under IFRS to offset have been met.

23(b) Master netting arrangements – not currently enforceable [5]

IFRS7(13E),(B50)

Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), will the net position owing/receivable to a single counterparty in the same currency be taken as owing and all the relevant arrangements terminated. As VALUE IFRS Plc does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in the table above.

23(c) Collateral against borrowings [6]

IFRS7(13C)

VALUE IFRS Plc has pledged financial instruments as collateral against a number of its borrowings. See note 24 for further information on financial and non-financial collateral pledged as security against borrowings.

Offsetting financial assets and financial liabilities

Scope

1. Because of the broad scope of the offsetting requirements, the disclosures are relevant not only to financial institutions but also to corporate entities.

IFRS7(13A),(B40)
IAS32(50)

2. The offsetting disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with paragraph 42 of IAS 32. While there is no definition of 'master netting arrangement', a master netting arrangement will commonly:
   (a) provide for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract
   (b) be used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations, and
   (c) create a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

IFRS7(B41)

3. The offsetting disclosures do not apply to arrangements, such as:
   (a) financial instruments with only non-financial collateral agreements
   (b) financial instruments with financial collateral agreements but no other rights of set-off, and
   (c) loans and customer deposits with the same financial institution, unless they are set off in the statement of financial position.

Location of disclosures

IFRS7(13F)

4. Where the disclosures are provided in more than one note to the financial statements, cross-references between the notes shall be included. Entities with significant offsetting arrangements should consider including this information more prominently, for example together with the information about financial risk management or as part of their financial assets/financial liabilities disclosures.

Master netting without offsetting

IFRS7(36)(b)

5. An entity may have entered into one or more master netting arrangements that serve to mitigate its exposure to credit loss but do not meet the criteria for offsetting. Where a master netting arrangement significantly reduces the credit risk associated with financial assets not offset against financial liabilities with the same counterparty, the entity must provide additional information concerning the effect of the arrangement.

Collateral arrangements

IFRS7(13C)(d),(B41)

6. Where an entity has pledged financial instruments (including cash) as collateral, this is only required to be disclosed as part of the offsetting disclosures where there are other set-off arrangements currently in place in relation to the same instrument(s). That is, disclosure is not required where the only potential effect of the set off relates to a collateral agreement. VALUE IFRS Plc illustrates an example where cash has been set off against borrowings held by the entity. As a result, it is required to disclose other financial instrument collateral provided in relation to this borrowing.

Offsetting financial assets and financial liabilities

Cash pooling arrangements

IAS32(42)

7. Some groups have cash pooling arrangements in place whereby cash surpluses and overdrafts residing in an entity's or group's various bank accounts are pooled together to create a net surplus or overdraft. The IFRS Interpretations Committee considered these arrangements in March 2016 and concluded that positive cash balances and overdrafts cannot be offset to the extent that the entity does not intend to settle the period end balances on a net basis. Some arrangements are unlikely to satisfy the offsetting requirements in IAS 32 unless the balances are settled or transferred into a netting account as at the reporting date.

24 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

		Notes	**2023 CU'000**	2022 CU'000
	Current			
	Transferred receivables		**3,250**	-
	Floating charge			
IFRS7(14)(a)	Cash and cash equivalents	7(e)	**24,678**	11,154
IFRS7(14)(a)	Receivables	7(a)	**10,410**	6,542
IFRS7(14)(a)	Financial assets at fair value through profit or loss	7(d)	**11,300**	10,915
IFRS7(14)(a)	Derivative financial instruments	12(a)	**1,088**	640
	Total current assets pledged as security		**50,726**	29,251
	Non-current			
	First mortgage			
IAS16(74)(a)	Freehold land and buildings	8(a)	**24,950**	23,640
IAS40(75)(g)	Investment properties	8(c)	**13,300**	10,050
			38,250	33,690
	Floating charge			
IFRS7(14)(a)	Financial assets at amortised cost	7(a)	**2,700**	700
IFRS7(14)(a)	Financial assets at fair value through other comprehensive income	7(c)	**6,782**	7,148
IFRS7(14)(a)	Financial assets at fair value through profit or loss	7(d)	**1,200**	-
IFRS7(14)(a)	Derivative financial instruments	12(a)	**308**	712
IAS16(74)(a)	Plant and equipment	8(a)	**6,150**	4,100
			17,140	12,660
	Total non-current assets pledged as security		**55,390**	46,350
	Total assets pledged as security		**106,116**	75,601

Restrictions and covenants imposed under leasing agreements over right-of-use assets are disclosed in note 8(b).

IAS1(117)
Revised requirements

25 Summary of other potentially material accounting policies [1-10,23,24]

IAS1(112)(a),(b)
(51)(b)

Consider impact of climate change – see Appendix E

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of VALUE IFRS Plc and its subsidiaries.

IAS1(112)(a),(117)

25(a) Basis of preparation

(i) Compliance with IFRS

IAS1(16)
Revised illustration

The consolidated financial statements of the VALUE IFRS Plc group have been prepared in accordance with IFRS® Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS® Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRIC® Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC® Interpretations).

The compliance statement in the basis of preparation should be aligned with how reference to the framework is described in local regulation. An alternative way to state compliance with IFRS Accounting Standards could be "International Financial Reporting Standards as issued by the IASB" ("IFRS Accounting Standards")".

(ii) Historical cost convention

IAS1(117)(a)

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment, and investment property – measured at fair value or revalued amount
- assets held for sale – measured at the lower of carrying amount and fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value.

Revised requirements

(iii) New and amended standards adopted by the group [11-14]

IAS8(28)

The group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

- IFRS 17 *Insurance Contracts* [14]
- *Definition of Accounting Estimates – amendments to IAS 8*
- *International Tax Reform – Pillar Two Model Rules – amendments to IAS 12.*

[If not already adopted last year, the list should also include:

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*.]

The group also elected to adopt the following amendments early: [15]

- *Amendments to IAS 1 – Classification of Liabilities as Current or Non-current* and *Amendments to IAS 1 – Non-current Liabilities with Covenants.*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

[Entities that were significantly impacted by the adoption of IFRS 17 *Insurance Contracts* will need to explain any adjustments made to their accounting policies. See the commentary to note 26 for details.]

Revised requirements

(iv) New standards and interpretations not yet adopted [16-18]

IAS8(30)

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. [18]

IAS1(119)

25(b) Principles of consolidation and equity accounting

(i) Subsidiaries

IFRS10(5)-(7),(20),(25)

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

IFRS3(4)

The acquisition method of accounting is used to account for business combinations by the group (see note 25(i)).

IFRS10(19),(B86)(c)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

IFRS10(22)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

IAS1(119)

(ii) Associates

IAS28(5),(16)

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

IFRS11(14)

Under IFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. VALUE IFRS Plc has both joint operations and joint ventures.

Joint operations

IFRS11(20)

VALUE IFRS Plc recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 16(d).

Joint ventures

IFRS11(24)
IAS28(10)

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated statement of financial position.

(iv) Equity method

IAS28(10)

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

IAS28(38),(39)

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

IAS28(28),(30)

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

IAS28(42)

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 25(j).

(v) Changes in ownership interests

IFRS10(23)(B96)

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of VALUE IFRS Plc.

IFRS10(25),(B97)-(B99)
IAS28(22)

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

IAS28(25)

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

IAS1(119)

25(c) Segment reporting

IFRS8(5),(7)

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

The board of VALUE IFRS Plc has appointed a strategic steering committee which assesses the financial performance and position of the group and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

IAS1(119),(120)

25(d) Foreign currency translation

IAS1(119)

(i) Functional and presentation currency

IAS21(9),(17),(18)
IAS1(51)(d)

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

IAS1(119)

(ii) Transactions and balances

IAS21(21),(28),(32)
IFRS9(6.5.11)(b),(6.5.13)(a)

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

IAS21(23)(c),(30)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

IAS1(119)

(iii) Group companies

IAS21(39)

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

IAS21(39)

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

IFRS9(6.5.13)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

IAS21(47)

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

IAS1(119)

25(e) Revenue recognition

The accounting policies for the group's revenue from contracts with customers are explained in note 3(c).

IAS1(119)

25(f) Government grants

IAS20(7),(39)(a)

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Note 5 provides further information on how the group accounts for government grants.

IAS1(119),(120)

25(g) Income tax

IAS12(46)

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

IAS12(12),(46)
IFRIC23

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

IAS12(15),(24),(47)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. [13] Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

IAS12(51C)

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

IAS12(24),(34)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

IAS12(39),(44)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

IAS12(71),(74)

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

IAS12(61A)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

IAS1(119)

25(h) Leases

IAS1(117)
IFRS16(27)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

IFRS16(18)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

IAS1(119)

25(h) Leases

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

IAS1(117)
IFRS16(24)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Entity-specific details about the group's leasing policy are provided in note 8(b).

IAS1(119),(120)

25(i) Business combinations

IFRS3(5),(37),(39),(53),(18),(19)

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

IFRS3(32),(34)

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

IFRS3(42)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

IAS1(119)

25(j) Impairment of assets

IAS36(9),(10)

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

IAS1(119)

25(k) Cash and cash equivalents [10]

IAS7(6),(8),(46)

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

IAS1(119)

25(l) Trade receivables [10]

IFRS7(21)

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 7(a) for further information about the group's accounting for trade receivables and note 12(c) for a description of the group's impairment policies.

IAS1(119)

25(m) Inventories

IAS1(119)

(i) Raw materials and stores, work in progress and finished goods

IAS2(9),(10),(25),(36)(a)

IFRS9(6.5.11)(d)(i)

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

IAS1(119)

(ii) Land held for resale

IAS2(9),(10),(23),(36)(a)
IAS23(8),(22)

Land held for resale is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

IAS1(119)

25(n) Non-current assets (or disposal groups) held for sale and discontinued operations

IFRS5(6),(15)

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

IFRS5(20)-(22)

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

IFRS5(25)

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

IFRS5(38)

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

IFRS5(31),(32),(33)(a)

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

25(o) Investments and other financial assets [10,19]

(i) Classification

IFRS9(4.1.1)

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

IFRS9(4.1.4),(5.7.1)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

IFRS9(4.4.1)

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

IFRS7(21),(B5)(c)
IFRS9(3.1.1),(3.2.2),
(B3.1.3)-(B3.1.6)

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement [19,20]

IFRS9(5.1.1)

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

IFRS9(4.3.2),(4.3.3)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

IFRS9(5.2.1)

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

IFRS9(4.1.2)

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

IFRS9(4.1.1),(4.1.2A),
(5.7.10)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.

IFRS9(4.1.1),(4.1.4)

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

IFRS9(5.7.5),(5.7.6)

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

IFRS9(5.7.1)

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

25(o) Investments and other financial assets [10,19]

(iv) Impairment

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 12(c) for further details.

IAS1(119)
IFRS7(21)

25(p) Derivatives and hedging activities [10,19]

IFRS9(5.1.1),(5.2.1)(c),(5.2.3)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates certain

IFRS9(6.5.2)

derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

IFRS9(6.4.1)(b)

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 7(h). Movements in the hedging reserve in shareholders' equity are shown in note 9(c).

(i) Cash flow hedges that qualify for hedge accounting [20]

IFRS9(6.5.11)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

IFRS9(6.5.15)

Where option contracts are used to hedge forecast transactions, the group designates only the intrinsic value of the options as the hedging instrument.

IFRS9(6.5.15)(c)

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

IFRS9(6.5.16)

When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

IFRS9(6.5.15),(6.5.16)

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (e.g. through cost of sales).

IFRS9(6.5.11)(d)(i)

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

IAS1(119) IFRS7(21)

25(p) Derivatives and hedging activities [10,19]

IFRS9(6.5.12)

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) Net investment hedges [20]

IAS1(119)

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

IFRS9(6.5.13)

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses). [19]

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

IAS1(119)

(iii) Derivatives that do not qualify for hedge accounting [20]

IFRS9(5.7.1)

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

IAS1(119) IFRS7(21)

25(q) Financial guarantee contracts [10,19]

IFRS9(4.2.1)(c)

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments*, and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

IAS1(119)

25(r) Property, plant and equipment

IAS16(73)(a),(35)(b),(17)

IFRS9(6.5.11)(d)(i)

The group's accounting policy for land and buildings is explained in note 8(a). All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

IAS16(12)

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

IAS16(39)

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

IAS16(50),(73)(b)

The depreciation methods and periods used by the group are disclosed in note 8(a).

IAS16(51)

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

IAS1(119)

25(r) Property, plant and equipment

IAS36(59)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 25(j)).

IAS16(68),(71),(41)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

IAS1(119)

25(s) Investment properties

IAS40(75)(a)

The group's accounting policy for investment properties is disclosed in note 8(c).

IAS1(119)

25(t) Intangible assets

IAS1(119)

(i) Goodwill

IFRS3(32)
IAS36(10)

Goodwill is measured as described in note 25(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

IAS36(80)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 2).

IAS1(119)

(ii) Trademarks, licences and customer contracts

IAS38(74),(97),(118)(a),(b)

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

IAS1(119)

(iii) Research and development

IAS38(54),(71)
Revised illustration

Research expenditure and development expenditure that do not meet the criteria for capitalisation as set out in note 8(d)(ii) are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

IAS1(119)

(iv) Amortisation methods and periods

Refer to note 8(d) for details about amortisation methods and periods used by the group for intangible assets.

IAS1(119)

25(u) Trade and other payables [10]

IFRS7(21)
IFRS9(5.1.1)

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

IAS1(119)

25(v) Borrowings [10]

IFRS7(21)
IFRS9(5.1.1),(4.2.1)

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

IAS32(18)

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

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

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

IAS1(119)

25(v) Borrowings [10]

IFRS9(3.3.1),(3.3.3)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

IFRIC19(9)

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

IAS1(69)

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

IAS1(119)
IAS23(8)

25(w) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

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

IAS1(119)

25(x) Provisions

IAS37(14),(24),(63)

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

IAS37(36),(45),(47),(60)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

IAS1(119)

25(y) Employee benefits

(i) Short-term obligations [21]

IAS19(11),(13)

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

IAS19(8),(155),(156)

(ii) Other long-term employee benefit obligations [21]

In some countries, the group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

IAS1(69)

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

IAS1(119)

25(y) Employee benefits

(iii) Post-employment obligations

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Pension obligations

IAS19(57),(67)

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

IAS19(83),(86)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

IAS19(123)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

IAS19(57)(d)

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

IAS19(103)

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

IAS19(51)

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

IAS19(155)

Other post-employment obligations

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

IAS1(119)

(iv) Share-based payments [22]

Share-based compensation benefits are provided to employees via the VALUE IFRS Employee Option Plan, an employee share scheme, the executive short-term incentive scheme and share appreciation rights. Information relating to these schemes is set out in note 21.

IFRS2(15)(b),(19)

Employee options

The fair value of options granted under the VALUE IFRS Employee Option Plan is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

IFRS2(21)

- including any market performance conditions (e.g. the entity's share price)

IFRS2(20)

- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

IFRS2(21A)

- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

IFRS2(19)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

IAS1(119)

25(y) Employee benefits

Deferred shares

IFRS2(15),(16),(19)

The fair value of deferred shares granted to employees for nil consideration under the short-term incentive scheme is recognised as an expense over the relevant service period. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period, and adjustments are recognised in profit or loss and the share-based payment reserve.

IFRS2(19)

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture.

Share appreciation rights

IFRS2(30)
Revised illustration

Liabilities for the group's share appreciation rights are recognised as employee benefit expense over the relevant service period based on the estimated number of rights that are expected to vest. The liabilities are presented as employee benefit obligations and remeasured to fair value at each reporting date, with any measurement changes recognised in profit or loss as employee benefit expense. In estimating the fair value, market conditions and non-vesting conditions are taken into account. Where share appreciation rights are forfeited due to a failure by the employee to satisfy the service conditions, the liability is derecognised and expenses previously recognised are reversed.

IAS1(119)

(v) Profit-sharing and bonus plans

IAS19(19)

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

IAS1(119)

(vi) Termination benefits

IAS19(165),(166)

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

IAS1(119)

25(z) Contributed equity

IAS32(18)(a)

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 7(g)).

IAS32(35),(37)

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

IAS32(33)

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of VALUE IFRS Plc as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of VALUE IFRS Plc.

IAS32(33)

Shares held by the VALUE IFRS Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

IAS1(119)

25(aa) Dividends

IAS10(12),(13)

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

IAS1(119)

25(ab)Earnings per share

(i) Basic earnings per share

IAS33(10)

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 9(b)).

(ii) Diluted earnings per share

IAS33(30)

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Summary of other potentially material accounting policies

Whether to disclose an accounting policy

IAS1(119)

1. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users where those policies are selected from alternatives allowed in IFRS.
2. Some IFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, IAS 16 *Property, Plant and Equipment* requires disclosure of the measurement bases used for classes of property, plant and equipment and IFRS 3 *Business Combinations* requires disclosure of the measurement basis used for non-controlling interest acquired during the period.

Changes made to IAS 1 from 1 January 2023

3. The IASB has amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting policy information.

IAS1(117)

4. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

IAS1(117A)

5. Even if a transaction or other event is material in terms of amounts, accounting policy information could be omitted if the information itself is not material for an understanding of the entity's accounting for that particular transaction or event. Conversely, accounting policy information for less significant transactions or other events could, because of the nature of the related transaction or event, be material.

Summary of other potentially material accounting policies

IAS1(117B) 6. Factors to consider when determining if accounting policy information is material could include, but not necessarily be limited to, the following:

(a) The entity changed its accounting policies during the reporting period, and the change resulted in a material change to the information in the financial statements.

(b) The accounting policies were chosen from a set of alternatives under IFRS.

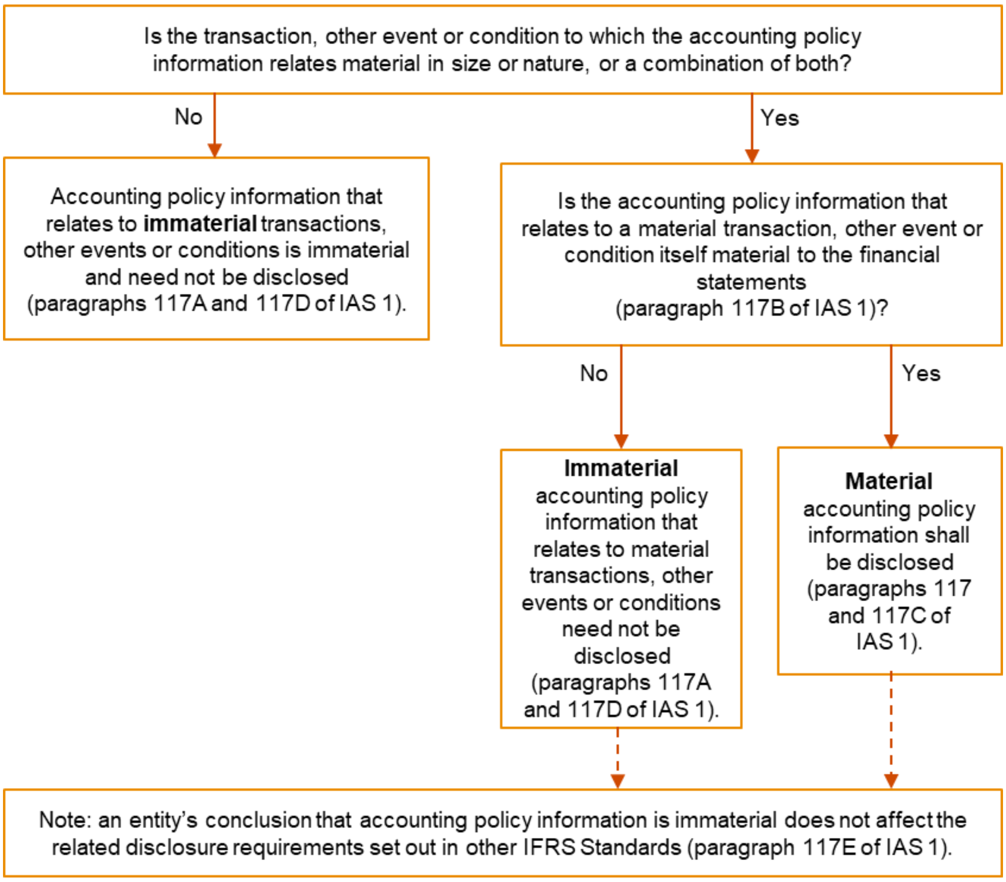
(c) Accounting policies for the particular transaction or event are not specifically described under IFRS, hence the entity derived the accounting policies using the guidance in paragraphs 10-12 of IAS 8.

(d) The accounting policies relate to areas where the entity was required to apply significant judgement or assumptions in applying those policies, and the entity discloses those judgements or assumptions as required by paragraphs 122 and 125 of IAS 1.

(e) The accounting requirements for the particular transaction or event are complex, hence the primary users of the financial statements need information about the accounting policies to gain an understanding of the accounting for that transaction or event.

IAS1(117C) 7. Accounting policy information that is entity-specific and tailor-made is more relevant for the primary user's understanding of the financial statements than generic information ("boilerplate information").

8. To support the amendments made to IAS 1, the IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The following decision tree from the practice statement may be helpful in determining if accounting policy information should be disclosed for any particular transaction or event:



Summary of other potentially material accounting policies

How we disclose accounting policies in this publication

9. In this publication, we have disclosed policies that are specific to the entity and relevant for an understanding of individual line items in the financial statements, together with the notes for those line items. This includes policies which were chosen from a set of alternatives, policies for transactions or events that are not specifically described under IFRS or where the entity was required to apply significant judgements or assumptions in applying the policies. Policies which are not entity-specific but rather summarise the requirements of the accounting standards are included in note 25(b) to 25(ab). These policies would only need to be included if they are assessed to be material for an entity based on the criteria listed above.

IFRS7(21),(B5)

10. However, preparers should note that IFRS 7 has been amended to state that information about the measurement basis (bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information. See paragraph 19 below for guidance on what the disclosures of the measurement basis can include.

Change in accounting policy – new and revised accounting standards

IAS8(28)

11. Where an entity has changed any of its accounting policies, either as a result of a new or revised accounting standard or voluntarily, it must explain the change in its notes. Additional disclosures are required where a policy is changed retrospectively, see note 26 for further information.

IAS8(28)

12. New or revised accounting standards and interpretations only need to be disclosed if they resulted in a change in accounting policy which had an impact in the current year or could impact on future periods. There is no need to disclose pronouncements that did not have any impact on the entity's accounting policies and amounts recognised in the financial statements.
13. For the purpose of this edition, we have assumed that VALUE IFRS Plc did not have to make any changes to its accounting policies as a result of the amendments summarised in Appendix D(a). However, this assumption will not necessarily apply to all entities. Where there has been a change in policy, this will need to be explained, see note 26 for further information.
14. In particular, entities should consider whether IFRS 17 *Insurance Contracts* could apply to them. Insurance contracts are defined as contracts 'under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder'. This could also include certain contracts entered into by entities that are not insurers, such as fixed-fee for service contracts or financial guarantee contracts that were previously accounted for under IFRS 4 *Insurance Contracts*. Our In depth INT2022-14 *IFRS 17 affects more than just insurance companies* is designed to help entities to navigate through the various considerations that might be relevant in determining whether the standard applies and what adjustments and disclosures may be required.

Early adoption of accounting standards

15. VALUE IFRS Plc does not generally adopt any standards or amendments to standards early, unless the amendments are only clarifying existing practice and do not introduce any major changes (for example, the amendments made to IAS 1 in relation to the classification of liabilities as current or non-current and to non-current liabilities with covenants). The impact of standards and interpretations that have not been early adopted is disclosed in note 25(a)(iv). For a listing of standards and interpretations that were on issue as at 30 June 2023 but not yet mandatory, refer to Appendix D(c).

Standards and interpretations issued but not yet effective

IAS8(30)

16. Entities must explain if there are any accounting standards and interpretations which are not yet applied but are expected to have a material effect on the entity in the current period and on foreseeable future transactions. Where a pronouncement introduces a new accounting option that was not previously available, the entity should explain whether and/or how it expects to use the option in the future.
17. In our view, where the expected impact is material, entities should make these disclosures even if the new accounting pronouncement is issued after the reporting date but before the date of authorisation of the financial statements.
18. The illustrative accounting policy note on page 184 assumes that none of the standards on issue at the time of writing will have a material impact on VALUE IFRS Plc. However, this will not apply to all entities alike and entities will need to provide appropriate disclosures where necessary. For a listing of standards and interpretations that were on issue as at 30 June 2023 but not yet mandatory, see Appendix D(c).

Summary of other potentially material accounting policies

Financial instruments

IFRS7(21),(B5)

19. Disclosure of the measurement bases of financial instruments may include:
    (a) the nature of financial assets and financial liabilities that have been designated at fair value through profit or loss (FVPL), the criteria for designating them at FVPL and how the entity has satisfied the conditions in IFRS 9 for such designation
    (b) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date, and
    (c) how net gains or net losses on each category of financial instruments are determined (e.g. whether the net gains or losses on items at FVPL include interest or dividend income).

Presentation of fair value gains and losses on financial assets and derivatives

20. VALUE IFRS Plc's accounting policies for financial assets and derivatives (notes 25(o) and (p)) specify where in the statement of comprehensive income (or statement of profit or loss, as applicable) the relevant fair value gains or losses are presented. However, IFRS 9 does not prescribe the presentation in the statement of comprehensive income. Other ways of presenting the fair value gains and losses may be equally appropriate. We believe that an entity's accounting policy on the presentation of hedge ineffectiveness should be consistent with the entity's policy on presenting the results of trading derivatives and derivatives that are not part of a designated hedge accounting relationship.

Employee benefits

Presentation and measurement of annual leave obligations

21. VALUE IFRS Plc has presented its obligation for accrued annual leave within current employee benefit obligations. However, it may be equally appropriate to present these amounts either as provisions (if the timing and/or amount of the future payments is uncertain, such that they satisfy the definition of 'provision' in IAS 37) or as other payables.

IAS19(8),(BC16)-(BC21)

For measurement purposes, we have assumed that VALUE IFRS Plc has both annual leave obligations that are classified as short-term benefits and those that are classified as other long-term benefits under the principles in IAS 19. The appropriate treatment will depend on the individual facts and circumstances and the employment regulations in the respective countries. To be classified and measured as short-term benefits, the obligations must be expected to be settled wholly within 12 months after the end of the annual reporting period in which the employee has rendered the related services. The IASB has clarified that this must be assessed for the annual leave obligation as a whole and not on an employee-by-employee basis.

Share-based payments – expense recognition and grant date

IFRS2(IG4)

22. Share-based payment expenses should be recognised over the period during which the employees provide the relevant services. This period may commence prior to the grant date. In this situation, the entity estimates the grant date fair value of the equity instruments for the purposes of recognising the services received during the period between service commencement date and grant date. Once the grant date has been established, the entity revises the earlier estimate so that the amounts recognised for services received is ultimately based on the grant date fair value of the equity instruments. The deferred shares awarded by VALUE IFRS Plc are an example where this is the case. They are expensed over three years and two months, being the period to which the bonus relates and the two subsequent years until the deferred shares vest.

Summary of other potentially material accounting policies

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

Issue not illustrated	Relevant disclosures or references
IFRS7(28) IFRS9(B5.1.2A) Fair value determined using valuation technique – difference on initial recognition	Disclose (by class of financial instrument) the accounting policy for recognising that difference in profit or loss.
IAS1(117) IFRS7(B5)(a),(aa) Financial assets and liabilities designated at fair value through profit or loss (FVPL)	Disclose the nature of the financial assets or liabilities designated as at FVPL, the criteria for the designation and how the entity has satisfied the conditions for designation. See commentary to note 7 paragraph 16 for illustrative disclosures.
IAS29(39) Financial reporting in hyperinflationary economies	Disclose the fact that the financial statements and comparatives have been restated, which method was used (historical cost or current cost approach), and information about the identity and the level of the price index.

Industry-specific disclosures

24. Appendix C provides an illustration and explanation of the disclosure requirements of IFRS 6 *Exploration for and Evaluation of Mineral Resources* and IAS 41 *Agriculture*. Further examples of industry-specific accounting policies and other relevant disclosures can be found in the following PwC publications:

(a) *Illustrative IFRS Consolidated Financial Statements – Investment property*

(b) *Illustrative IFRS Financial Statements – Investment funds*

(c) *IFRS 9 for banks – Illustrative disclosures*

(d) *Illustrative IFRS Consolidated financial statements – IFRS 17, Insurance contracts*

26 Changes in accounting policies [1-12]

Changes in accounting policies

Disclosures not illustrated: not applicable to VALUE IFRS Plc

1. As there are no new or amended accounting standards that required VALUE IFRS Plc to change its accounting policies for the 2023 financial year, we have not illustrated the relevant disclosures in this year's publication.

Voluntary changes in accounting policy

IAS8(28),(29)

2. The disclosures for mandatory and voluntary changes in accounting policies are similar. Amongst others, entities must disclose in both cases the nature of the change in accounting policy, adjustments for the current and prior periods presented and adjustments relating to periods before those presented. However, entities that have voluntarily changed an accounting policy shall also explain the reasons why applying the new accounting policy provides reliable and more relevant information.

Impact of change on the current period

IAS8(28)(f)

3. IAS 8 specifically requires disclosure of the effect of a change in accounting policy not only on prior periods but also on the current period, unless it is impracticable to determine the amount of the adjustment. To make this disclosure, entities will need to apply both the old accounting policy and the new policies parallel in the year of adoption. The standard includes a definition of impracticable and a set of criteria that must be satisfied for the exemption to be applied, setting quite a high hurdle for using this exemption.
4. The IASB did consider requiring this disclosure only for voluntary changes of accounting policies and not where the change is a result of changes in the accounting standards. However, they did not proceed with the amendment but decided instead to give relief on a case-by-case basis. For example, relief was provided for the adoption of IFRS 15 *Revenue from Contracts with Customers,* but not for entities that adopted IFRS 16 *Leases* without using the simplified transitional approach. (IFRS15(C4))

Change of accounting policy in response to IFRS Interpretations Committee agenda decisions

5. While IFRS Interpretations Committee agenda decisions do not form part of IFRSs, they often produce explanatory material that provides new information 'that was not otherwise available and could not otherwise reasonably have been expected to be obtained' relating to the application of accounting standards. Therefore, an entity might be required to change its previous accounting treatment following the issue of an IFRS Interpretations Committee agenda decision. Often, but not always, changes resulting from an agenda decision would be a voluntary accounting policy change in accordance with IAS 8 as it arises from 'new information' and would generally have to be applied retrospectively. For a list of agenda decisions issued in the last 12 months see Appendix D(b).

IAS8(29)

6. Where the entity has to change its accounting treatment, it should apply IAS 8 to determine the nature of and provide sufficient disclosure of the reasons for the change, having regard to the particular facts of the individual case. Entities might consider the following description for the change in accounting treatment:

   > The group previously accounted for [explanation of previous accounting practice]. Following the IFRS Interpretations Committee agenda decision on [subject matter] in [date], the group has reconsidered its accounting treatment. The group has adopted the treatment set out in the agenda decision [description of the new treatment]. This change in accounting treatment has been accounted for retrospectively and comparative information has been restated. [Disclose details of the effect.].

Changes in accounting policies

7. In addition, entities will need to:
   IAS8(29) (a) explain any adjustments made to prior periods
   (b) discuss the impact of the change on the current period as explained in paragraphs 3 and 4 above
   (c) identify which of the primary financial statements have been restated (usually by adding the word 'restated' to the relevant column headers), together with a reference to the note where information about the restatement can be found
   IAS1(40A) (d) present a third statement of financial position as at the beginning of the comparative period if the retrospective restatements have a material effect on the information presented in that statement of financial position, and
   IAS1(106)(b) (e) show the effects of the retrospective restatement in the statement of changes in equity for each component of equity in the same way as illustrated on page 22 for an error restatement.

   Entities should also consider the views of the relevant regulator when assessing and describing the change.
8. The IASB has stated that it expects that entities should be entitled to have sufficient time to determine whether an agenda decision will require a change in their accounting policies and to implement this change. Entities will need to apply judgement to determine what sufficient time is in this context. In our view, it should be just long enough to be able to implement the change. The judgement is an entity-specific assessment, and would consider, for example, whether additional information needs to be collected for the implementation of the new policy or to provide disclosures, or whether processes and systems need to be modified. We expect that, in many cases, sufficient time would be a matter of months, but it is unlikely that it would extend for more than a year. Entities should consider the views of any relevant securities regulator as part of the assessment.
9. When management has concluded that a change in an accounting policy is required as a result of an agenda decision but that change has not been made yet, they should consider providing disclosures similar to those provided about forthcoming standards in accordance with paragraphs 30 and 31 of IAS 8.

Additional comparative information – third statement of financial position

IAS1(40A),(40C)

10. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements and this had a material effect on the information in the statement of financial position at the beginning of the preceding period, the entity must present a third statement of financial position as at that date (1 January 2022 for entities with a 31 December 2023 year-end). However, it is not necessary to include the additional comparative information in the affected notes, provided the entity has disclosed all of the quantitative information that is required by IAS 8.

IAS1(40D)

11. The third statement of financial position must be presented as at the beginning of the preceding period even if the entity presents comparative information for earlier periods.

Impact of change on prior interim financial reports

IAS1(112)(c)

12. There is no explicit requirement to disclose the financial effect of a change in accounting policy that was made during the final interim period on prior interim financial reports of the current annual reporting period. However, where the impact on prior interim reporting periods is significant, an entity should consider explaining this fact and the financial effect as part of the disclosures made under paragraphs 28 and 29 of IAS 8.

Independent auditor's report to the members of VALUE IFRS Plc

The audit report will be provided by the entity's auditor on completion of the audit of the financial report. As the wording of the report is likely to differ from country to country, we have not included an illustrative report in this publication

Independent auditor's report

Form and content of audit report

ISA700

1. Standards and guidance on the preparation of reports on audits conducted in accordance with international auditing standards are given in International Standard on Auditing ISA 700 (revised) *Forming an Opinion and Reporting on Financial Statements*.

VALUE IFRS Plc

Illustrative IFRS consolidated financial statements December 2023 – Appendices

Appendix A: Operating and financial review (management commentary)

International Organization of Securities Commissions

1. In 2010, the International Organization of Securities Commissions (IOSCO) issued *Principles for Periodic Disclosure by Listed Entities* which are aimed at facilitating agreement on common high-level principles to provide guidance to jurisdictions that are developing or reviewing their periodic disclosure requirements for listed entities. While IOSCO's principles and standards are not mandatory, they are increasingly incorporated in national stock exchange requirements for prospectuses and annual reports. Following is a summary of IOSCO's principles for operating and financial reviews (OFRs) or management's discussion and analysis (MD&A) in annual and interim reports.
2. According to IOSCO, OFRs/MD&As should provide a balanced explanation of factors that have affected the entity's financial condition and results of operations for the periods covered by the financial statements. The disclosures should provide a context within which the financial results and financial position can be interpreted and enable investors to see the entity through the eyes of management. For example, there should be a discussion based on segment information and explanations for material changes from year to year in financial statement line items. In particular, OFRs should cover the following topics:

   (a) Operating results

   Discuss the significant factors that materially affected the entity's income from operations, including unusual or infrequent events or new developments, and the extent to which income was affected by these factors (e.g. the impact of inflation, the impact of foreign currency fluctuations, and any governmental economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, the company's operations). Information about any significant components of revenues and expenses that are necessary to understand the entity's results of operations can also be useful.

   (b) Liquidity and capital resources

   Provide information about the entity's short-term and long-term liquidity, i.e. its ability to generate adequate amounts of cash to meet its cash obligations, and its financial key performance indicators (e.g. the issuer's internal and external sources of liquidity, a discussion of the risk of illiquidity of assets that may be held to settle the liabilities of the issuer, any material, unused sources of liquidity and any material restrictions on all sources of liquidity).

   With respect to capital resources, disclose the entity's material commitments for capital expenditures as of the end of its latest financial year, the general purpose of such commitments and the anticipated sources of funds needed to fulfil such commitments.

   (c) Trend information

   Provide information about the facts and circumstances surrounding known material trends and uncertainties that could affect the entity's prospects (e.g. the potential impact of currently known trends, events and uncertainties that are reasonably likely to have material effects on the entity's net sales or revenues, income from operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition).

   (d) Off-balance sheet arrangements

   Disclose any material off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on the issuer's financial position. Such arrangements can incur profits and losses that are not fully transparent to investors.

   (e) Critical accounting estimates

   Explain any estimates and assumptions involved in applying accounting policies that can have a material impact on the entity's reported operating results, financial condition and changes in financial condition, as well as on the comparability of reported information over different reporting periods (e.g. because of the subjectivity and judgement required to account for highly uncertain matters, or because the estimate or assumption could have a material impact on financial condition or operating performance). Disclose the methodology for determining the critical accounting estimates, and explain why the accounting estimates or assumptions could change, possibly combined with an analysis of the sensitivity of the critical accounting estimates and assumptions to change.

IASB guidance for management commentary

3. The IASB issued a non-mandatory practice statement on management commentary in December 2010 that provides principles for the presentation of a narrative report on an entity's financial performance, position and cash flows.
4. The IASB's practice statement provides a broad framework of principles, qualitative characteristics and elements that might be used to provide users of financial reports with decision-useful information. The practice statement recommends that the commentary is entity-specific and may include the following components:
   (a) A description of the business, including discussion of matters such as the industries, markets and competitive position; legal, regulatory and macro-economic environment; and the entity's structure and economic model.
   (b) Management's objectives and strategies to help users understand the priorities for action and the resources that must be managed to deliver results.
   (c) The critical financial and non-financial resources available to the entity and how those resources are used in meeting management's objectives for the entity.
   (d) The principal risks, and management's plans and strategies for managing those risks, and the effectiveness of those strategies.
   (e) The performance and development of the entity to provide insights into the trends and factors affecting the business and to help users understand the extent to which past performance may be indicative of future performance.
   (f) The performance measures that management uses to evaluate the entity's performance against its objectives, which helps users to assess the degree to which goals and objectives are being achieved.
5. In May 2021, the IASB published an exposure draft with proposals for a comprehensive new framework for preparing management commentary which would replace the current practice statement. At the time of writing this publication, the IASB was considering the feedback received but had not yet decided on a path forward for this project. In December 2022, the International Sustainability Standards Board (ISSB) decided to seek feedback in the request for information on its agenda consultation regarding a potential joint project with the IASB on connectivity in reporting, building on the IASB's Management Commentary project and the Integrated Reporting Framework.

Disclosing alternative performance measures (APMs or non-GAAP measures)

6. Some entities present measures of performance in their OFR that are different from the profit or loss for the period or any of the subtotals or line items required by IAS 1. Many regulators provide guidance and rules regarding the type and location of APMs, including IOSCO, the European Securities and Markets Authority (ESMA) and the US Securities and Exchange Commission (SEC).
7. Judgement is required to decide what presentations are acceptable. In order for users to properly understand APMs, in our view, they should be:
   (a) relevant to the users' understanding of the financial statements
   (b) transparent and clearly disclosed in the financial statements
   (c) clearly and accurately defined
   (d) applied consistently from one year to the next
   (e) applied in accordance with the definition, and
   (f) presented in a manner that is fair, unbiased and not misleading.
8. Some APMs are sub-totals and additional line items that are derived directly from the elements of the IFRS financial statements and are commonly understood by users of the financial statements, for example operating profit or earnings before interest and tax (EBIT). Referring to these measures in the OFR is likely to provide sufficient information for users to properly understand the performance measure.

9. However, other APMs are not derived directly from the elements of the IFRS financial statements and therefore usually require additional disclosures to be properly understood. Such performance measures might include earnings before interest, tax, depreciation and amortisation (EBITDA), adjusted EBITDA or a subtotal for operating profit that excludes items that would usually be considered operating in nature, such as impairment charges, restructuring costs or other 'exceptional' or 'non-cash' items. In our view, these additional disclosures should include:
   (a) a description of the basis for the APM and how it is derived. This would normally be achieved through a reconciliation of the measure to a profit measure or other measure defined by IFRS; and
   (b) the purpose and objective of disclosing the measure and, if applicable, a statement that the measure might not be consistent with measures (of similar description) used by other entities.
10. The ESMA guidelines require entities to:
   (a) define APMs in a clear and readable way and give meaningful labels (impairments and restructuring charges are 'rarely … unusual or non-recurring')
   (b) reconcile APMs to the most directly reconcilable GAAP line item explaining material reconciling items
   (c) explain the use of APMs so users understand relevance and reliability
   (d) not display APMs with more prominence, emphasis or authority than GAAP measures
   (e) present APMs with comparatives which also need to be reconciled, and
   (f) define APMs consistently over time and justify any changes made.
11. In 2020, ESMA added another FAQ to the guidelines that discusses whether APMs may be adjusted or new APMs disclosed to reflect the impact of events such as COVID-19, which have a pervasive effect on the entity's overall financial performance, position and/or cash flows. ESMA observed that it may not be appropriate to include new or adjusted APMs but urged companies instead to provide narrative explanations of how COVID-19 has impacted and/or is expected to impact their operations and performance, the level of uncertainty and the measures adopted or expected to be adopted to address the COVID-19 outbreak. These explanations may include, where applicable, details on how COVID-19 affected the assumptions and estimates used in determining inputs to APMs, such as impairment losses, reductions in expected lease payment or grants received.
12. The SEC's interpretative guidance on the use of non-GAAP financial measures provides examples of potentially misleading non-GAAP measures and example disclosures that would cause a non-GAAP measure to be more prominent than the most directly comparable GAAP measure. The guidance also clarifies that non-GAAP liquidity measures cannot be presented on a per share basis in documents filed or furnished with the Commission, and describes how income tax effects of non-GAAP measures should be presented and calculated.

ISSB exposure drafts and SEC proposals for climate-related disclosures

13. See Appendix E for a summary of the proposals from the International Sustainability Standards Board (ISSB) on disclosing sustainability-related financial information and for the SEC's proposals to enhance and standardise climate-related disclosures.

Appendix B: Alternative presentation of primary statements

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

Consolidated statement of profit or loss and other comprehensive income – single statement, showing expenses by nature

IAS1(51)(c),(e) IAS1(113)		Notes	2023 CU'000	2022 Restated * CU'000
IAS1(82)(a)	**Continuing operations**			
	Revenue	3	**197,659**	161,604
	Finance income	5(d)	**1,616**	905
	Other income	5(a)	**11,348**	12,033
	Other gains/(losses) – net	5(b)	**4,593**	(671)
	Changes in inventory		**6,681**	5,255
	Raw materials		**(62,218)**	(54,108)
	Employee benefit expenses		**(56,594)**	(52,075)
	Advertising		**(14,265)**	(6,662)
	Transportation		**(8,584)**	(6,236)
	Depreciation and amortisation	3(b),8(a) 8(b),8(d)	**(12,540)**	(10,080)
	Restructuring costs		**(1,215)**	(1,010)
	Impairment of goodwill	8(d)	**(2,410)**	-
	Write-off of assets damaged by fire		**(1,210)**	-
	Other		**(3,775)**	(2,363)
IAS1(82)(ba)	Net impairment losses on financial and contract assets	12(c)	**(849)**	(595)
IAS1(82)(b)	Finance costs	5(d)	**(7,491)**	(6,735)
IAS1(82)(c)	Share of net profit of associates and joint ventures accounted for using the equity method	16(e)	**340**	355
	Profit before income tax		**51,086**	39,617
IAS1(82)(d) IAS12(77)	Income tax expense	6	**(16,182)**	(11,575)
	Profit from continuing operations		**34,904**	28,042
IFRS5(33)(a) IAS1(82)(ea)	Profit from discontinued operation (attributable to equity holders of the company)	15	**727**	399
IAS1(81A)(a)	**Profit for the period**		**35,631**	28,441
	Other comprehensive income			
IAS1(82A)(a)(ii)	*Items that may be reclassified to profit or loss*			
IAS1(82A),(7)(da)	Changes in the fair value of debt instruments at fair value through other comprehensive income	9(c)	**126**	(228)
IAS1(82A),(7)(e)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	9(c)	**20**	15
IAS1(82A),(7)(c) IAS21(32)	Exchange differences on translation of foreign operations	9(c)	**(617)**	185
IFRS5(38)	Exchange differences on translation of discontinued operation	15	**170**	58
IAS1(82A),(7)(e)	Gains on cash flow hedges	9(c)	**326**	1,423
IAS1(82A),(7)(g)(h)	Costs of hedging	9(c)	**(88)**	73
IAS1(82A),(7)(e)	Hedging losses reclassified to profit or loss	12(a)	**(155)**	(195)
IAS1(82A),(7)(c) IFRS9(6.5.13)	Gains on net investment hedge	9(c)	**190**	-
IAS1(91)	Income tax relating to these items	9(c)	**(68)**	(326)
	Subtotal other comprehensive income		**(96)**	1,005

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

Consolidated statement of profit or loss and other comprehensive income – single statement, showing expenses by nature

IAS1(51)(c),(e)
IAS1(113)

		Notes	2023 CU'000	2022 Restated * CU'000
	Subtotal other comprehensive income		**(96)**	1,005
IAS1(82A)(a)(i)	*Items that will not be reclassified to profit or loss*			
IAS1(82A),(7)(a)	Gain on revaluation of land and buildings	9(c)	**7,243**	5,840
IAS1(82A),(7)(e)	Changes in the fair value of equity investments at fair value through other comprehensive income	9(c)	**632**	(1,230)
IAS1(82A)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	9(c)	**300**	100
IAS1(82A),(7)(b) IAS19(120)(c)	Remeasurements of post-employment benefit obligations	9(c)	**119**	(910)
IAS1(91)	Income tax relating to these items	9(c)	**(2,489)**	(1,140)
IAS1(81A)(b)	**Other comprehensive income for the period, net of tax**		**5,709**	3,665
IAS1(81A)(c)	**Total comprehensive income for the period**		**41,340**	32,106
IAS1(81B)(a)	Profit is attributable to:			
	Owners of VALUE IFRS Plc		**32,626**	26,123
	Non-controlling interests		**3,005**	2,318
			35,631	28,441
IAS1(81B)(b)	Total comprehensive income for the period is attributable to:			
	Owners of VALUE IFRS Plc		**38,434**	29,530
	Non-controlling interests		**2,906**	2,576
			41,340	32,106
	Total comprehensive income for the period attributable to owners of VALUE IFRS Plc arises from:			
	Continuing operations		**37,549**	29,073
IFRS5(33)(d)	Discontinued operations		**885**	457
			38,434	29,530
IAS33(66)	**Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:**			
	Basic earnings per share	22	**56.9**	47.3
	Diluted earnings per share	22	**55.8**	47.1
IAS33(66)	**Earnings per share for profit attributable to the ordinary equity holders of the company:**			
	Basic earnings per share	22	**58.2**	48.0
	Diluted earnings per share	22	**57.1**	47.8

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

Not mandatory

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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

Consolidated statement of cash flows – direct method

Reference		Notes	2023 CU'000	2022 CU'000
IAS1(113)				
IAS7(10),(18)(a)	**Cash flows from operating activities**			
IAS7(14)(a)	Receipts from customers (inclusive of goods and services tax)		196,280	185,292
IAS7(14)(c),(d)	Payments to suppliers and employees (inclusive of goods and services tax)		(136,825)	(142,760)
			59,455	42,532
IAS7(14)(g)	Payments for financial assets at fair value through profit or loss		(135)	(1,235)
IAS7(14)(g)	Proceeds from disposal of financial assets at fair value through profit or loss		600	-
IAS7(14)(b)	Insurance recovery relating to fire	4(b)	300	-
IAS7(16)	Transaction costs relating to acquisition of subsidiary	14	(750)	-
IAS7(14)(b)	Other income		7,490	7,484
IAS7(31)-(33)	Interest received		1,262	905
IAS7(31)-(33)	Interest paid		(8,127)	(6,799)
IAS7(14)(f),(35),(36)	Income taxes paid		(16,458)	(12,163)
	Net cash inflow from operating activities		43,637	30,724
IAS7(10),(21)	**Cash flows from investing activities**			
IAS7(39)	Payment for acquisition of subsidiary, net of cash acquired	14	(2,600)	-
IAS7(16)(a)	Payments for property, plant and equipment	8(a)	(25,387)	(14,602)
IAS7(16)a)	Payments for investment property	8(c)	(1,900)	-
IAS7(16)(c)	Payments for financial assets at fair value through other comprehensive income		(259)	(2,029)
IAS7(16)(c)	Payments for financial assets at amortised cost	7(b)	-	(1,175)
IAS7(16)(a)	Payment of software development costs	8(d)	(880)	(720)
IAS7(16)(e)	Loans to related parties		(1,180)	(730)
IAS7(39)	Proceeds from sale of engineering division	15	3,110	-
IAS7(16)(b)	Proceeds from sale of property, plant and equipment		9,585	639
IAS7(16)(d)	Proceeds from sale of financial assets at fair value through other comprehensive income		1,375	820
IAS7(16)(f)	Repayment of loans by related parties		469	626
IAS7(38)	Dividends from joint ventures and associates	16(e)	160	220
IAS7(31),(33)	Other dividends		3,300	4,300
IAS7(31),(33)	Interest received on financial assets held as investments		258	249
	Net cash (outflow) from investing activities		(13,949)	(12,402)
IAS7(10),(21)	**Cash flows from financing activities**			
IAS7(17)(a)	Proceeds from issues of shares and other equity securities	9(a)	12,413	-
	Proceeds from calls on shares and calls in arrears	9(a)	1,500	-
IAS7(17)(c)	Proceeds from borrowings	10(c)	46,053	26,746
IAS7(17)(c)	Proceeds received under a supplier finance arrangement	7(f)	3,070	2,520
IAS7(17)(b)	Payments for shares bought back	9(a)	(1,350)	-
IAS7(17)(b)	Acquisition of treasury shares		(1,217)	(299)
	Share issue and buy-back transaction costs	9(a)	(245)	-
IAS7(17)(d)	Repayment of borrowings	10(c)	(33,484)	(24,835)
IAS7(17)(d)	Repayments to financial institution under a supplier finance arrangement	7(f)	(2,980)	(2,550)
IAS7(17)(e)	Principal elements of lease payments	10(c)	(1,942)	(1,338)
IAS7(42A),(42B)	Transactions with non-controlling interests	16(c)	(1,500)	-
IAS7(31),(34)	Dividends paid to company's shareholders	13(b)	(22,357)	(10,478)
IAS7(31),(34)	Dividends paid to non-controlling interests in subsidiaries	16(b)	(3,017)	(1,828)
	Net cash (outflow) from financing activities		(5,056)	(12,062)
	Net increase in cash and cash equivalents		24,632	6,260
	Cash and cash equivalents at the beginning of the financial year		28,049	21,573
IAS7(28)	Effects of exchange rate changes on cash and cash equivalents		(248)	216
	Cash and cash equivalents at end of year	7(e)	52,433	28,049
IAS7(43)	Non-cash financing and investing activities	10(b)		
IFRS5(33)(c)	Cash flows of discontinued operation	15		

Not mandatory *The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

Appendix C: Areas not illustrated in the financial statements of VALUE IFRS Plc

Biological assets

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

Consolidated statement of profit or loss (extract)

		Notes	2023 CU'000	2022 CU'000
	Revenue	3	**26,240**	27,548
IAS41(40)	Change in fair value of biological assets	8(b)	**22,500**	18,028
	Cost of sales of livestock and palm oil		**(23,180)**	(24,348)

IAS1(10)(a)

Consolidated statement of financial position (extract)

		Notes	31 Dec 2023 CU'000	31 Dec 2022 CU'000	1 January 2022 CU'000
IAS1(60),(66)	**Non-current assets**				
IAS1(54)(a)	Property, plant and equipment	8(a)	**X**	X	X
IAS1(54)(f)	Biological assets	8(b)	**4,300**	5,760	3,500
IAS1(60),(66)	**Current assets**				
IAS1(54)(f)	Biological assets	8(b)	**19,188**	12,437	18,920

2 Segment information

2(a) Description of segments and principal activities

IAS1(138)(b)
IAS41(46)(a)

The group is engaged in the business of farming sheep, primarily for sale to meat processors. The group is also engaged in the business of growing and managing palm oil plantations for the sale of palm oil. The group earns ancillary income from various agricultural produce, such as wool.

IFRS8(22)(a),(b),(aa)

The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, receives separate reports for each sheep farm and palm oil plantation. However, the farms and the plantations have been aggregated into two operating segments, being sheep and palm oil, as they have the same economic characteristics.

3 Revenue

IFRS8(23)(a)

The group derives the following types of revenue by operating segment:

		2023 CU'000	2022 CU'000
IFRS15(114)	Sheep		
	Sale of livestock (note 8(b))	**9,225**	12,096
	Sale of wool	**2,500**	2,350
	Sale of palm oil (note 8(b))	**14,515**	13,102
	Total revenue	**26,240**	27,548

8 Non-financial assets and liabilities

8(a) Property, plant and equipment

	Non-current assets	Mature oil palm trees CU'000	Immature oil palm trees CU'000	Freehold land CU'000	Freehold buildings CU'000	Other corporate assets CU'000	Total CU'000
	At 1 January 2022						
IAS16(73)(d)	Cost or fair value	8,200	2,000	X	X	X	X
IAS16(73)(d)	Accumulated depreciation	-	-	X	X	X	X
	Net book amount	8,200	2,000	X	X	X	X
	Year ended 31 December 2022						
IAS16(73)(e)	Opening net book amount	8,200	2,000	X	X	X	X
IAS16(73)(e)(i),(74)(b)	Additions		2,503	X	X	X	X
IAS16(73)(e)(ix)	Transfer	3,000	(3,000)				
IAS16(73)(e)(vii)	Depreciation charge	(2,000)	-	X	X	X	X
IAS16(73)(e)	Closing net book amount	9,200	1,503	X	X	X	X
	At 31 December 2022						
IAS16(73)(d)	Cost or fair value	11,200	1,503	X	X	X	X
IAS16(73)(d)	Accumulated depreciation	(2,000)	-	X	X	X	X
IAS1(77)	Net book amount	9,200	1,503	X	X	X	X
	Year ended 31 December 2023						
IAS16(73)(e)	Opening net book amount	9,200	1,503	X	X	X	X
IAS16(73)(e)(i),(74)(b)	Additions	-	4,309	X	X	X	X
IAS16(73)(e)(ix)	Transfer	2,700	(2,700)				
IAS16(73)(e)(vii)	Depreciation charge	(2,400)	-	X	X	X	X
IAS16(73)(e)(v) IAS36(126)(a),(b)	Impairment loss	-	-	X	X	X	X
IAS16(73)(e)	Closing net book amount	9,500	3,112	X	X	X	X
	At 31 December 2023						
IAS16(73)(d)	Cost or fair value	13,900	3,112	X	X	X	X
IAS16(73)(d)	Accumulated depreciation and impairment	(4,400)	-	X	X	X	X
IAS1(77))	Net book amount	9,500	3,112	X	X	X	x

IAS1(117)

(vii) Accounting for land and buildings and oil palm trees

IAS16(73)(a) Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity (note 9(b)). All other property, plant and equipment, including oil palm trees, is recognised at historical cost less depreciation.

IAS16(50),(73)(b) Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

IAS16(73)(c)

- Buildings 25–40 years
- Oil palm trees 25 years
- Corporate assets 3–10 years

The group's oil palm trees qualify as bearer plants under the definition in IAS 41 *Agriculture* and are therefore accounted for under the rules for plant and equipment. The trees are classified as immature until the produce can be commercially harvested. At that point they are reclassified and depreciation commences. Immature oil palm trees are measured at accumulated cost.

8(b) Biological assets [2]

(i) Analysis by group of biological assets

IAS41(41) Biological assets comprise sheep and oil palm fresh fruit bunches (FFB) growing on palm trees.

		2023			2022		
IFRS13(93)(e)		**Sheep**	**Oil palm FFB**	**Total**	Sheep	Oil palm FFB	Total
		CU'000	**CU'000**	**CU'000**	CU'000	CU'000	CU'000
IAS41(50)	Opening balance at 1 January	**11,450**	**6,747**	**18,197**	18,781	3,639	22,420
IAS41(50)(b)	Increase due to purchases	**5,971**	**-**	**5,971**	2,097	-	2,097
IAS41(50)(a)	Livestock losses	**(480)**	**-**	**(480)**	(350)	-	(350)
IAS41(50)(a),(51)	Change in fair value due to biological transformation	**3,444**	**18,006**	**21,450**	1,430	15,500	16,930
IAS41(50)(a),(51)	Change in fair value due to price changes	**1,180**	**350**	**1,530**	1,088	360	1,448
IAS41(50)(d)	Transfer of harvested fresh fruit bunches (FFB) to inventory	**-**	**(14,115)**	**(14,115)**	-	(12,752)	(12,752)
IAS41(50)(c)	Decrease due to sale of lambs for slaughter	**(9,065)**	**-**	**(9,065)**	(11,596)	-	(11,596)
IAS41(50)	Closing balance at 31 December	**12,500**	**10,988**	**23,488**	11,450	6,747	18,197
	Current assets:						
	- Sheep held for slaughter	**8,200**	**-**	**8,200**	5,690	-	5,690
	- Oil palm FFB on trees	**-**	**10,988**	**10,988**	-	6,747	6,747
		8,200	**10,988**	**19,188**	5,690	6,747	12,437
	Non-current assets:						
	- Breeding stock – mature	**3,950**	**-**	**3,950**	5,190	-	5,190
	- Breeding stock – immature	**350**	**-**	**350**	570	-	570
	Total non-current	**4,300**	**-**	**4,300**	5,760	-	5,760

IAS41(46)(b) As at 31 December 2023 the group had 6,500 sheep (2022 – 5,397 sheep) and 3,123 sheep were sold during the year (2022 – 4,098 sheep sold).

As at 31 December 2023 there were 2,600,000 hectares of palm oil plantations (2022 – 2,170,000 hectares). During the year the group sold 550,000 kgs of palm oil (2022 – 545,000 kgs).

(ii) Accounting for biological assets

Biological assets are measured at fair value less costs to sell, see (iii) below for further information on determining the fair value.

IAS1(117) Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers, and estimated costs of transport to the market, but exclude finance costs and income taxes.

IAS41(43) Sheep held for slaughter are classified as immature until they are ready for slaughter. Livestock are classified as current assets if they are to be sold within one year.

IAS41(7),(13)
IAS16(6) The oil palm trees are bearer plants and are therefore presented and accounted for as property, plant and equipment, see note 8(a). However, the FFB growing on the trees are accounted for as biological assets until the point of harvest. Harvested FFB are transferred to inventory at fair value less costs to sell when harvested.

IAS41(26) Changes in fair value of livestock and oil palm FFB on trees are recognised in the statement of profit or loss.

Farming costs such as feeding, labour costs, pasture maintenance, veterinary services and shearing are expensed as incurred. The cost of purchase of sheep plus transportation charges are capitalised as part of biological assets. [1]

8(b) Biological assets

IAS1(117)

(iii) Measuring biological assets at fair value

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

Sheep are measured at fair value less costs to sell, based on market prices at auction of livestock of similar age, breed and genetic merit, with adjustments, where necessary, to reflect the differences. Market prices are obtained from the weekly auctions at the local market, which is considered the principal market for the purpose of the valuation.

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

The fair value of growing oil palm FFB is determined using a discounted cash flow model based on the expected palm oil yield by plantation size, the market price for crude palm oil and palm kernel oil, and after allowing for harvesting costs, contributory asset charges for the land and palm trees owned by the entity and other costs yet to be incurred in getting the fruit bunches to maturity.

Consider impact of climate change – see Appendix E

IAS1(122),(125)
IFRS13(93)(d)

Significant estimates and judgements

In measuring the fair value of sheep and oil palm FFB, various management estimates and judgements are required:

Sheep

Estimates and judgements in determining the fair value of sheep relate to market prices, average weight and quality of animals, and mortality rates.

The sheep grow at different rates and there can be a considerable spread in the quality and weight of animals that affects the price achieved. An average weight is assumed for the slaughter sheep livestock that are not yet at marketable weight.

Oil palm FFB on oil palm trees

Estimates and judgements in determining the fair value of the FFB growing on palm trees include the volume and stages of maturity of FFB at reporting date, palm oil yield, the long-term crude palm oil price, palm kernel oil price and the discount rates. See below for key assumptions about unobservable inputs and their relationship to fair value.

(iv) Fair value hierarchy

Consider impact of climate change – see Appendix E

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

IFRS13(93)(a),(b)

At 31 December 2023	Notes	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Sheep					
Mature – breeding stock		-	3,950	-	3,950
Immature – breeding stock		-	350	-	350
Held for slaughter		-	8,200	-	8,200
Oil palm FFB on trees		-	-	10,988	10,988
Total biological assets		-	12,500	10,988	23,488

IFRS13(93)(a),(b)

At 31 December 2022	Notes	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Sheep					
Mature – breeding stock		-	5,190	-	5,190
Immature – breeding stock		-	570	-	570
Held for slaughter			5,690	-	5,690
Oil palm FFB on trees		-	-	6,747	6,747
Total biological assets		-	11,450	6,747	18,197

There were no transfers between any levels during the year.

8(b) Biological assets

The quality of livestock sold at the local markets is considered to approximate the group's breeding and slaughter livestock. Sheep have therefore been classified as level 2 in the fair value hierarchy, since no significant adjustments need to be made to the prices obtained from the local markets.

IFRS13(93)(e) The movements in the fair value of assets within level 3 of the hierarchy, being the FFB growing on trees, can be seen from the table in (i) above. The gains or (losses) recognised in relation to the palm fruit bunches are as follows:

		2023 CU'000	2022 CU'000
IFRS13(93)(e)(i)	Total gains for the period recognised in profit or loss under 'Change in fair value of biological assets'	**18,356**	15,860
IFRS13(93)(f)	Change in unrealised gains or losses for the period recognised in profit or loss attributable to palm fruit bunches held at the end of the reporting period	**9,300**	5,900

(v) Valuation inputs and relationships to fair value

IFRS13(93)(d),(99) The following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurements of the palm fruit bunches on trees. The fair values are determined based on discounted cash flows.

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

Description	Fair value at 31 Dec 2023 CU'000	Fair value at 31 Dec 2022 CU'000	Unobservable inputs *	Range of inputs (probability-weighted average) 2023	Range of inputs (probability-weighted average) 2022	Relationship of unobservable inputs to fair value
Oil palm FFB on trees	10,988	6,747	Palm oil yield – tonnes per hectare	20–30 (24) per year	20–30 (25) per year	The higher the palm oil yield, the higher the fair value
			Crude palm oil price	US$800–$1,100 ($900) per tonne	US$750–$1,070 ($900) per tonne	The higher the market price, the higher the fair value
			Palm kernel oil price	US$1,000–$1,200 ($1,050) per tonne	US$900–$1,150 ($1,030) per tonne	
			Discount rate	9%–11% (10.5%)	9%–11% (10.5%)	The higher the discount rate, the lower the fair value

IFRS13(93)(h)(i) * There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(vi) Valuation processes

IFRS13(93)(g) The group's finance department includes a team that performs the valuations of the group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the group's half-yearly reporting requirements.

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

- Palm oil yield is determined based on the age of the plantation, historical yields, climate-induced variations such as severe weather events, plant losses and new areas coming into production.
- Crude palm oil prices and palm kernel oil prices are quoted prices for the relevant region.
- Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

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

The cash outflows include notional cash flows (contributory asset charges) for the land and palm trees owned by the entity. They are based on market rental payable for orchards of similar size and maturity.

12 Financial risk management (extracts)

12(a) Financial risk management strategies for biological assets

IAS41(49)(c)

The group is exposed to risks arising from environmental and climatic changes, commodity prices and financing risks.

The group's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as droughts and floods and disease outbreaks. The group has strong environmental policies and procedures in place to comply with environmental and other laws.

The group is exposed to risks arising from fluctuations in the price and sales volume of sheep. Where possible, the group enters into supply contracts for sheep to ensure sales volumes can be met by meat-processing companies. The group has long-term contracts in place for supply of palm oil to its major customers.

The seasonal nature of the sheep farming business requires a high level of cash flow in the second half of the year. The group actively manages the working capital requirements and has secured sufficient credit facilities to meet the cash flow requirements.

18 Commitments

IAS41(49)(b)

The group has entered into a contract to acquire 250 breeding sheep at 31 December 2023 for CU1,250,000 (2022 – nil).

IAS1(117)

25 Summary of other potentially material accounting policies

IAS1(112)(a),(117)

25(a) Basis of preparation

(ii) Historical cost convention

IAS1(117)(a)

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment, and investment property – measured at fair value
- assets held for sale – measured at the lower of carrying amount and fair value less costs to sell
- certain biological assets – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value.

Biological assets

IFRS IC September 2019

1. The IFRS Interpretations Committee confirmed that entities may either capitalise the costs relating to the biological transformation of biological assets (subsequent expenditure) or recognise them as expenses when incurred. This accounting policy choice is applied consistently to each group of biological assets and should be disclosed where relevant for an understanding of the financial statements.

Disclosures not illustrated: not applicable to VALUE IFRS Agriculture Plc

2. The following disclosure requirements of IAS 41 *Agriculture* are not illustrated above:

	Item	Nature of disclosure
IAS41(49)(a)	Biological assets with restricted title and/or pledged as security	Disclose existence and carrying amount.
IAS41(50)(e),(f)	Reconciliation of carrying amount of biological assets	Show separately increases due to business combinations and net exchange differences.
IAS41(53),IAS1(97)	Material items of income or expense as result of climatic, disease and other natural risks	Disclose amount and nature.
IAS41(54)-(56)	The fair value of biological assets cannot be measured reliably	Provide additional information.
IAS41(57)	Government grants received in relation to agricultural activity	Disclose the nature and extent of the grants, any unfulfilled conditions and other contingencies, and if there are significant decreases expected in the level of government grants.

Oil and gas exploration assets

8 Non-financial assets and liabilities

8(a) Property, plant and equipment (extracts)

IAS16(73)
IFRS6(24)(b),(25)

	Non-current assets	Capitalised exploration and evaluation expenditure CU'000	Capitalised development expenditure CU'000	Subtotal – assets under construction CU'000	Production assets CU'000	Other businesses and corporate assets CU'000	Total CU'000
	At 1 January 2023						
IAS16(73)(d)	Cost	218	12,450	12,668	58,720	3,951	75,339
IAS16(73)(d)	Accumulated amortisation and impairment	(33)	-	(33)	(5,100)	(77)	(5,210)
	Net book amount	185	12,450	12,635	53,620	3,874	70,129
	Year ended 31 December 2023						
IAS16(73)(e)	Opening net book amount	185	12,450	12,635	53,620	3,874	70,129
IAS16(73)(e)(viii)	Exchange differences	17	346	363	1,182	325	1,870
IAS16(73)(e)(i),(74)(b)	Acquisitions	-	386	386	125	4	515
IAS16(73)(e)(i),(74)(b)	Additions	45	1,526	1,571	5,530	95	7,196
IAS16(73)(e)(ix)	Transfers	(9)	(958)	(967)	1,712	-	745
IAS16(73)(e)(ii)	Disposals	(12)	(1,687)	(1,699)	-	-	(1,699)
IAS16(73)(e)(vii)	Depreciation charge	-	-	-	(725)	(42)	(767)
IAS16(73)(e)(v)	Impairment charge	(7)	(36)	(43)	(250)	(3)	(296)
IAS1(73)(e)	**Closing net book amount**	219	12,027	12,246	61,194	4,253	77,693
	At 31 December 2023						
IAS16(73)(d)	Cost	264	12,027	12,291	67,019	4,330	83,640
IAS16(73)(d)	Accumulated amortisation and impairment	(45)	-	(45)	(5,825)	(77)	(5,947)
IAS1(77), IAS16(74)(b)	Net book amount	219	12,027	12,246	61,194	4,253	77,693

(i) Accounting for oil and gas assets

Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

IAS16(73)(e)(v)
IAS36(126)(a),(b)

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

IAS16(73)(e)

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

Development tangible and intangible assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific field, it is transferred to production or intangible assets.

IAS16(73)(d)

Oil and gas production assets

IAS16(73)(d)

Oil and gas production properties are aggregated exploration and evaluation tangible assets, and development expenditures associated with the production of proved reserves.

IAS1(77))

Depreciation/amortisation

No depreciation or amortisation is charged during the exploration and evaluation phase.

Oil and gas properties intangible assets are depreciated or amortised using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

8(a) Property, plant and equipment (extracts)

Impairment – exploration and evaluation assets

IFRS6(18)

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal and their value in use.

Impairment – proved oil and gas production properties and intangible assets

IAS36(9),(18),(59)

Proven oil and gas properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(ii) Other exploration and evaluation assets and liabilities

IFRS6(24)(b)

In addition to the exploration and evaluation assets disclosed above, the group also has the following assets and liabilities relating to exploration:

	2023 CU'000	2022 CU'000
Receivables from joint venture partners (note 7(a))	**35**	22
Payables to subcontractors and operators (note 7(f))	**32**	34

(iii) Amounts recognised in profit or loss

IFRS6(24)(b)

Exploration and evaluation activities have led to total expenses of CU5,900,000 (2022 – CU5,700,000), of which CU5,200,000 (2022 – CU4,300,000) are impairment charges to write off costs of unsuccessful exploration activities.

In 2023, the disposal of a 16.67% interest in an offshore exploration stage 'Field X' resulted in post-tax profits on sale of CU3,000,000 (2022: nil).

Cash payments of CU41,500,000 (2022 – CU39,500,000) have been incurred related to exploration and evaluation activities. The cash proceeds due to the disposal of the interest in Field X were CU8,000,000 (2022 – nil).

8(c) Intangible assets (extracts)

IAS38(118)
IFRS6(24)(b),(25)

Reference	Non-current assets	Capitalised exploration and evaluation expenditure CU'000	Capitalised development expenditure CU'000	Subtotal – assets under construction CU'000	Production assets CU'000	Goodwill CU'000	Other CU'000	Total CU'000
IFRS3(B67)(d)(i) IAS38(118)(c)	**At 1 January 2023**							
	Cost	5,192	750	5,942	3,412	9,475	545	19,374
	Accumulated amortisation and impairment	(924)	-	(924)	(852)	(75)	(19)	(1,870)
	Net book amount	4,268	750	5,018	2,560	9,400	526	17,504
	Year ended 31 December 2023							
	Opening net book amount	4,268	750	5,018	2,560	9,400	526	17,504
IFRS3(B67)(d)(vi) IAS38(118)(e)(vii)	Exchange differences	152	8	160	195	423	28	806
IAS38(118)(e)(i)	Acquisitions	26	32	58	5	-	5	68
IAS38(118)(e)(i)	Additions	381	8	389	15	-	86	490
IAS38(118)(e)(viii)	Transfers to production	(548)	(302)	(850)	105	-	-	(745)
IAS38(118)(e)(ii)	Disposals	-	(28)	(28)	(15)	-	-	(43)
IAS38(118)(e)(vi)	Amortisation charge	-	-	-	(98)	-	(42)	(140)
IFRS3(B67)(d)(v) IAS36(130)(b) IAS38(118)(e)(iv)	Impairment charge	(45)	-	(45)	-	(175)	(5)	(225)
	Closing net book amount	4,234	468	4,702	2,767	9,648	598	17,715
IFRS3(B67)(d)(viii) IAS38(118)(c)	**At 31 December 2023**							
	Cost	5,203	468	5,671	3,717	9,898	659	19,945
	Accumulated amortisation and impairment	(969)	-	(969)	(950)	(250)	(61)	(2,230)
IAS1(77)	Net book amount	4,234	468	4,702	2,767	9,648	598	17,715

Oil and gas exploration assets

Comparatives required

Disclosure objectives

IAS1(38)

1. This appendix does not show any comparative information for the illustrative disclosures. However, readers should note that comparative amounts must be disclosed to comply with the requirements of IAS 1.

Appendix D: New standards and amendments

This appendix provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2023 (i.e. years ending 31 December 2023), (b) IFRS Interpretations Committee agenda decisions issued in the last 12 months, and (c) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

(a) New standards and amendments – applicable 1 January 2023

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

Title	Key requirements	Effective date * and further guidance
IFRS 17 *Insurance Contracts*	IFRS 17 was issued in May 2017 as replacement for IFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for eligible groups of insurance contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023. Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.	1 January 2023 (deferred from 1 January 2021) For further information see our Viewpoint website and In brief INT2021-5
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 *Presentation of Financial Statements* to require entities to disclose their *material* rather than their *significant* accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023 For further information see In brief INT2021-02
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023 For further information see In brief INT2021-02

* Applicable to reporting periods commencing on or after the given date.

(c) New standards and amendments – applicable 1 January 2023

Title	Key requirements	Effective date * and further guidance
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023 For further information, see In brief INT2021-10
OECD Pillar Two Rules	In December 2021, the Organisation for Economic Co-operation and Development (OECD) released the Pillar Two model rules (the Global Anti-Base Erosion Proposal, or 'GloBE') to reform international corporate taxation. Large multinational enterprises within the scope of the rules are required to calculate their GloBE effective tax rate for each jurisdiction where they operate. They will be liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. In May 2023, the IASB made narrow-scope amendments to IAS 12 which provide a temporary relief from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments also require affected companies to disclose: • the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes • their current tax expense (if any) related to the Pillar Two income taxes, and • during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure. ** The amendments must be applied immediately, subject to any local endorsement process, and retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, the disclosures about the known or reasonably estimable exposure to Pillar Two income taxes are only required for annual reporting periods beginning on or after 1 January 2023 and do not need to be made in interim financial reports for interim periods ending on or before 31 December 2023.	Immediately, except for certain disclosures as noted on the left ** For further information, see our In brief INT2023-12 and our OECD Pillar Two tracker

* Applicable to reporting periods commencing on or after the given date.

(b) IFRS Interpretations Committee agenda decisions issued in the last 12 months

As at 30 June 2023, the following agenda decisions were issued that may be relevant for the preparation of annual reports in 2023. The date issued refers to the date of approval by the IASB as per the IASB's website. For more recent information, refer to our website at viewpoint.pwc.com.

Date issued	Topic
July 2022	Negative Low Emission Vehicle Credits (IAS 37)
July 2022	Special Purpose Acquisition Companies: Classification of Public Shares as Financial Liabilities or Equity (IAS 32)
July 2022	Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17); for PwC guidance, see *In transition – the latest on IFRS 17 implementation – June 2022*
October 2022	Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition
October 2022	Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16); for PwC guidance, see In brief INT2022-15
October 2022	Multi-currency groups of insurance contracts (IFRS 17 and IAS 21); for PwC guidance, see *In transition – the latest on IFRS 17 implementation – June 2022*
April 2023	Definition of a Lease – Substitution Rights (IFRS 16)

(c) Forthcoming requirements

As at 30 June 2023, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023. For more recent information refer to our website at www.viewpoint.pwc.com.

Title	Key requirements	Effective date * and further guidance
Classification of Liabilities as Current or Non-current – Amendments to IAS 1 *Non-current Liabilities with Covenants – Amendments to IAS 1*	Amendments made to IAS 1 *Presentation of Financial Statements* in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include: • the carrying amount of the liability • information about the covenants, and • facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note. The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.	1 January 2024 For further information, see In brief INT2022-16

* Applicable to reporting periods commencing on or after the given date.

(c) Forthcoming requirements

Title	Key requirements	Effective date * and further guidance
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 *Leases* which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	1 January 2024 For further information, see In brief INT2022-12
Supplier finance arrangements – Amendments to IAS 7 and IFRS 7	The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* falls short of meeting user information needs. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following: The terms and conditions of SFAs. 1. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented. 2. The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers. 3. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements. 4. Non-cash changes in the carrying amounts of financial liabilities in (b). 5. Access to SFA facilities and concentration of liquidity risk with finance providers. The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.	1 January 2024 For further information, see In brief INT2023-03 In depth INT2023-01
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. ** In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.	n/a **

* Applicable to reporting periods commencing on or after the given date.

Appendix E: Impact of climate change on financial statements

1. The impact of climate change on the financial statements is a high-profile issue. Investors and regulators are increasingly looking for evidence of how the entity has incorporated environmental, social and governance (ESG) matters, and in particular, climate-related risk factors when making estimates and judgements in the preparation of the financial statements. Climate-related risk could include both transition impacts, for example additional costs incurred by the entity as a result of transitioning to a low-carbon economy, or physical impacts, such as damage to assets as a result of fires and flooding.

IAS1(112)(c)

2. The accounting standards have an overarching requirement to disclose information that users need for them to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. Therefore, in light of the current focus on, and impact of, climate change, entities should ensure that they have assessed the impact of climate change and what disclosures are necessary in this context for the financial statements to comply with IFRS.
3. This appendix discusses how climate change could affect certain measurements and therefore the related disclosures in the financial statements. It also outlines some of the relevant considerations when making estimates and judgements and drafting the relevant disclosures to satisfy the current IFRS requirements. We have provided signposts throughout the main publication as reminders for readers to refer to this guidance where necessary.
4. For further information, see our In depth *Impact of ESG matters on IFRS financial statements* and our webpage on Viewpoint *Environmental, Social and Governance (ESG) in IFRS.*

IASB guidance and possible future developments

Effects of climate-related matters on financial statements

5. In 2020, the IFRS Foundation® issued educational material which contains a non-exhaustive list of examples regarding how climate risk might affect the measurement and disclosure requirements of various standards and the various paragraphs of those standards that might be referenced in determining how to incorporate such risks. The material also discusses materiality and, while it does not add or change the requirements in the standards, it is useful guidance that users and preparers might benefit from when preparing and assessing IFRS financial statements.

IASB Update March 2023

6. In March 2023, the IASB further added a project on climate-related risks in the financial statements to its maintenance project work plan. This was done following the IASB's Third Agenda Consultation where stakeholders raised concerns about deficiencies in the reporting of climate-related risks relating to:
   (a) the inconsistent application of requirements in accounting standards, and
   (b) insufficient information disclosed about climate-related risks.
7. The project aims to:
   (a) research the causes of the concerns raised by respondents about inconsistent application and insufficient information
   (b) research whether the IFRS Foundation's educational material and the application of the ISSB's standard on climate-related disclosures help to address these concerns, and
   (c) consider whether and what actions may be needed with respect to climate-related risks in the financial statements.
8. Until the project is completed, the IASB's educational material is the primary source of guidance under IFRS for considering climate-related risks. However, preparers should continue to monitor developments in this area.

United States SEC proposals

The Enhancement and Standardization of Climate-Related Disclosures for Investors

9. In March 2022, the Securities and Exchange Commission (SEC) proposed sweeping new rules which would significantly increase the required disclosures about climate-related risks that are reasonably likely to have a material impact on a company's business or consolidated financial statements.
10. The proposals include various non-financial reporting requirements including disclosure of greenhouse gas emissions. Large accelerated and accelerated filers would also be required to obtain assurance over their Scope 1 and Scope 2 disclosures, with the level of assurance phased in over time. The proposals would further specifically require disclosures in financial statements that would apply to registrants reporting under both US GAAP and IFRS.

11. In particular, registrants (including foreign private issuers applying IFRS) would be required to include certain climate-related financial statement metrics and related disclosures in a note to the audited financial statements. The disclosures would include the financial impacts of severe weather events and other natural conditions as well as transition activities and identified climate-related risks on individual financial statement line items. Disclosure is required if the aggregated impact (calculated as the absolute value of positive and negative impacts) is greater than 1% of the total financial statement line item for the relevant fiscal year.
12. SEC registrants should carefully monitor developments in this area. Non-SEC registrants may also be interested in understanding the types of disclosures that would be required in financial statements under this regime, as some may decide to provide such additional disclosures voluntarily.

IFRS Sustainability Disclosure Standards

13. In June 2023, the International Sustainability Standards Board (ISSB) released its first two sustainability disclosure standards:

IFRS S1

(a) IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (General Requirements standard), and

IFRS S2

(b) IFRS S2 *Climate-related Disclosures* (Climate standard).

14. IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted. This is subject to the adoption of the standards by local jurisdictions.
15. Because the standards are subject to adoption by individual jurisdictional authorities, there may be differences in relation to when the standards are effective. The ISSB has proposed a number of transitional reliefs when adopting the new standards.
16. The disclosure standards require that:
    (a) the disclosures are prepared:
        (i) at the same time as annual financial statements (subject to transition relief)
        (ii) for the same reporting entity as financial statements, and
    (b) to the extent possible, assumptions used to prepare the reporting are on the same basis as the financial statements.
17. The IFRS Sustainability Disclosure Standards are structured using the Task Force on Climate-related Financial Disclosures (TCFD framework) four-pillar approach, which covers governance, strategy, risk management, and metrics and targets. For further details on the requirements of IFRS S1 and IFRS S2, refer to our In brief INT2023-15 *IFRS Sustainability Disclosure Standards have been released*.

ESRS exposure drafts

18. In June 2023, the European Commission published revised drafts of 12 European Sustainability Reporting Standards (ESRS) for public feedback. The revised drafts set the overall architecture for future sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD) and cover the full range of sustainability matters from the whole ESG landscape (environment, social and governance). Sector-specific proposals will be issued later.
19. The sustainability statements will be in a dedicated section of the management report. The assurance requirement is initially for limited assurance, with a planned transition to reasonable assurance over the coming years.
20. The CSRD was driven, in part, by the European Green Deal, a December 2019 European Commission package of policy initiatives designed to achieve climate neutrality by 2050 and protect Europe's natural habitat. It was adopted by the European Parliament and the Council of the European Union in November 2022 and came into effect on 5 January 2023. EU Member States have until early July 2024 (18 months from the effective date) to incorporate its provisions into national law.
21. The CSRD requires comprehensive and granular disclosures covering the entire spectrum of sustainability topics (e.g. climate change, biodiversity and ecosystems, working conditions, human rights, business ethics). These disclosure requirements are detailed in the draft ESRSs that were published by the EC in June 2023.
22. The CSRD is intended to apply to many companies operating in the EU, estimated to be nearly 50,000 companies in total. Companies without direct reporting obligations under the CSRD may also be asked for information by customers, suppliers, investors, or lenders because of the requirements for entities within its scope to disclose information about their value chain, or because they are subsidiaries of EU companies with reporting obligations.

23. The CSRD is expected to apply to financial years starting on or after 1 January 2024 for undertakings that are already subject to reporting under the NFRD, but later for new joiners and listed SMEs, as this is dependent on the size and type of entity.

Impact of climate-related risk on the financial statements

Note 1 – Going concern

IAS1(25)
ISA570(19)

24. IAS 1 requires management to assess an entity's ability to continue as a going concern when preparing financial statements. In assessing whether the going concern basis of preparation is appropriate, management considers all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. If climate-related matters create material uncertainties related to events or conditions that may cast significant doubt on a company's ability to continue as a going concern, an entity should disclose these uncertainties even if the financial statements continue to be prepared on a going concern basis. See the commentary to note 1 for further guidance on going concern disclosures.

IAS1(122)
IFRS7(39)

25. Where management has concluded that there are no material uncertainties related to the going concern assumption that require disclosure, but reaching that conclusion involved significant judgement (for example, about the feasibility and effectiveness of any planned mitigation), IAS 1 requires disclosure of that judgement. Entities should also consider the interrelationship with the liquidity risk disclosures discussed in note 12(d).

Note 7(a) – Trade receivables and other loans and receivables

IFRS7(35B)

26. IFRS 7 *Financial Instruments: Disclosures* requires information which enables the users to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows.

IFRS9(5.5.17)(c)

27. Climate change might affect a lender's exposure to credit losses for its financial assets. The expected credit loss (ECL) model in IFRS 9 Financial Instruments requires the use of reasonable and supportable information that is available without undue cost or effort. Climate change might affect the assumptions that are made by lenders to estimate ECL. It could also affect the risk ratings for individual borrowers or groups of borrowers or their probability of default. In some cases, it could result in moving loans between stages.

IFRS7(35I)

28. IFRS 7 requires that entities provide qualitative and quantitative information about the changes in the amount of expected credit losses and the reason for those changes. To the extent that any changes in ECL are the result of changes made to the assumptions about the impact of climate change or other climate-related risks, that fact should be disclosed.

Notes 7(h) and 8(j) - Fair value measurements

IFRS13 (93)(d), (h)(i)-(ii)

29. IFRS 13 *Fair Value Measurement* requires disclosure of the inputs used in fair value measurements and, for recurring fair value measurements with significant unobservable inputs, a description of the sensitivity of those measurements to changes in unobservable inputs.

30. Fair value is a market-based measurement which maximises the use of observable inputs and uses assumptions that market participants would use when pricing the asset or liability. These might include assumptions about climate-related risks.

31. Fair value measurements using observable (that is, level 1) inputs will already reflect market participant views of climate change impacts. For example, the quoted equity price of an entity in the extractives or agriculture industries will reflect market participant expectations about potential climate risk scenarios.

32. However, valuation models for items that are not traded in an active market should be reviewed to ensure that they adequately represent market participant assumptions for the particular item being valued.

33. Inputs and assumptions which might be impacted by climate-related risk include, but are not limited to:
    (a) discount rates
    (b) the timing and amount of forecasted cash flows (for example, the fair value measurement for an investment property might need to be adjusted to reflect climate impacts on rental income, occupancy rates as well as insurance cost assumptions)
    (c) the highest and best use for certain assets measured at fair value
    (d) inflation rates, and
    (e) other assumptions that a market participant would consider in the circumstances.

Notes 8(a) and 8(d) – Property, plant and equipment and intangible asset impairment

34. Climate-related risk can have a significant impact on impairment of non-financial assets. Climate change could be an indicator of impairment and trigger the need for an impairment test. For example, a decline in demand for products that emit greenhouse gases could indicate that a manufacturing plant might be impaired.

35. Further, the inputs and assumptions used in both a value in use or fair value less costs of disposal model could be significantly impacted by climate-related risks.

IAS36(130)(f),(132),(134)
IAS1(125)

36. For these reasons, impairment disclosures might need to explain climate-related impacts. Where climate-related risks could have a significant impact on an entity's operations, information about how this has been factored into the recoverable amount calculations would be relevant for the users of the financial statements. In some cases, the conclusion not to adjust an impairment model for climate-related risk might be based on significant judgements or assumptions that entities should also explain in their disclosures.

37. Many companies discuss climate scenarios as part of their narrative reporting. These scenarios might stem from the Paris Agreement, from net zero targets or from the TCFD reporting requirements. Such scenario analyses are likely to interact with the disclosures required by IAS 1 or IAS 36 *Impairment of Assets*. However, the premise of the narrative disclosures is not identical to what IAS 36 requires.

IAS36(134)(f)

38. For example, IAS 36 requires a sensitivity analysis if a reasonably possible change in assumptions would lead to an impairment. This might include a reasonably possible unfavourable change in an assumption relating to climate change. The TCFD, on the other hand, might require a scenario disclosure that is based on a 1.5 or 2.0° limitation on temperature rise, even though these might not be assumptions that are aligned with a company's best estimate or with market participant assumptions. Entities might consider explaining how the assumptions used for the impairment test under IAS 36 correspond to assumptions used in the narrative reporting on climate change scenarios to help financial statement users understand the linkage.

39. Management should consider whether other information, such as climate reporting included in the entity's annual report, is consistent with the audited financial statements. In addition to this, regulators in a number of territories have been clear that they expect entities to explain and reconcile any discrepancies in assumptions used.

Notes 8(a) and 8(d) – Property, plant and equipment and intangible asset – useful lives

40. In addition to impairment, entities may also need to reassess the useful lives and residual values of property, plant and equipment and intangible assets as a result of climate change. For example, climate impacts could result in earlier obsolescence of assets, or legal restrictions might be placed on the use of the assets or lead to inaccessibility of the assets. In the most extreme cases, if assets become inaccessible either as a result of natural climate events or government action, an entity could even lose control of assets permanently.

IAS16(56)
IAS38(90)
IAS1(125)

41. Entities must consider many factors in determining the useful life of assets, including obsolescence from changes in market demand and other economic factors. This estimation of the useful life of assets is a matter of judgement. Entities should consider disclosing if there are any estimation uncertainties related to the impacts of climate-related risk on the useful lives of assets. An example might be where there are multiple potential outcomes and some of them could significantly shorten the asset's life compared to the scenario with the highest probability used in determining useful life.

42. Entities may also have new forms of intangibles such as carbon emissions rights and should consider the appropriate disclosure of policies for such schemes (see discussion in paragraph 69 below).

Note 8(e) – Deferred tax assets

IAS12(24),(34)
IAS1(122),(125)

43. Entities should assess the impact of climate-related matters on the estimation of future taxable profits and whether they are sufficient to recover the deferred tax assets. The assumptions used in these estimations should be consistent with those used elsewhere in the financial statements. To the extent that these assumptions are material in understanding the estimates and judgements which have been made in the recognition of the deferred tax assets, these assumptions should be disclosed.

Note 8(f) – Inventory

IAS2(28)
IAS1(122),(125)

44. Inventories could become impaired if their cost is not recoverable and entities must write down such inventories to their net realisable value. Some sectors might experience increased volatility in the market prices of assets as a result of changes in demand patterns for certain commodities, which could expose those inventories to greater risk of impairment.

45. In other cases, certain assets might be discontinued from use or production, which could result in an impairment of the parts for those assets. For example, a certain model of combustion engine might be discontinued because it no longer meets emission standards, making the parts used to produce or service that engine obsolete. If the entity has made any significant estimates or judgements in this context, it should disclose them.

46. Entities may also have new forms of inventory such as carbon emissions rights and should consider the appropriate disclosure of policies for such schemes (see discussion paragraph 69 below).

Note 8(i) – Provisions and contingent liabilities

IAS37(14)

47. Climate-related risks can have an impact on the disclosure of provisions and contingent liabilities. Actions taken or statements made by the entity could give rise to constructive obligations for which provisions must be recognised, even in the absence of legislation requiring the entity to act.

48. For example, an entity operates a plant that is heavily dependent on fossil fuels and for which it has recognised a decommissioning provision. The entity's sustainability strategy promises carbon neutrality by 2030. This can realistically only be achieved by substituting the plant with a newer hybrid model plant in the medium term – sooner than originally anticipated. As a result of this plan, the entity must bring forward the timing of the expected cash flows for decommissioning the plant.

IAS37(85)(b)

49. Entities must disclose an indication of the uncertainties relating to the amount or timing of any outflow as well as major assumptions made concerning future events. To the extent that climate-related risk impacts the assumptions or uncertainties, entities should explain this in their notes.

IAS37(87)

50. In addition, climate-related risks may also affect the aggregation of provisions or contingent liabilities for disclosure purposes. In determining which provisions or contingent liabilities may be aggregated to form a class, it is necessary to consider the similarities and differences of these items. Climate-related risk may be incorporated differently into provisions which were previously aggregated. Entities should therefore consider whether further disaggregation of the classes is required as the impacts of climate-related risk evolve and become better understood.

IFRS IC agenda decision re Negative Low Emission Vehicle Credits (July 2022)

51. In July 2022, the IFRS Interpretations Committee issued an agenda decision on whether particular government measures to encourage reductions in vehicle carbon emissions give rise to a liability within the scope of IAS 37. The agenda decision did not change any of the current guidance in IAS 37; however, it, together with the related agenda discussion papers, provided some useful clarifications about how an entity should consider the existing requirements in IAS 37. Although the specific issue considered in the agenda decision related to a carbon emissions provision, the principles in the agenda decision might provide a helpful framework to determine whether a liability exists in general.

Note 11(a) – Critical estimates and judgements

IAS1(125)(a)-(b)

52. There is an overarching requirement to disclose sources of estimation uncertainty in IAS 1. If assumptions that an entity makes about the future have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, the entity is required to disclose information about those assumptions and the nature and carrying amount of those assets and liabilities. The information should help users of the financial statements to understand the judgement applied by management and what might be disclosed will depend on the specific facts and circumstances. If the accounting estimate is highly sensitive to one estimated input, it might be useful to disclose the estimated input and the sensitivity of the accounting estimate to changes of this input.

53. The entity may further need to explain the impact of various potential climate scenarios on significant estimates made in preparing the financial report. In addition, entities would typically explain changes made to past assumptions.

54. IAS 1 also has an overarching disclosure requirement to ensure that the financial statements capture all information that would be considered material and relevant to an understanding of them but is not presented elsewhere in the financial statements. This might be especially relevant for entities whose financial position or performance is particularly affected by climate-related matters.

Consistency is important

IAS1(112)

55. As noted above, the ISSB's proposals specifically require consistency of the disclosures and assumptions used in preparing the financial statements and sustainability disclosures. However, even before these proposals become mandatory, entities should ensure their disclosures of critical estimates and other relevant information in the financial statements are consistent with the non-financial information disclosed elsewhere (for example, in the company's sustainability report) in relation to:
    (a) climate-related matters
    (b) the impact and consideration of climate-related risk, and
    (c) any material disclosure in relation to significant judgements and estimates of uncertainty arising as a result of climate-related risk.
56. Questions often arise about whether an entity's financial statements are 'Paris aligned'. This refers to whether they comply with the legally binding instrument that many nations have signed relating to limiting carbon emissions to a level designed to cap global temperature rises. Whether financial statements are 'Paris aligned' is not easy to determine because of the variety of measurement techniques required by IFRS depending on the item being considered in the statement of financial position. Therefore, it might be easier for the recognition and measurement of some items to be more closely aligned to Paris assumptions than others.
57. In addition to ensuring consistency of the disclosures about climate-related matters and their impact in both financial and non-financial information, entities also need to ensure consistency of the assumptions used in developing estimates for the financial statements, where possible.
58. For example, where an entity publicly discusses a best estimate about the impact of the Paris Agreement on the entity in a sustainability report and an IFRS standard requires a best estimate approach to be used in measurement (for example, for the purpose of impairment calculations), the entity would need to consider consistency between the estimates used for financial reporting and those disclosed in the sustainability reporting.
59. Where there are comments in the sustainability report about estimates that haven't been reflected in financial reporting (for example, because the entity is relying on a market participant's assumptions which differ) the entity should consider explaining why such items have been reflected on a different basis in financial reporting.

Note 12(b) – Financial risk management – market risk

IFRS 7 Appendix A

60. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by:
    (a) factors specific to the individual financial statement or its issuer, or
    (b) factors affecting all similar financial instruments traded in a market.

    IFRS7(40)

    Entities must disclose a sensitivity analysis which shows how profit or loss and equity would have been affected by changes in risk variables.

IFRS7(40)-(41)

61. Climate risk could have a significant impact on market risk, for example, for investments in industries impacted both positively and negatively by climate-related risk. In some cases, it may be necessary to provide additional explanations and disclose a sensitivity analysis that reflects interdependencies between risk variables. For example, if an entity has an interest rate that is floating based on both meeting its climate initiatives and a market benchmark, the entity should consider disclosing how the impact of meeting the climate initiative was incorporated into the sensitivity analysis.

Note 12(c) – Financial risk management – credit risk and concentrations of risk

IFRS 7(34)(c),(B8)

62. IFRS 7 requires that entities disclose concentrations of risk including:
    (a) how management determines such concentrations
    (b) a description of the shared characteristic that identifies each concentration, and
    (c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.
63. Entities might have to change the way in which they are approaching their risk concentration disclosures to take into account climate-related risk. For example, more precision in determining geographic concentration might be necessary to reflect heightened risk in particular areas (such as city versus provincial/state disclosures where a particular city is particularly impacted) or more precision in the industry sector (such as a more precise disaggregation of exposure to different industrial products sectors based on carbon intensity).

Note 12(d) – Financial risk management – liquidity risk

IFRS 7 Appendix A

64. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

IFRS 7(39)

65. Entities are required to disclose a maturity analysis for their financial instruments as well as a description of how they manage the liquidity risk inherent in the maturities.

IFRS 7(B11D)

66. Where the impacts of climate change could accelerate the timing or alter the amount of contractual maturities of financial liabilities, for example as a result of clauses in a sustainability linked loan, entities should disclose that information.

67. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed will be based on the index's level at the end of the period. In this case, entities should disclose the risk that the amount payable will increase depending on the index.

IAS1(135)(a)(ii)

68. As an entity's climate-related risk exposures become more significant, there could also be growing pressure on an entity's debt covenants. In this context, disclosures about key covenants might become increasingly material. Reduced access to funding from investors in carbon-intensive industries could also be a risk that entities need to address and disclose.

Note 25 – Other potentially material accounting policies

IAS8(8)
IAS1(117)-(121)

69. In an effort to lower emissions and achieve carbon neutrality, many entities are entering into more complex transactions and arrangements for which the accounting continues to evolve. Examples of these include emissions trading schemes and virtual power purchase arrangements. In some cases, these transactions and arrangements are clearly within the scope of an IFRS and in other cases it is less clear.

IAS8(10)

70. In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in relevant and reliable information.

IAS1(117)-(117B)

71. Entities shall disclose accounting policy information if it is material. Information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence user's decisions made on the basis of the financial statements. IAS 1 also notes that an accounting policy may be material because of the nature of the entity's operations even if amounts for current and prior periods are not material. Furthermore, accounting policies developed in accordance with IAS 8 are an example of policies that are expected to be material following the amendments made to IAS 1 effective 1 January 2023.

72. Entities should therefore not underestimate the importance of disclosing climate-related accounting policies in the notes to the financial statements.

Emissions trading schemes

73. There is no specific accounting standard that deals with accounting for emissions trading schemes. IFRIC 3 Emission Rights was intended to address the accounting in this area, but it was withdrawn in 2005.

IAS1(117)-(117B)

74. The withdrawal of IFRIC 3 means that there are a number of accounting models that entities can use under IAS 8 in accounting for the participation in these schemes. Entities should disclose the accounting policies adopted for:

    (a) recognition
    (b) initial measurement
    (c) subsequent measurement, and
    (d) presentation of the balances.

    See the discussion about disclosure of accounting policies in paragraph 69 to 72.

75. Emissions credits granted by a government entity are generally accounted for under IAS 20 as the receipt of a non-monetary asset. However, IAS 20 allows for different accounting policy choices with respect to measurement on initial recognition and the presentation in both the statement of financial position and the statement of profit or loss and other comprehensive income. Disclosure of the accounting policy for these programs is key to understanding the impact of these programs on the financial statements.

76. To the extent that entities determine that aspects of their emissions trading schemes meet the definition of financial assets and qualify for derivative or hedge accounting they should further consider the disclosure requirements of IFRS 7 and IFRS 13.

77. For a detailed discussion on accounting for emissions trading schemes refer to our publication *Emissions trading schemes: The opportunities ahead*.

Accounting for carbon offsets in the voluntary carbon market

78. The voluntary carbon market (VCM) is growing. However, similarly to emission trading schemes there are also no accounting standards or IFRS interpretations that directly address the accounting for carbon offsets and related projects. Our In depth INT2023 *IFRS Financial reporting considerations for entities participating in the voluntary carbon market* discusses how the accounting for carbon offset arrangements by various counterparties can be addressed using current accounting standards and interpretations.

79. Entities participating in the voluntary carbon market will need to explain what accounting policies they have applied to carbon offsets and related projects.

Appendix F: Abbreviations

Abbreviations used in this publication are set out below:

AGM	Annual General Meeting
APM	Alternative profit measure
bps	basis points
CGU	Cash-generating Unit
CODM	Chief operating decision maker
DP	Discussion Paper
EBITDA	Earnings before interest, tax, depreciation and amortisation
ED	Exposure Draft
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
Framework	The *Conceptual Framework for Financial Reporting* (March 2018)
FVLCOD	Fair value less costs of disposal
FVOCI	(Financial assets/liabilities at) fair value through other comprehensive income
FVPL	(Financial assets/liabilities at) fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
IAS® standards	International Accounting Standards (‘R’ indicates revised standard before its mandatory application date)
IASB®	International Accounting Standards Board
IBOR	Interbank offered rates
IFRIC®	IFRIC Interpretations issued by the IFRS Interpretations Committee
IFRS® [Number]	IFRS Accounting Standards issued by the IASB (‘R’ indicates revised standard before its mandatory application date)
IFRS® S[Number]	IFRS Sustainability Disclosure Standards issued by the ISSB
IFRS IC	IFRS Interpretations Committee of the IASB
ISA	International Standards on Auditing
ISSB	International Sustainability Standards Board
NCI	Non-controlling interest
OCI	Other comprehensive income
Pillar Two rules	Global Anti-Base Erosion Proposal (GloBE) from the Organisation for Economic Co-operation and Development (OECD)
SIC®	Interpretations issued by the Standing Interpretations Committee of the International Accounting Standards Committee, the predecessor of the IASB
STI	Short-term incentive
TSR	Total shareholder return