VALUE IFRS UK Plc

Illustrative annual report and IFRS financial statements for the UK

December 2022

This publication presents the sample annual report of a fictional listed UK company, VALUE IFRS UK Plc. It illustrates the financial reporting requirements that would apply to such a company under UK adopted International Accounting Standards as at the time of publishing, UK company law applicable to a company reporting under those standards and the UK Listing Rules. Supporting commentary is also provided. For the purposes of this publication, VALUE IFRS UK Plc has a premium listing on the London Stock Exchange and is the parent entity in a consolidated entity.

VALUE IFRS UK Plc 2022 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 the UK.

UK Corporate Reporting Services
PricewaterhouseCoopers LLP

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

About PwC

With offices in 152 countries and more than 328,000 people, we are among the leading professional services networks in the world. We help organisations and individuals create the value they're looking for, by delivering quality in assurance, tax and advisory services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

VALUE IFRS UK Plc

Illustrative IFRS consolidated financial statements

31 December 2022

Strategic report 7
Directors' report 11
Remuneration report 19
Corporate governance report 32
Statement of directors' responsibilities 41

Consolidated financial statements 43
Consolidated statement of profit or loss 46
Consolidated statement of comprehensive income 47
Consolidated balance sheet 53
Consolidated statement of changes in equity 57
Consolidated statement of cash flows 60

Notes to the consolidated financial statements 64
Significant changes in the current reporting period 65

How numbers are calculated 67
Segment information 68
Revenue from contracts with customers 75
Material profit or loss items 82
Other income and expense items 84
Income tax expense 89
Financial assets and financial liabilities 94
Non-financial assets and liabilities 115
Equity 151
Cash flow information 159

Risk 163
Critical estimates, judgements and errors 164
Financial risk management 169
Capital management 190

Group structure 193
Business combination 194
Discontinued operation 198
Interests in other entities 201

Unrecognised items 209
Contingent liabilities 210
Commitments 212
Events occurring after the reporting period 213

Further details 216
Related party transactions 217
Share-based payments 223
Earnings per share 228
Offsetting financial assets and financial liabilities 231
Assets pledged as security 234
Auditors' remuneration 235
Summary of significant accounting policies 237
Changes in accounting policies 255

Company financial statements 257
Balance sheet 258
Statement of changes in equity 260
Statement of cash flows 261

Notes to the financial statements 262
Financial assets and financial liabilities 263
Investment in subsidiaries 266
Deferred tax 268
Equity 269
Cash flow information 271
Employee information 272
Financial risk management 273
Capital management 275
Related party transaction 276
Information included in the notes 277
Summary of significant accounting policies 278

Independent auditor's report to the members of VALUE IFRS UK Plc 282

Appendices 283

Introduction

This publication presents an illustrative annual report, including the consolidated and company financial statements, for a fictitious UK company, VALUE IFRS UK Plc, for the year ended 31 December 2022, which has a premium listing on the London Stock Exchange. The financial statements comply with UK-adopted International Financial Reporting Standards (IFRS) that apply to financial years commencing on or after 1 January 2022, UK company law applicable to a company reporting under IFRS, and the UK Listing Rules.

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

New disclosure requirements and changes in accounting policies

There were no changes to the financial reporting requirements this year that affected the disclosures in our example financial statements. While the IASB has made a few amendments to standards that apply from 1 January 2022 (see Appendix D), these are largely clarifications and we have assumed that none of them required a change in VALUE IFRS UK 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 the appropriate manner.

Entities will also need to consider whether there were any recent IFRS IC agenda decisions that may require changes to their accounting policies. As 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 27. A list of agenda decisions from the last twelve months has been added in Appendix D.

At the time of writing, Russia's war on Ukraine is continuing and may likely have significant accounting implications for some entities. We have not updated the illustrative disclosures in this publication to reflect these developments because every entity will be impacted differently. Entities should carefully consider their direct and indirect exposures to the war and provide the required IFRS disclosures in a manner that is appropriately tailored to their individual circumstances. For guidance see our In Depth Accounting implications of the Russian invasion of Ukraine on Viewpoint.

For most entities there will not be a significant impact on their financial statements this year due to the COVID-19 pandemic, unlike in prior years. However, some entities may still be affected and will need to consider to what extent they need to explain the impact on their business and the key assumptions made. Therefore, as the impact will differ from entity to entity, we are referring our readers to our dedicated web site which provides many useful resources, including certain disclosure examples, and continues to be updated to reflect latest developments. This website also discusses the accounting for COVID-19-related rent concessions by both lessees and lessors. Our fact pattern assumes that VALUE IFRS UK Plc is no longer impacted by COVID-19 and therefore, we have not illustrated any new, related disclosures in this publication.

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 for this year-end. Our fact pattern assumes that certain areas of VALUE IFRS UK Plc's financial statements are affected by rising inflation and interest rates. However, there may be other relevant areas of the financial statements impacted that we have not covered as part of these illustratives. For guidance see our In Depth Navigating IFRS Accounting Standards in periods of rising inflation.

Additionally, our fact pattern further assumes that VALUE IFRS UK Plc will not be affected by interest rate benchmark reform. However, entities with hedging relationships and entities that have exposure to interest rates where (i) the interest rates are dependent on interbank offered rates (IBORs), and (ii) these IBORs are subject to interest rate benchmark reform may need to explain the changes to their accounting policies arising from the adoption of the *Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Leases*. These entities may also need to provide additional disclosures, including information about risks arising from IBOR reform, how the entity manages transition to the alternative benchmark rate(s) and quantitative information about derivatives and non-derivatives that have yet to transition. Our Practical guide to Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 for interest rate benchmark (IBOR) reform includes example disclosures which illustrate both 'phase 1' and 'phase 2' amendments to IFRS 7 for a cash flow hedge and other financial instruments typical of a corporate entity which applies IFRS 9 to its hedge accounting relationships.

Disclosing climate-related risks in the financial statements

Climate-related risks could have a significant impact on an entity's operations and financial performance and users of the financial statements are increasingly looking for evidence that the entity has incorporated climate risk factors when making estimates and judgements in the preparation of financial statements. The accounting standards have an overarching requirement to disclose information that users need 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 undertaken a rigorous assessment to provide all the material and relevant information affecting the financial statements. Given the scrutiny on climate related risks and opportunities there is an expectation that the significance of the impact is considered from both the company's perspective and also from the perspective of the users of the accounts, and if deemed immaterial to both, this should be clearly disclosed.

The IASB has 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 material that users and preparers might benefit from when preparing and assessing IFRS financial statements.

Our dedicated climate change viewpoint site provides useful industry specific information and links to guidance from standard-setters and other organisations. To help prepares and auditors identify where additional disclosures may be required, we have included Appendix E which discusses how climate change could affect certain measurements and therefore the related disclosures in the financial statements.

Strategic and directors' report

The global debate about the role of business has resulted in growing calls from investors, regulators and other stakeholder groups for better information on how these issues have been considered, particularly in relation to climate change. As part of the regulatory and governmental response, the recommendations of the Taskforce on Climate-related Financial Disclosures ('TCFD') are incorporated into the Financial Conduct Authority ('FCA') Listing Rules for major listed companies, and similar reporting on climate change has also been extended through the Companies Act to other listed companies and the largest private businesses, as well as LLPs.

For the latest information on TCFD and other climate change reporting requirements in the UK, please refer to our guide, Climate change and TCFD reporting for further information.

FRC Annual Review of Corporate Reporting and Thematic Reviews

Each year the FRC publishes an Annual Review of Corporate Reporting. In addition, the FRC also publishes thematic reviews on certain aspects of companies' corporate reports. The aim of these documents is to drive continuous improvement in companies corporate reporting through the publication of detailed findings and recommendations. The annual review saw continued issues with companies and their reporting on cash flow statements, with double the amount of errors found in this review cycle compared to the prior year. Additionally the FRC found accounting policies on financial instruments could be improved as well as disclosures on income taxes which could be less boilerplate and more specific to the entity.

The thematic reviews published this year were:

- Discount Rates
- Judgements and Estimates: Update
- TCFD disclosures and climate in the financial statements
- Earnings per Share (IAS 33)
- Deferred tax assets
- Business Combinations

In December 2022, the FRC also published What Makes a Good Annual Report and Accounts which draws heavily on previous FRC publications (for example, the Annual Review and the Thematic Reviews) and is informed by the day-to-day work of the FRC.

Previously we have summarised the FRC's Guidance on the Strategic Report. The FRC updated this guidance in June 2022 therefore we have updated our guidance provided in Appendix A for the new publication.

Early adoption of standards

VALUE IFRS UK 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.

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 26(a). A summary of all pronouncements relevant for annual reporting periods ending on or after 31 December 2022 is included in Appendix D. For updates after the cut-off date for our publication, please see www.pwc.com / ifrs.

Using this publication

The source for each disclosure requirement is given in the reference column. Shading in this column indicates changes made as a result of new or revised requirements that become applicable for the first time this year and improvements are identified as '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 UK Plc, and (iii) provides additional disclosure examples. Commentary to the separate financial statements does not duplicate information given in the commentary to the consolidated financial statements.

The appendices give further information about 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 2022 is included in Appendix D, and abbreviations used in this publication are listed in Appendix F.

Since VALUE IFRS UK Plc is an existing preparer of IFRS financial statements, IFRS 1, 'First-time Adoption of International Financial Reporting Standards', does not apply. Guidance on financial statements for first-time adopters of IFRS is available in Chapter 2 of our Manual of Accounting.

The example disclosures are not the only acceptable form of presenting financial statements. Alternative presentations might 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 UK 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 illustration 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'.

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 UK 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.

- 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 policies that are significant and specific to the entity are disclosed along with other relevant information, generally in the section 'How the numbers are calculated'. While we have still listed other accounting policies in note 26, this is for the sake of completeness. Entities should consider their own individual circumstances and only include policies that are relevant to their financial statements.

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

Specialised companies and industry-specific requirements

VALUE IFRS UK 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*
- *Illustrative IFRS financial statements – Private equity funds*
- *IFRS 9 for banks – Illustrative disclosures.*
- *Illustrative IFRS consolidated financial statements – IFRS 17 Insurance Contracts*

The publications can be accessed from Viewpoint our global digital platform which provides the latest information on accounting standards and financial reporting. Access to Viewpoint is complimentary, register here where you can indicate your preferences and you'll receive updates on your selected topics when new content is available.

Strategic report for the year ended 31 December 2022 [1-11]

CA06 s414A

The directors present their strategic report on the group for the year ended 31 December 2022.

Review of the business [4]

The report should include a review of the business containing:

CA06 s414C(2)(a)

- a fair review of the business of the company; and

CA06 s414C(2)(b)

- a description of the principal risks and uncertainties facing the company.

CA06 s414C(3)

The review should be a balanced and comprehensive analysis of:

- the development and performance of the business of the company during the financial year; and
- the position of the company at the end of the year, consistent with the size and complexity of the business.

CA06 s414C(4)

The review must, to the extent necessary for an understanding of the development, performance or position of the business of the company, include:

CA06 s414C(4)(a)

- analysis using financial key performance indicators; and

CA06 s414C(2)(b)

- where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.

FRC Press Notice 108

Where APMs are disclosed, it should be clear that these differ from the GAAP numbers. the equivalent GAAP number should be disclosed. there should be a reconciliation between the GAAP numbers and APM, together with relevant comment. This disclosure is necessary to ensure that the annual report is fair, balanced and understandable.

ESMA APMs, p.35-36[10]

APMs should not be displayed with more prominence, emphasis or authority than measures directly stemming from financial statements.

Presentation of APMs should not distract from the presentation of the measures directly stemming from financial statements.[10]

CA06 s414C(7), 414CB(1)

The review should, to the extent necessary for an understanding of the development, performance or position of the business of the company and the impact of its activity, include the main trends and factors likely to affect the future development, performance and position of the business. [5]

Non-financial information statement

CA06 s414C(7)(b), 414CB(1)

The strategic report must include a non-financial information statement containing information about:

- environmental matters (including the impact of the company’s business on the environment);
- the company’s employees;
- community issues;
- social matters;
- respect for human rights; and
- anti-corruption and anti-bribery matters.

If the report does not contain information and analysis of each type mentioned above, it should state which of those types of information it does not contain.

The strategic report should also contain:

CA06 s414CB(2)(d)

- a description of the principal risks relating to the specified non-financial matters (see above) arising in connection with the company's operations. Where relevant and proportionate this must include:
  (i) a description of its business relationships, products and services which are likely to cause adverse impact in those areas of risk; and
  (ii) a description of how it manages the principal risks; and

CA06 s414CB(2)(b),(c)

- a description of the policies pursued by the company in relation to the matters mentioned above and any due diligence processes implemented by the company in pursuance of those policies and a description of the outcome of those policies.

CA06 s414CB(4)

If the company does not pursue policies in relation to one or more of the matters there should be a clear and reasoned explanation for not doing so.

Review of strategy and business model [6]

The strategic report should contain:

CA06 s414C(8)(a)

- a description of the company's strategy; and

CA06 s414C(8)(b), 414CB(2)(a)

- a description of the company's business model.

Gender of directors and employees [7]

The strategic report should include a breakdown at the end of the financial year of:

CA06 s414C(8)(c)(i), (10)(a)

- the number of persons of each sex who were directors of the company (in a group strategic report, the parent company);

CA06 s414C(8)(c)(ii), (10)(b)

- the number of persons of each sex who were senior managers of the company, other than the persons in (i) above. This must include employees who were directors of undertakings included in the consolidation; and
- the number of persons of each sex who were employees of the group.

CA06 s414C(9)

A senior manager is an employee who has responsibility for planning, directing or controlling the activities of the company or a strategically significant part of the company.

General [8]

CA06 s414C(11), SI 2008 / 410 7 Sch 1A

The strategic report should disclose any matters that are directors' report disclosure requirements but considered by the directors to be of strategic importance to the company. (If this is the case, the directors' report includes a cross-reference to the relevant information in the strategic report.)

CA06 s414CB(6)

If the required non-financial information is published by the company by means of a national, EU-based or international reporting framework, the report must specify the framework or frameworks used, instead of including that information.

CA06 s414C(12),414CB(5)

The report must, where appropriate, include references to, and additional explanations of, amounts included in the financial statements of the company.

CA06 s414C(14),414CB(9)

The report need not disclose any information about impending developments or matters in the course of negotiation if, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the company.

Section 172(1) statement [9]

CA06 s414CZA

The strategic report must include a statement (a 'section 172(1) statement') which describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duties under section 172.

CA06 s414D(1)

By order of the board

CA06 s414D(1)

AB Smith

Company Secretary [11]

24 February 2023

Notes on strategic report

Chairman's and chief executive officer's ('CEO') statement

1. Most reports will include an opening statement / letter from the Chairman and / or the CEO which may or may not be a part of the strategic report. Neither of these statements is mandatory.

Strategic report requirements

2. This strategic report illustrates the disclosure requirements contained in sections 414C and 414CB of the Companies Act 2006. All references to section 414CB are only applicable to companies with over 500 employees (or companies that head a group that has over 500 employees) where the company is:

   - a traded company;
   - a banking company;
   - an authorised insurance company; or
   - a company carrying on insurance market activity.

   The above definition is the same as that of an "EU-PIE (Public Interest Entity)". For the purpose of these illustrative accounts such a company will be referred to as a "Large Public Interest Entity".

   A separate "non-financial information statement" is required to address the requirements of section 414CB, but cross-referencing and signposting to other elements of the report can be used to avoid duplication.

   An amendment to the Companies Act has resulted in the expansion of s414CB. This applies for periods beginning on or after 6 April 2022, under statutory instrument SI 2022/31 ('the Regulations').

   The climate-related financial disclosures must be included in a 'non-financial and sustainability information statement', which for PIEs will expand the existing 'non-financial information statement'. Companies not currently required to prepare a non-financial information statement need only include the climate-related disclosures discussed below in the new statement.

   Like the non-financial information statement, the expanded statement must be in the strategic report, but it can cross-refer to other parts of the annual report (to avoid unnecessary duplication, for instance).

   As with the existing non-financial information statement, any material information must be included in the annual report; references outside the annual report can relate only to complementary information.

   The Regulations are aligned with the recommended disclosures in the TCFD framework with only a few minor differences, so we expect that a company that reports against the TCFD under the Listing Rules will also meet its obligations under the Regulations unless it uses the comply-or-explain option in the Listing Rules to a very significant extent. We would strongly recommended including a sentence to this affect to demonstrate the company has understood their reporting requirements.

   For the location of disclosures, a company that reports against TCFD under the Listing Rules is able to explain why it has included TCFD recommendations or recommended disclosures in another document. However, for a company to meet the Regulations, all information that is provided to meet the disclosure requirements must be included within the annual report. Where that information is included in the annual report but outside of the non-financial and sustainability information statement, the statement must cross-refer to it.

CA06 s414A(3), 414C(13), 414CB(8)

3. The strategic report is prepared on a consolidated basis, including the non-financial information statement and the new section 172(1) statement.

4. The information that is required to be included in the strategic report could be included elsewhere in the annual report and incorporated into the strategic report by cross-reference. We consider that the cross-referencing should be specific. A summary of the FRC's 'Guidance on the strategic report' is included in Appendix A.

CA06 s414CB(1)

5. The impact of a company's activity is relevant only for Large Public Interest Entities.

6. Disclosure of the 'review of strategy and business model' is applicable to quoted companies.

7. Disclosure of 'gender of directors and employees' is applicable to quoted companies. See also the corporate governance report in relation to Provision 23 of the UK Corporate Governance Code 2018, which also requires disclosure of the gender balance of the 'direct reports' of senior management.

CA06 s463

8. Safe harbour provisions apply to the directors' report, the strategic report and remuneration report.

Reporting on section 172

9. All public limited companies, whether or not they are listed or registered on AIM, are excluded from being small or medium-sized under the Companies Act, so will need to prepare a section 172 statement. See also the directors' report for reporting on stakeholder engagement, and the corporate governance report for related requirements in Provision 5 of the UK Corporate Governance Code 2018. It is possible to use cross-referencing to address all of these requirements together.

Alternative Performance measures

FRC Press Notice 108, ESMA APMs, p.35-36

10. The FRC has confirmed that it expects all UK companies that present APMs to continue to apply the ESMA Guidelines on APMs as they reflect best practice in the reporting of such measures, notwithstanding the UK's exit from the European Union.

Signing of the strategic report

11. The strategic report must be signed by the company secretary or a director after it has been approved by the board of directors.

Director's report [1-11]

Group directors' report for the year ended 31 December 2022

CA06 s415(1)

The directors present their report and the audited financial statements for the year ended 31 December 2022.

General information

IAS1(138)(a),(c)

There should be disclosure of the:

- domicile and legal form of the entity;
- country of incorporation;
- address of the registered office or principal place of business, if different; and [1]
- name of the parent and the ultimate parent of the group.

Branches outside the UK

SI 2008 / 410 7 Sch 7(1)(d)

The directors' report should disclose the existence of any branches that operate outside the UK.

Future developments

SI 2008 / 410 7 Sch 7(1)(b)

The directors' report should contain an indication of the likely future developments in the group's business.

This disclosure is likely to be relevant to the strategic report. It could be included in the strategic report and incorporated into the directors' report by cross-reference.

Dividends

CA06 s416(3)

Details of the recommended dividend should be provided.

Waiver of dividends

LR 9.8.4R (5),(6),(12),(13) LR 9.8.5R

Details should be disclosed of any arrangement under which a director or shareholder has waived, or agreed to waive, any dividends or future dividends. Waivers of less than 1% of the total value of any dividend are not required to be disclosed, provided that some payment has been made on each share of the relevant class during the relevant calendar year.

Research and development

SI 2008 / 410 7 Sch 7(1)(c)

The directors' report should provide an indication of the group's research and development activities.

Not mandatory

It is recommended that a statement is included with regard to the charge to the income statement for the year (which should be separately disclosed in the notes to financial statements).

Political donations and political expenditure [2]

SI 2008 / 410 7 Sch 3[2] as amended by SI 2019 / 145

If the company and / or any of its subsidiaries made any donations to a registered political party, other political organisation in the UK or any independent election candidate, or if it incurred UK political expenditure exceeding £2,000 in the financial year, the directors' report should disclose:

- UK donations – the name of the political party and total amount given per party, by the entity and each subsidiary that has donated such expenditure individually.
- UK political expenditure – total amount incurred in the financial year by the company and each subsidiary that has incurred such expenditure individually.

SI 2008 / 410 7 Sch 4

Total contributions to non-UK political parties should be disclosed for the group as a whole in aggregate. (There is no threshold for this disclosure.)

Post balance sheet events

SI 2008 / 410 7 Sch 7(1)(a)

The directors' report should include particulars of any important events affecting the company or group since the year end.

Similar to the disclosure on future developments, this disclosure is likely to fit well with the strategic report. It might therefore be appropriate to include therein and cross-reference.

Directors and directors' interests

CA06 s416(1)(a)

The names of all persons who were directors during any part of the period should be provided.

Not mandatory

Changes in directors since the end of the financial year and the dates of any appointments and/or resignations of directors occurring during the financial year should be provided.

Information regarding the retirement of the directors at the annual general meeting (AGM) and whether they offer themselves for election, should be disclosed.

LR9.8.6R(1)

All interests in respect of which transactions are notifiable to the company under DTR 3.1.2 R, including spouse and children's interests for individuals who are directors at the end of the period under review, should be disclosed.[3]

LR9.8.6R(1)(a),(b)

All changes in directors' interests that have occurred between the end of the period under review and a date not more than one month prior to the date of the notice of the annual general meeting should be disclosed. If there is no change, a statement to that effect is required.[4]

Further information about the directors' interests is provided in the directors' remuneration report.

Directors' third-party and pension scheme indemnity provisions

CA06 s236(2)(1)-(5)

The directors' report needs to include a statement if a qualifying third-party indemnity provision and/or qualifying pension scheme indemnity provision (whether made by the company or otherwise) has been in place for one or more directors of the company or of an associated company at any time during the financial year or at the date of approval of the directors' report.

Employees [5]

SI 2008 / 410 7 Sch 10(3)

A statement should be included as to the UK policy for giving full and fair consideration to applications for employment that disabled people make to the company, the policy for employment, training, career development and promotion of disabled people, and for the continuing employment and training of employees who have become disabled while employed by the company.

Employee engagement statement [6]

SI 2008 / 410 7 Sch 11 (as amended by SI 2018 / 860 Regulation 13)

The directors' report must contain a statement:

- describing the action that has been taken during the financial year to introduce, maintain or develop arrangements aimed at:
  - (i) providing employees systematically with information on matters of concern to them as employees;
  - (ii) consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests;
  - (iii) encouraging the involvement of employees in the company's performance through an employees' share scheme or by some other means; and
  - (iv) achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.

SI 2008 / 410 7 Sch 11 (as amended by SI 2018 / 860 Regulation 13)

- summarising:
  - (i) how the directors have engaged with employees; and
  - (ii) how the directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

Statement on engagement with suppliers, customers and others in a business relationship with the company [7]

SI 2008 / 410 7 Sch 11B (as inserted by SI 2018 / 860 Regulation 13)

The directors' report must contain a statement summarising how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

Financial instruments

SI 2008 / 410 7 Sch 6

Where material for the assessment of the assets, liabilities, financial position and profit or loss of the group, the directors' report must contain an indication of:

- the financial risk management objectives and policies of the entity, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used.
- the exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk. [8]

Purchase of own shares and sale of treasury shares

SI 2008 / 410 7 Sch 7-9

Where a public company purchases or places a charge on its own shares, there are specific disclosures to be made. These disclosures are:

Share purchases

- The number and nominal value of the shares purchased, the aggregate amount of the consideration paid by the company for such shares, and the reasons for their purchase.

Shares otherwise acquired or charged

- The number and nominal value of the shares otherwise acquired by the company (whether acquired by the company, its nominee or another person) or charged during the financial year.
- The maximum number and nominal value of shares that – having been so acquired or charged (whether or not during that year) – are held at any time during the year.
- The number and nominal value of the shares so acquired or charged by the company that are disposed of by the company (or the other person) or cancelled by the company during the year.
- For each of the above, the percentage of the called-up share capital that shares of that description represent.
- Where any of the shares have been charged, the amount of the charge in each case.
- Where any of the shares have been disposed of by the company or the person who acquired them for money or money's worth, the amount or value of the consideration in each case.

LR 9.8.6R (4)(a)-(d)

Details are required of any shareholders' authority for the company's purchase of its own shares still valid at the end of the period under review. Where any such purchases are made or are proposed to be made, other than through the market or by tender to all shareholders, details should be given of the names of the sellers of such shares purchased in the period. In respect of purchases made other than through the market or by tender to all shareholders, or options or contracts to make such purchases entered into since the year end, the information listed above should be given.

Details should be given of the names of the purchasers of treasury shares sold or proposed to be sold for cash (other than through the market or in connection with an employees' share scheme, or where sales are not pursuant to an opportunity available to all holders of the company's securities on the same terms) during the period under review.

Substantial shareholdings

LR 9.8.6R (2)(a),(b)

A statement should be included showing the interests disclosed to the listed company in accordance with DTR 5 as at the end of the period under review and:

(a) all interests disclosed to the listed company in accordance with DTR 5 that have occurred between the end of the period under review and a date not more than one month prior to the date of the notice of the annual general meeting; or

(b) if no interests have been disclosed to the listed company in accordance with DTR 5 in the period described in (a), a statement that no changes have been disclosure to the listed company.

Placing of shares

LR 9.8.4R(9)

Where a listed company is a subsidiary undertaking of another company, particulars should be given of the participation by its parent company in any placing made during the period under review.

Controlling shareholder

LR 9.8.4R(14)

Where a listed company has a controlling shareholder, it is required to have in place at all times a written and legally binding agreement, which is intended to ensure that the controlling shareholder complies with the independence provisions set out in LR 6.1.4D. The annual report should include a statement that:

- the company has entered into such an agreement as required or, if not, the FCA has been notified of the company's non-compliance, together with a brief description of the background and reasons for non-compliance, to enable the shareholders to evaluate its impact;
- the company has complied with the agreement's independence provisions during the period;
- as far as the company is aware, the controlling shareholder (or any of its associates) has complied with the agreement's independence provisions during the period;
- as far as the company is aware, where a controlling shareholder has undertaken to procure the compliance of a non-signing controlling shareholder, the signing shareholder has complied with its procurement obligation during the period; and
- where an agreement's independence provision or procurement obligation has not been complied with during the period, the FCA has been so notified, together with a brief description of the background and reasons for non-compliance, to enable the shareholders to evaluate its impact.

LR 6.1.2A

A 'controlling shareholder' is defined in the Listing Rules as any person who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast on all, or substantially all, matters of general meetings of the company.

LR 9.8.4A

Where an independent director declines to support the above statement, that fact should be included in the board's statement.

Contracts of significance

LR 9.8.4R(10)(b) LR 9.8.4R(11)

Particulars should be given of any contract of significance (including contracts for the provision of services) between the company (including subsidiary undertakings) and controlling shareholder subsisting in the period.

'Significance' is defined as 1% or more of the relevant transactions for the group.

LR 9.8.4R(10)(a)

Disclosure is required of the particulars of any contract of significance to which the company or one of its subsidiaries is a party and in which a director of the company is, or was, materially interested.

Takeover Directive requirements

DTR 7.2.6

The following information should be disclosed if the company has securities (shares or debentures) carrying voting rights admitted to trading on a regulated market at the end of the year:

SI 2008 / 410

- The structure of the company's capital, including:

7 Sch 13(2)(a)

  (a) the rights and obligations attached to each class of shares; and

  (b) where there are two or more classes, the percentage of the total share capital represented by each class.

SI 2008 / 410 7 Sch 13(3)

A company's capital includes any securities in the company that are not admitted to trading on a regulated market.

SI 2008 / 410 7 Sch 13(2)(b)

- Details of any restrictions on the transfer of securities in the company, including limitations on the holding of securities and requirements to obtain the approval of the company or of other holders prior to a transfer of securities.

SI 2008 / 410 7 Sch 13(2)(c)

- In respect of each person with a significant direct or indirect holding of securities in the company, the identity of the person, the size of the holding and the nature of the holding.

SI 2008 / 410 7 Sch 13(2)(d)

- In the case of each person who holds securities carrying special rights with regard to control of the company, the identity of the person and the nature of the rights.

SI 2008 / 410 7 Sch 13(2)(e)

- Where the company has an employees' share scheme, and shares to which the scheme relates have rights with regard to control of the company that are not exercisable directly by the employees, details of how these rights are exercisable.

SI 2008 / 410 7 Sch 13(2)(f)

- Details of any restrictions on voting rights, including: limitations on voting rights of holders of a given percentage or number of votes; deadlines for exercising voting rights; and arrangements by which, with the company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities.

SI 2008 / 410 7 Sch 13(2)(g)

- Details of any agreements between holders of securities that are known to the company and might result in restrictions on the transfer of securities or on voting rights.

SI 2008 / 410 7 Sch 13(2)(h)

- Details of any rules that the company has about the appointment and replacement of directors, and details of any rules about the amendment of the company's articles of association.

SI 2008 / 410 7 Sch 13(2)(i)

- Details of the powers of the company's directors, including, in particular, any powers in relation to the issuing or buying back by the company of its shares.

SI 2008 / 410 7 Sch 13(2)(j)

- Details of any significant arrangements to which the company is a party that take effect, alter or terminate on a change of control of the company following a takeover bid, and the effects of any such agreements. This does not apply if disclosure would be seriously prejudicial to the company and the company is not under any other obligation to disclose it.

SI 2008 / 410 7 Sch 13(2)(k)

- Details of any agreements between the company and its directors or employees providing for compensation for loss of office or employment (through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

SI 2008 / 410

- Details of any other information and explanations required in respect of the details included above.

By virtue of DTR 7.2.9R, the information required by SI 2008/410 7 Sch 13(2)(c), (d), (f), (h) and (i) could be in a separate report (for example, a corporate governance statement) published with the annual report, provided there is a specific cross-reference to the disclosures from the directors' report.

Greenhouse gas emissions and energy use [10]

SI 2008 / 410 7 Sch 15(2) (SI 2013 / 1970)

- The annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the company is responsible including:
  - (a) the combustion of fuel; and
  - (b) the operation of any facility.

SI 2008 / 410 7 Sch 15(3) (SI 2013 / 1970)

- The annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, steam or cooling by the company for its own use. [6]

SI 2008 / 410 7 Sch 15(3A) (as amended by SI 2018 / 1155)

- Underlying global energy use in kWh, as above.

SI 2008 / 410 7 Sch 15(3B-C) (as amended by SI 2018 / 1155)

- The proportion of global emissions and energy use, as above, that relates to emissions and energy consumed in the UK and offshore area.

SI 2008 / 410 7 Sch 15(3) (SI 2013 / 1970)

- Description of the methodologies used to calculate the information above.

SI 2008 / 410 7 Sch 17 (SI 2013 / 1970)

- At least one emissions intensity ratio (which expresses the annual emissions in relation to a quantifiable factor associated with the company's activities).

SI 2008 / 410 7 Sch 15(3D) as amended by SI 2018 / 1155)

- Description of energy efficiency action taken in the financial year.

SI 2008 / 410 7 Sch 18,19 (SI 2013 / 1970)

- Comparative information is not required for the first year that the information above is provided.

- If the reporting period for the above information is different from that of the directors' report, that fact must be stated.

LR 9.8.6(8)R and LR 18.4.3R	• Premium listed issuers (excluding investment entities and shell companies) - Listing Rule LR 9.8.6(8) R – For periods beginning on or after 1 January 2021, the annual report must include a statement setting out:
	• whether the issuer has made disclosures consistent with the TCFD's recommendations in the annual financial report;
	• where they have included some, or all, of the disclosures in a document other than the annual financial report, an explanation of why, and a reference to where the disclosures can be found; and
	• where they have not made disclosures, an explanation of why, and a description of any steps they are taking or plan to take to be able to make consistent disclosures in the future – including relevant time frames.
	• Issuers with standard listed equity, Issuers with standard listings of GDRs representing equity (excluding investment entities and shell companies) - Listing Rules LR 14.3.27 R and LR 18.4.3 R – For periods beginning on or after 1 January 2022 companies are subject to the same reporting requirements are the same as for premium listed issuers (see above) and again apply regardless of where the issuer is incorporated. Note that issuers with only standard listed debt are exempt.

Other Information required under the Listing Rules [10]

LR 9.8.4C	The Listing Rules require specified disclosures to be provided in a single identifiable section, unless the annual report includes a cross-reference table indicating where that information is set out:
LR 9.8.4(1)	• A statement of interest capitalised by the group during the period, and an indication of the amount and treatment of any related tax relief.
LR 9.8.4(2)	• Any information required by LR 9.2.18R (publication of unaudited financial information) regarding information in class 1 circular or prospectus or a profit forecast and estimate.
LR 9.8.4(4)	• Details of any long-term incentive schemes as required by LR 9.4.3R regarding information about the recruitment or retention of a director.
LR 9.8.4(5), (6)	• Details of the waiver of emoluments by a director, both current and future.
LR 9.8.4(7), (8)	• Details of the allotment of equity securities to equity shareholders otherwise than in proportion to their holdings and which had not been specifically authorised by the shareholders. This information must also be given for any major unlisted subsidiary.
LR 9.8.4(9)	• Where the company is a listed subsidiary, details of any participation by its parent in any share placing during the period.
LR 9.8.4(10)	• Details of any contract of significance between the company or one of its subsidiaries and a director or a controlling shareholder.
LR 9.8.4(11)	• Details of contracts for the provision of services to the company or one of its subsidiaries by a controlling shareholder during the period under review.
LR 9.8.4(12), (13)	• Details of any arrangements under which shareholders have waived, or agreed to waive, dividends.
LR 9.8.4(14)	• A statement of the independence provisions and compliance, or not, where there is a controlling shareholder.

AGM notice

LR 13.8.8R	Where the shareholders of a listed company are sent a notice of a meeting which includes any business other than routine business at an AGM, an explanatory circular must accompany the notice. If the other business is to be considered at or on the same day as an AGM, the explanation can be incorporated in the directors' report.

Auditors and disclosure of information to auditors

CA06 s418(2)

The report should contain a statement to the effect that, in the case of each of the persons who are directors at the time when the report is approved, the following applies:

- as far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all of the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

CA06 s489(1)

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

Corporate governance

The company's statement on corporate governance can be found in the corporate governance report of these financial statements. The corporate governance report forms part of this directors' report and is incorporated into it by cross-reference.

CA06 s419(1)

By order of the board [11]

CA06 s419(1)

AB Smith

Company Secretary [11]

24 February 2023

Notes on directors' report

General information

1. The address of the registered office or principal place of business can instead be given elsewhere in the annual report (for example, in the notes to the financial statements).

Political contributions

SI 2019 / 145

2. Changes have been made to UK company law as it applies to corporate reporting in order to address issues arising from the UK's exit from the European Union. SI 2019 / 145 replaces several references to the EU or EEA with references to the UK. The impact of doing so includes a change to the disclosure of political contributions. Disclosures required in the directors' report in respect of contributions to non-EU political parties will be required in respect of non-UK political parties for financial years beginning on or after 1 January 2021.

Directors and directors' interests

DTR 3.1.2R

3. In accordance with DTR 3.1.2R, 'interests' includes shares of the issuer, or derivatives or any other financial instruments relating to those shares. A definition of financial instruments is available in DTR 3.1.23R.
4. Changes in directors' interests could be included with the disclosures of directors' interests in the directors' remuneration report instead of here.

Employees

SI 2008/410 7 Sch 10(1)

(SI 2018/860 Regulation 12)

5. The requirements only apply if the average number of persons employed by the company during the financial year exceeded 250.

   The average number of persons employed by the company in the year is determined as follows:

   (a) find for each month in the financial year the number of persons employed under contracts of service by the company in that month (whether throughout the month or not);

   (b) add together the monthly totals; and

   (c) divide by the number of months in the financial year.

Employee engagement statement

6. This statement is applicable to companies with more than 250 UK employees. This includes private companies and AIM listed companies.

In premium listed companies this information is often included in the Strategic Report and cross-referred from the Directors' Report.

Other stakeholder engagement statement

7. This statement is applicable to companies that exceed two of the following thresholds (subject to smoothing arrangements where circumstances change):

- aggregate turnover more than £36 million;
- total balance sheet more than £18 million; or
- more than 250 employees.

For groups, the thresholds are two or more of the following:

- aggregate turnover more than £36 million net (or £43.2 million gross);
- aggregate balance sheet total more than £18 million net (or £21.6 million gross); or
- aggregate number of employees more than 250.

Financial instruments

SI 2019/145

8. Disclosure of exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk are also requirements of IFRS 7 and could be cross-referenced to the financial statements.

Streamlined energy and carbon reporting ('SECR')

DTR 3.1.2R

9. Quoted companies have additional environmental reporting requirements to large unquoted companies and LLPs.

Where energy usage and carbon emissions are of strategic importance to the company, disclosures of the relevant information could be included in the strategic report instead of the directors' report.

There are exemptions available for all entities where they have low energy use (less than 40 kWh annually) or when information would be seriously prejudicial or not practical to obtain

Information required under the Listing Rules

10. This information is included in tabular form; it could be presented in a single section.

Approval and signing of the directors' report

11. The directors' report has to be signed by the company secretary or a director after it has been approved by the board of directors. The copy of the directors' report that is delivered to the Registrar of Companies must be manually signed by the company secretary or a director.

Remuneration report [1-18]

Requirements for the directors' remuneration report

The details of compliance and policy are usually set out as a remuneration committee report. Section 422(1) of the Companies Act 2006 requires the remuneration report to be approved by the board, as it is the board's responsibility to report to shareholders. Schedule 8 to SI 2008/410, the UK Corporate Governance Code and paragraph 9.8.8R of the Listing Rules prescribe the information (attributed to individuals by name) to be included in the report.

SI 2008 / 410 8 Sch 1 — The remuneration report must include the following: [2]

Annual statement

Statement by chair of remuneration committee [3]

SI 2008 / 410 8 Sch 3 — A summary for the relevant financial year of:

SI 2008 / 410 8 Sch 3

(a) the major decisions on directors' remuneration;

(b) any substantial changes relating to directors' remuneration made during the year;

(c) the context in which those changes occurred and decisions have been taken; and

(d) any discretion which has been exercised in the award of directors' remuneration.

Annual report on remuneration

Information required to be audited

Single total figure of remuneration for each director (audited)

SI 2008 / 410 8 Sch 4(1), 5(1) — For each person who has served as a director of the company at any time during the year, set out in a table in the format below, the information prescribed.

SI 2008 / 410 8 Sch 2(8) — The table must include the remuneration of the person fulfilling the role of chief executive officer (and deputy chief executive officer, where that role exists) even if not a director.

SI 2008 / 410 8 Sch 4(2) — The report can set out separate tables for directors who perform executive functions and those who do not (that is, non-executive). [4]

SI 2008 / 410 8 Sch 4(3) — Unless otherwise indicated, the sums set out in the table are in respect of the relevant financial year and relate to the director's performance of, or agreement to perform, qualifying services.

SI 2008 / 410 8 Sch 6(1) — In addition to the columns described, columns:

(a) must be included to set out any other items in the nature of remuneration (other than payments to past directors) which are not set out in the columns headed (a) to (e); and

(b) could be included if there are any sub-totals or other items which the directors consider necessary in order to assist the understanding of the table.

SI 2008 / 410 8 Sch 7(2) — Where it is necessary to assist the understanding of the table by the creation of subtotals, the columns headed (a) to (e) could be set out in any order other than the one set out below.

SI 2008 / 410 8 Sch 6(2) — Any additional columns must be inserted before the column marked 'Total'.

SI 2008/410 8 Sch 9(1)

Single figure table[5]

Revised illustration	(a) Salary and fees		(b) Taxable benefits		(c) Annual bonus [6]		(d) Long term incentive schemes [7]		(e) Pension-related benefits		Total		Sum of (a), (b), and (e) Total fixed remuneration		Sum of (c) and (d) Total variable remuneration	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Director 1																
Director 2																

SI 2008 / 410 8 Sch 9(1)

Each column in the table must contain, in such a manner to permit comparison, two amounts as follows:

(a) the amount set out in the corresponding column in the report prepared in respect of the preceding financial year; and

(b) the amount for the relevant financial year.

SI 2008/410 8 Sch 9(2)

Where an amount is given for the preceding financial year and that amount, when disclosed in the preceding financial year was, or included, an estimated amount, in the relevant financial year:

(a) it must be given as an actual amount;

(b) the amount representing the difference between the estimate and the actual must not be included in the column relating to the relevant financial year; and

(c) details of the calculation of the revised amount must be given in a note to the table.

SI 2008/410 8 Sch 8(2)

Where any money, or other assets, reported in respect of any previous financial year are the subject of a recovery of the amount paid or the withholding of any amount for any reason in the relevant financial year:

(a) the recovery or withholding so attributable must be shown in a separate column in the table as a negative value and deducted from the column headed 'Total'; and

(b) an explanation for the recovery or withholding and the basis of the calculation must be given in a note to the table.

SI 2008/410 8 Sch 8(3)

Where the calculations (other than in respect of a recovery or withholding) result in a negative value, the result must be expressed as zero in the relevant column in the table.

SI 2008/410 8 Sch 7,10,11

Detailed requirements on the calculations, presentation and definitions of the amounts in the table are provided in Schedule 8.

SI 2008/410 8 Sch 12(1)

A summary of the types of benefits in column (b) and the value, where significant, must be disclosed after the table.

SI 2008/410 8 Sch 12(2),(3)

For every component of money and assets received and receivable in columns (c) and (d), the relevant details must be disclosed after the table. The relevant details include:

(i) details of performance measures and relative weighting;

(ii) the performance target set at the beginning of the performance period and value of award achievable;

(iii) for each performance measure, details of actual performance and the resulting level of award

(iv) the amount of the award (or an estimate) that is attributable to share price appreciation; and

(v) particulars of how any discretion was exercised and the resulting level of award and whether discretion has been exercised as a result of share price appreciation or depreciation.

SI 2008/410 8 Sch 12(4)

If amounts in columns (c) and (d) (money and assets receivable) are deferred:

(i) the percentage deferred;

(ii) whether it was deferred cash or shares; and

(iii) whether the deferral was subject to any conditions other than performance measures.

SI 2008/410 8 Sch 12(2)

Where additional columns are included for other items in the nature of remuneration, the following must be disclosed in a note to the table:

(i) the basis on which the sums were calculated; and

(ii) any details necessary for an understanding of the sums including performance measures or, if none, an explanation of why not.

Total pension entitlements (audited)

SI 2008/410 8 Sch 13(1)

For each person who served as a director at any time during the relevant financial year and who has a prospective entitlement to defined benefits, cash balance benefits or benefits under a hybrid arrangement, the report must disclose:

- details of the rights as at the end of the year, including the person's normal retirement date (as per the pension scheme rules or otherwise determined);
- a description of any additional benefit receivable in the event of early retirement; and
- separate details relating to each type of benefit, where a person has rights under more than one type of pension benefit.

Scheme interests awarded during the financial year (audited)

SI 2008/410 8 Sch 14(1)

For each person who served as a director at any time during the relevant financial year, a table setting out:

- details of scheme interests awarded during the relevant financial year; and
- for each scheme interest:
  - a description of the type of interest awarded;
  - a description of the basis on which the award is made;
  - the face value of the award (as defined);
  - the percentage of the scheme interests that would be receivable if minimum performance was achieved;
  - for a share option, an explanation of any difference between the exercise price per share and either the share price at date of grant or the average price, and any change in the exercise price or date;
  - the end of the period over which performance is measured; and
  - a summary of the performance measures and targets (if not disclosed elsewhere).
  - Whether face value has been determined using the share price at the date of grant or an average share price and, in both cases, the amount of the share price and the grant date or the period used for calculating the average share price.

Payments to past directors (audited)

SI 2008/410 8 Sch 15

The report must contain details of any payment of money or other assets to any person who was not a director of the company at the time when the payment was made, but who had been a director of the company before that time.

SI 2008/410 8 Sch 15(a)-(f)

The following are excluded from the above disclosure:

- any payments for loss of office (see below);
- any payments shown in the single total figure table;
- payments disclosed in a previous directors' remuneration report;
- any payments below a de minimis threshold, which is stated in the report;
- payments of regular pension benefits commenced in a previous year;
- dividend payments in respect of scheme interests retained after leaving office; and
- payments in respect of employment with or any contractual service performed other than as a director.

Payments for loss of office (audited)

SI 2008/410 8 Sch 16(a)-(f)

The report must set out, for each person who has served as a director at any time during that year, or any previous year:

- the total amount of any payment for loss of office paid to or receivable by that person in respect of that financial year, broken down into each component and the value of each component;
- an explanation of how each component was calculated;
- any other payments in connection with the termination of qualifying services, including the treatment of outstanding incentive awards that vest on or following termination; and
- where any discretion was exercised, an explanation of how it was exercised.

SI 2008/410 8 Sch 16

The company can exclude amounts below a de minimis threshold set by the company and stated in the report.

Statement of directors' shareholding and share interests (audited)

SI 2008/410 8 Sch 17

The report must set out, for each person who has served as a director at any time during that year.

SI 2008/410 8 Sch 17(a)

- statements of any requirements or guidelines for the director to own shares in the company and state whether or not those requirements or guidelines have been met; and
- in a table or tables:
  - the total number of interests of the director, including interests of connected persons;
  - total number of scheme interests, differentiating between shares and share options and those with or without performance measures;
  - details of those scheme interests (which might exclude any details included elsewhere in the report); and
  - details of share options which are vested but unexercised and exercised in the relevant financial year.

Information not required to be audited

Performance graph

SI 2008/410 8 Sch 18(1)(a),(b)

A performance graph showing the company's total shareholder return compared with a broad equity market index chosen by the company over the relevant preceding financial years (including the financial year covered by the report), and the name of, and reasons for the choice of, the broad equity market index.

In the first year of preparing this report, five years' information is required to the extent available; this increases annually thereafter to ten years' information.

Chief executive officer's remuneration

SI 2008 / 410 8 Sch 18(2)(a),(b),(c)

A table showing, for each of the financial years, for the director undertaking the role of the chief executive officer:

- total remuneration (as set out in the single total figure table);
- the sum in column (c) of the table as a percentage of the maximum that could have been paid in the financial year; and
- the sum in column (d) of the table as a percentage of the number of shares vesting against the maximum number of shares that could have been received or, where paid in money and other assets, as a percentage of the maximum that could have been paid.

In the first year of preparing this report, five years' information is required. This increases annually thereafter to ten years' information.

Annual percentage change in remuneration of directors and employees

SI 2008 / 410 8 Sch 19(1)(a),(b),(3)

In relation to remuneration in each of columns (a), (b) and (c) of the single total figure table, the following information, in a manner that permits comparison:

- the percentage change from the preceding financial year in respect of each director; and
- the average percentage change from the preceding financial year in respect of the employees of the company on a full-time equivalent basis.

In the first year of preparing this comparison, one year of information is required. this increases annually thereafter to five years' information.

Pay ratios table

SI 2008 / 410 8 Sch 19B

If there are:

- in the first financial year in which the requirement applies, more than 250 UK employees on average in the group.
- in relation to a subsequent financial year:
- more than 250 UK employees on average in the group in that financial year and in the previous financial year; or
- more than 250 UK employees on average in the group in that financial year and a requirement to disclose the pay ratio for the previous financial year; or
- more than 250 UK employees on average in the group in the previous financial year and a requirement to disclose the pay ratio for the previous financial year,

the company must provide the pay ratio information, in the format below.

SI 2008 / 410 8 Sch 19A

Where the company is a parent company, the pay ratio information must relate to the group's UK employees (that is, persons employed under a contract of service other than a person employed to work wholly or mainly outside the UK).

SI 2008 / 410 8 Sch 19C(1),(2)

Revised illustration

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
[Year]	[Option A, B or C]	X/Y25:1	X/Y50:1	X/Y75:1

X is the remuneration of the director undertaking the role of chief executive officer, using the total in the single total figure table. Where there has been more than one chief executive officer in the year, the single total figure for each is aggregated (but should exclude any pay and benefits receivable in respect of service before they became CEO).

SI 2008 / 410 8 Sch 19C(3)

Y25, Y50 and Y75 are the pay and benefits figures for the employees at the 25th percentile ('P25'), 50th percentile ('P50') and 75th percentile ('P75') respectively of the company's UK employees for the relevant financial year.

'Pay and benefits' means the employee's full-time equivalent pay and benefits, calculated in accordance with the single total figure methodology.

SI 2008 / 410 8 Sch 19C(4)-(6)I

Apart from the first financial year for which the pay ratios table is required, information must be shown in the pay ratios table, in separate rows, for earlier financial years to which the pay ratios disclosure requirement applied, for the nine financial years before the relevant financial year. In a year in which the requirement to disclose a pay ratios table did not apply, the table should include a statement 'The company was exempt from reporting pay ratios for this financial year'.

SI 2008 / 410 8 Sch 19D(1),(2)

The company must choose one of three methods to determine Y25, Y50 and Y75: Option A, Option B or Option C. It may choose a different method in a subsequent financial year from the method chosen for the relevant financial year.

SI 2008 / 410 8 Sch 19D(3)

Under Option A, the company must calculate the total pay and benefits of all its UK employees to identify P25, P50 and P75 and use the total pay and benefits figures for those employees as Y25, Y50 and Y75.

SI 2008 / 410 8 Sch 19D(4)

Under Option B, the company must:

(i) use the most recent hourly rate gender pay gap information for all UK employees to identify three UK employees as the best equivalents of P25, P50 and P75;

(ii) use available data to calculate pay and benefits in accordance with the single total figure methodology for the relevant financial year for the best equivalents to calculate Y25, Y50 and Y75; and

(iii) make any necessary adjustment to the pay and benefit figures to ensure that the best equivalents are reasonably representative of P25, P50 and P75 for the relevant financial year.

SI 2008 / 410 8 Sch 19D(5)

Under Option C, the company may:

(i) as a starting point, use data other than, or in addition to, gender pay gap information to identify P25, P50 and P75 provided it does not relate to a year prior to the preceding financial year and any gender pay gap data is the most recent;

(ii) use available data to calculate pay and benefits for the relevant financial year for the best equivalents to calculate Y25, Y50 and Y75; and

(iii) make any necessary adjustment to the pay and benefit figures to ensure that the best equivalents are reasonably representative of P25, P50 and P75.

SI 2008 / 410 8 Sch 19D(6)

When using any of the options, the company may:

(i) determine Y25, Y50 and Y75 with reference to a day no earlier than three months before the end of the relevant financial year, projecting the salary component;

(ii) omit any component of pay (other than salary) from pay and benefits to determine Y25, Y50 and Y75; and

(iii) calculate any component of pay and benefits (other than salary) using a different methodology from the single total figure approach.

SI 2008 / 410 8 Sch 19D(7)

When using Option B or C, the company may use a reasonable estimate of any component for which it does not have data available.

SI 2008 / 410 8 Sch 19E

The directors' remuneration report must set out the following information after the pay ratios table:

(a) an explanation of why the company has chosen Option A, B or C for the relevant financial year;

(b) if the company used a different Option in the preceding financial year, an explanation for the change;

(c) the day by reference to which the company determined Y25, Y50 and Y75;

(d) where the company used Option B, a brief explanation of how the best equivalents are reasonably representative of P25, P50 and P75 and whether (and if so, how) it has relied on the use of estimates or adjustments;

(e) where the company has used Option C, the methodology used for estimating best equivalents, describing any estimates, adjustments or material assumptions, and a brief explanation of how the best equivalents are reasonably representative of P25, P50 and P75;

(f) where the company has omitted any component of pay and benefits, the component omitted and the reason for its omission and, if an element was omitted in the previous financial year, whether the company has continued to omit that element;

(g) where the company has used a different methodology from the single total figure methodology to calculate pay and benefits, a description of that methodology and why the single total figure methodology was not used; and

(h) a brief explanation of any assumptions or statistical modelling used to determine full-time equivalent remuneration.

SI 2008 / 410 8 Sch 19F

After the information required above, the directors' remuneration report must then set out the following figures for each of Y25, Y50 and Y75:

(a) total pay and benefits; and

(b) the salary component of total pay and benefits.

SI 2008 / 410 8 Sch 19G

The directors' remuneration report must then set out a summary for the relevant financial year explaining:

(a) any reduction or increase in the relevant financial year's pay ratios compared to the pay ratios of the preceding financial year;

(b) whether a reduction or increase in a pay ratio is attributable to a change in:

- (i) the remuneration of the CEO or the pay and benefits of the company's UK employees taken as a whole;
- (ii) the company's employment models; or
- (iii) the use of a different Option to calculate Y25, Y50 and Y75;

(c) any trend in the median pay ratio over the period of financial years covered by the pay ratios table; and

(d) whether (and if so, why) the company believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the company's UK employees as a whole.

Relative importance of spend on pay

SI 2008 / 410 8 Sch 20(1)(a),(b),(c)

A table or graph that shows for the relevant financial year, and the preceding financial year, the actual expenditure and the difference in spend between those years on:

(a) remuneration paid to or receivable by all employees of the group;

(b) distributions to shareholders by way of dividends and share buyback; and

(c) any other significant payments or distributions or other uses of profit or cash deemed to assist in understanding the relevant importance of spend on pay.

SI 2008 / 410 8 Sch 20(2)

An explanation of why the matters in (c) above were chosen and how the amounts were calculated.

SI 2008 / 410 8 Sch 20(3)

Where the amounts in (c) above are not the same as in the previous year, an explanation for the change must be given.

Statement of implementation of remuneration policy in the following financial year

SI 2008 / 410 8 Sch 21(1)

A statement describing how the company intends to implement the approved directors' remuneration policy in the next financial year. [8]

SI 2008 / 410 8 Sch 21(2)

The statement must include:

- performance measures and relative weightings for each measure; and
- performance targets determined for the performance measures, and how awards will be calculated.[9]

SI 2008 / 410 8 Sch 21(3)

A statement of details of any change in the way in which the remuneration policy will be implemented in the next financial year compared with how it was implemented in the relevant financial year and any deviations from the procedures for implementing the policy set out in the remuneration policy. [10]

Consideration by the directors of matters relating to directors' remuneration (remuneration committee)

SI 2008 / 410 8 Sch 22(1)

Names of the members of the remuneration committee (at any time when directors' remuneration for the year is considered).

SI 2008 / 410 8 Sch 22(b)

The names of any person(s) providing advice to the remuneration committee that has materially assisted the committee with their decisions.

SI 2008 / 410 8 Sch 22(c)(i)

For any adviser to the remuneration committee, who is not a director of the company:

SI 2008 / 410 8 Sch 22(c)(ii)

- disclosure of the nature of any other services, performed by the adviser, to the company during the year;

SI 2008 / 410 8 Sch 22(c)(iii)

- whether the adviser was appointed by the remuneration committee and how they were selected;

SI 2008 / 410 8 Sch 22(c)(iv)

- whether, and how, the remuneration committee satisfied itself that the advice received was objective and independent; and
- the amount of the fee or other charge paid for the other services and the basis on which it was charged.

Statement of voting at general meeting

SI 2008 / 410 8 Sch 23(a),(b)

A statement of the percentage votes cast for and against, and number of votes withheld, at the last general meeting, which considered resolutions of the following kind:

- the resolution to approve the directors' remuneration report; and
- the resolution to approve the directors' remuneration policy.

SI 2008 / 410 8 Sch 23(c)

Where there was a significant percentage of votes against either resolution, a summary of the reasons for those votes (as far as known to the directors) and any actions taken by the directors in response to those votes.

Directors' remuneration policy [11,14]

CA06 s439A

SI 2008 / 410 8 Sch 24

If there are no changes to the remuneration policy, then disclosure and approval of the policy is only required every three years. The full remuneration policy part must be included in the directors' remuneration report in a year when directors' remuneration policy is being put to shareholder vote at the AGM. We would expect the policy to be included, or summarised, every year in order to put the remuneration disclosures in context.

SI 2008 / 410 8 Sch 24(1A) [13]

The directors' remuneration policy must explain the decision-making process followed for its determination, review and implementation, including measures to avoid or manage conflicts of interest and the role of the remuneration committee (and other committees), if not set out elsewhere in the directors' remuneration report.

Future policy table

SI 2008 / 410 8 Sch 25(1), (2)	A table describing each of the components of the remuneration package for the directors, which are in the remuneration policy. If a general policy table is prepared, the table must include any particular arrangements specific to an individual director. [12]
SI 2008 / 410 8 Sch 26(a)	The table must include the following information: • how the component supports the short- and long-term objectives of the group (or company);
SI 2008 / 410 8 Sch 26(b)	• an explanation of how that component of the package operates and any information on any deferral periods;
SI 2008 / 410 8 Sch 26(ba) [13]	• where the company awards share-based remuneration, information on any vesting and holding periods;
SI 2008 / 410 8 Sch 26(c)	• the maximum that can be paid, in monetary terms or otherwise;
SI 2008 / 410 8 Sch 26(d)	• if applicable, an explanation of the framework used in assessing performance, including performance measures, their weighting, the amount that can be paid for minimum performance and for any further levels of performance; and
SI 2008 / 410 8 Sch 26(e)	• an explanation of provisions for recovery of amounts paid or withholding of amounts payable.
SI 2008 / 410 8 Sch 27(a)-(e)	Notes to the table must include: • why performance measures were chosen and how any targets are set; • if applicable, an explanation of why there are no performance measures for any component, other than salary, fees, benefit or pension; • for any new component of the remuneration package, why that component is now included; • any changes that have been made to any previous component and why they were made; and • an explanation of any differences in remuneration policy between that for directors and that for employees generally.
SI 2008 / 410 8 Sch 28(a)-(c)	Information on non-executive directors can be set out in a separate table. If so, the table must disclose the approach to determining: • the fee payable to such directors; • any additional fees for other duties; and • such other items as are considered to be in the nature of remuneration.

Approach to recruitment remuneration

SI 2008 / 410 8 Sch 29(1)-(3)	A statement of the principles applied when agreeing the various components of the remuneration package for the appointment of directors. Disclosure of components for inclusion and the approach adopted, and the maximum level of variable remuneration which could be granted, expressed in monetary terms or otherwise.
SI 2008 / 410 8 Sch 29(1),(2),(4)	Remuneration representing compensation of the forfeit of any variable remuneration arrangements with a previous employer is not included in the maximum remuneration above, but is subject to separate disclosure.

Service contracts and letters of appointment

SI 2008 / 410 8 Sch 30, 30A[13]	A description of any obligation in service contract or contracts, or proposed in service contracts to be entered into, which could give rise to, or impact on, remuneration payments or payments for loss of office, unless disclosed elsewhere in the report and an indication of the duration of directors' service contracts.
SI 2008 / 410 8 Sch 31	Where directors' service contracts are not kept available for inspection at the registered office, disclosure of where they are kept and, if available on a website, a link to that website.
SI 2008 / 410 8 Sch 32	The above disclosures apply to letters of appointment of non-executive directors.
LR 9.8.8R	Details of the unexpired term of any director's service contract for a director proposed for election or re-election at the forthcoming annual general meeting.

LR 9.8.8R

If any director proposed for election or re-election at the forthcoming annual general meeting does not have a director's service contract, a statement to that effect.

Illustration of application of remuneration policy

SI 2008 / 410 8 Sch 33

For each director (other than a director not performing an executive function), a bar chart indicating the level of remuneration receivable by the director in accordance with the policy in the first year to which the policy applies.

SI 2008 / 410 8 Sch 34

The bar chart must contain separate bars representing:

(a) minimum remuneration receivable;

(b) remuneration receivable if, in respect of performance measures and targets, the director was performing in line with the company's expectation; and

(c) maximum remuneration receivable, excluding share price appreciation.

Each bar must contain separate parts representing:

(a) salary, fees, benefits, pension and any other item included in minimum remuneration;

(b) remuneration where performance measures or targets relate to one financial year; and

(c) remuneration where performance measures or targets relate to more than one financial year.

Each bar must show:

(a) percentage of the total comprised by each part; and

(b) total value of remuneration expected for each bar.

SI 2008 / 410 8 Sch 35

Description of the basis of calculation and assumptions used to compile the charts. [13]

SI 2008 / 410 8 Sch 35A [13]

For performance targets or measures relating to more than one financial year, an indication of the maximum remuneration receivable assuming company share price appreciation of 50% during the relevant performance period.

Policy on payment for loss of office

SI 2008 / 410 8 Sch 36

A description of the company's policy on setting of notice periods under service contracts.

SI 2008 / 410 8 Sch 37(a)-(c)

A description of the principles for determining payments for loss of office, including:

(a) an indication of how each component of the payment will be calculated;

(b) whether, and if so how, the circumstances of the director's loss of office and performance during the period of qualifying service are relevant to the exercise of any discretion; and

(c) any contractual provision agreed prior to 27 June 2012 that could impact on the amount of the payment.

Statement of consideration of employment conditions elsewhere in the company

SI 2008 / 410 8 Sch 38

A statement of how the pay and employment conditions of employees of the company and elsewhere in the group were taken into account when determining the policy for directors' remuneration.

SI 2008 / 410 8 Sch 39

Disclosure of:

(a) whether, and if so how, the company consulted with employees when drawing up the directors' remuneration policy; and

(b) whether any remuneration comparison measures were used and, if so, what they were and how the information was taken into account.

Statement of consideration of shareholder views

SI 2008 / 410 8 Sch 40

A statement of whether, and how, any views on directors' remuneration, expressed to the company by shareholders, have been taken into account in the formulation of the policy.

Other matters – omission of information and explanation

SI 2008 / 410 8 Sch 2(5),(6)

Any requirement to provide information in respect of performance measures or targets does not require disclosure of information which, in the opinion of the directors, is commercially sensitive.

The particulars of, and the reasons for, the omission must be given in the report and an indication of when (if at all) the information is to be reported to members.

SI 2008 / 410 8 Sch 2(4)

Information can, in respect of non-executive directors, be omitted or modified where the requirement is not applicable to such a director. Particulars of, and the reasons for, the omission or modification must be given in the report.

APB 2002 / 2(12–16)

Where the remuneration report does not clarify which parts of the report have been audited, such clarification should be given in the audit report.

Listing rules – additional requirements

LR 9.8.4R(5)

Details should be given of any arrangement under which a director has waived or agreed to waive any emoluments from the company or any subsidiary.

LR 9.8.4R(6)

Where a director has agreed to waive future emoluments, details should be given of such waiver, together with details relating to emoluments that were waived in the year.

LR 9.4.3R

Additional disclosures are required in the first annual report published following the date on which the relevant director becomes eligible to participate in an arrangement in which that director is the only participant and the arrangement is established specifically to facilitate, in unusual circumstances, the recruitment or retention of that director.

LR 9.8.8R

A report to shareholders must be prepared which includes details of the unexpired term of the service contract of any director proposed for election or re-election at the forthcoming AGM.

Shareholder approval

CA06 s439(1)

The board should put an ordinary resolution to shareholders for the approval of the remuneration report, other than the part containing the directors' remuneration policy (see CA06 s439).

CA06 s439A(1)

At least every third year, the board must put an ordinary resolution to shareholders for the approval of the directors' remuneration policy.

Corporate governance requirements [15]

UKCGC Section 5

UKCGC Principle P

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

UKCGC Principle Q

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

UKCGC Principle R

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.

UKCGC Provision 41

There should be a description of the work of the remuneration committee in the annual report including:

- an explanation of the strategic rationale for executive directors' remuneration policies, structures and any performance metrics;
- reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
- a description, with examples, of how the remuneration committee has addressed the factors in Provision 40;
- whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;
- what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
- what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and
- to what extent discretion has been applied to remuneration outcomes and the reasons why.

UKCGC Provision 40

When determining executive director remuneration policy and practices, the remuneration committee should address the following:

- clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
- simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
- risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
- predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;
- proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and
- alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.

Interests in shares (and derivatives or any other financial instrument relating to those shares)

LR 9.8.6R(1)

A statement should be disclosed listing all the interests of the directors and their connected persons in the shares of the company and other group members. [16]

LR 9.8.6R(1)

There has been no change in the interests set out above between 31 December 2022 and 23 February 2023. [17]

On behalf of the board

R Graham

Chairman of the remuneration committee [18]

24 February 2023

Notes on remuneration report

LR 9.8.7R

1. The remuneration report is a Companies Act 2006 requirement. There are separate disclosure requirements for overseas companies with a premium listing. See Listing Rule 9.8.7R, which requires the disclosures under Listing Rules 9.8.6R(5) and (6) and 9.8.8R.

SI 2008 / 410 8 Sch 2(2)

2. Nothing in the Schedule prevents the directors from setting out any such additional information in the remuneration report as they think fit, and any item can be shown in greater detail than required by the Schedule.

SI 2008 / 410 8 Sch Part 2(3)

3. If there is no chair, the 'statement by chair of remuneration committee' should be by the director nominated by the directors to make the statement.

Single total figure table

SI 2008 / 410 8 Sch 2(4)

4. In respect of single total figure tables for directors who do not perform an executive function, information can be omitted or modified where that requirement is not applicable to such a director and, in such a case, particulars of, and the reasons for, the omission or modification must be given in the report.

SI 2008 / 410 8 Sch Part 3(5)(2)

5. The directors can choose to display the single total figure table using alternative orientation.

6. 'Annual bonus' is the typical abbreviated title for the required disclosure 'money and other assets received or receivable as a result of the achievement of performance measures and targets relating to a period covering only that financial year'.

7. 'Long term incentive schemes' is the typical abbreviated title for the required disclosure 'money and other assets received or receivable as a result of the achievement of performance measures and targets relating to a period covering more than one financial year and ending in that financial year'.

Statement of implementation of remuneration policy in the following financial year

8. This statement need not include information elsewhere in the report.

9. This information need not be disclosed if the directors consider it to be commercially sensitive but the report must state why they consider it to be commercially sensitive and when the targets will be disclosed.

SI 2008 / 410 8 Sch 21(3)

10. The statement of details of change in the way in which the remuneration policy will be implemented in the next financial year compared with how it was implemented in the relevant financial year is only required where this is not the first year of the approved remuneration policy.

Directors' remuneration policy

SI 2008 / 410 8 Sch 24

11. This is a separate part of the report. Where the resolution to approve a directors' remuneration policy includes the continuation of a previous policy, this must be stated and the relevant provisions should be identified and for what period they will apply [para 24(2)]. Where the policy allows the directors to exercise discretion on any aspect of the policy, the policy must set out the extent of that discretion in respect of any such variation, change or amendment. On the first occasion of a resolution approving the policy, it should set out the date from which the policy is to take effect.

SI 2008 / 410 8 Sch 25(3)

12. In respect of the future policy table, components include, but are not limited to, those items included in the single total figure table.

13. In respect of the description of the basis of calculation and assumptions used to compile the bar charts, it is not necessary for any matter to be included in the narrative description which has been set out in the future policy table.

SI 2019 / 970

14. Where a company is putting a policy to shareholder vote for the first time since 10 June 2019, certain requirements will apply for the first time.

Corporate governance requirements

15. Executive remuneration is an area of investor focus. In addition to the requirements set out in the 2018 UK Corporate Governance Code, remuneration committees should, amongst others, consider:

    - GC100 and Investor Group's publication, 'Directors' Remuneration Reporting Guidance';
    - The Investment Association's publication, 'Principles of Remuneration', and
    - Institutional Shareholder Services' EMEA Policy updates.

Directors' interests in shares

LR 9.6.6R(1)

16. The listing rules require disclosure of a 'snapshot' of the interests of the directors and their connected persons as at the end of the financial year. This disclosure is only required for individuals who were directors at the end of the financial year.

LR 9.6.6R(1)(a)-(b)

17. Disclosure is also required of all changes in interests of each director that have occurred between the end of the financial year and a date not more than one month before the issue of the AGM circular. If there have been no changes in that period, a statement to that effect should be included.

Approving and signing the remuneration report

18. The remuneration report should be approved by the board and signed on its behalf by a director or the company secretary. In addition, Schedule 5 to SI 2008 / 410 requires certain aggregate information on emoluments to be included by quoted companies in the notes to the financial statements.

Corporate governance report [1-14]

DTR reporting requirements – all companies [2]

DTR 7.2.1R

The issuer must include a corporate governance statement in its directors' report.

This statement must be included as a specific section of the directors' report and must contain at least the information set out in DTR 7.2.2R to 7.2.7R and, where consolidated accounts are prepared, DTR 7.2.10R.

DTR 7.2.2R

The corporate governance statement must contain a reference to the following, where applicable: (1) the corporate governance code to which the issuer is subject; (2) the governance code which the issuer might have voluntarily decided to apply; (3) all relevant information about the corporate governance practices applied over and above the requirements of national law.

DTR 7.2.3R

An issuer which is complying with DTR 7.2.2R(1) or (2) must:

(a) state in its directors' report where the relevant corporate governance code is publicly available; and

(b) where it departs from that corporate governance code, explain which parts of the corporate governance code it departs from and the reasons for doing so.

Where DTR 7.2.2R(3) applies, the issuer must make details of its corporate governance practices publicly available and state in its directors' report where they can be found.

If an issuer has decided not to refer to any provision of a corporate governance code referred to under DTR 7.2.2R(1) and (2), it must explain its reasons for that decision.

DTR 7.2.5R

The corporate governance statement must contain a description of the main features of the issuer's internal control and risk management systems in relation to the financial reporting process.

DTR 7.2.6R

The corporate governance statement must contain the information required by paragraphs 13(2)(c), (d), (f), (h) and (i) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 / 410) (information about share capital required under Directive 2004 / 25 / EC (the Takeover Directive)) where the issuer is subject to the requirements of that paragraph. (For disclosure requirements, refer to the directors' report.)

DTR 7.2.7R

The corporate governance statement must contain a description of the composition and operation of the issuer's administrative, management and supervisory bodies and their committees.

DTR 7.2.8AR

The corporate governance statement must contain a description of:

(a) the diversity policy applied to the issuer's administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds;

(b) the objectives of the diversity policy in (a);

(c) how the diversity policy in (a) has been implemented; and

(d) the results in the reporting period.

If no diversity policy is applied by the issuer, the corporate governance statement must contain an explanation as to why this is the case.

DTR 7.2.9R

An issuer can elect that, instead of including its corporate governance statement in its directors' report, the information required by DTR 7.2.1R to DTR 7.2.7R could be set out in:

1) a separate report published together with, and in the same manner as, its annual report; or

2) a document publicly available on the issuer's website to which reference is made in the directors' report.

Under (1) or (2), the corporate governance statement must contain the information required by DTR 7.2.6R or a reference to the directors' report where that information is made available.

DTR 7.2.10R

Subject to DTR 7.2.11R, an issuer which is required to prepare a group directors' report within the meaning of section 415(2) of the Companies Act 2006 must include in that report a description of the main features of the group's internal control and risk management systems in relation to the financial reporting process for the undertakings included in the consolidation, taken as a whole. In the event that the issuer presents its own annual report and its consolidated annual report as a single report, this information must be included in the corporate governance statement required by DTR 7.2.1R.

DTR 7.2.11R	1) An issuer that elects to include its corporate governance statement in a separate report as permitted by DTR 7.2.9(1) must provide the information required by DTR 7.2.10R in that report. 2) An issuer that elects to include its corporate governance statement in a document publicly available on the issuer's website to which reference is made in the directors' report as permitted by DTR 7.2.9R(2) must provide the information required by DTR 7.2.10R in that document.

Chair's introduction

UKCGC Introduction para 6	The UKCGC encourages reporting that describes the application of the principles in the context of the particular circumstances of the company and how the board has set the company's purpose and strategy, met objectives and achieved outcomes through the decisions it has taken. A chair's introduction to the governance report, encouraged also in previous versions of the UKCGC, is a good opportunity to do this.

Listing Rules requirements

LR 9.8.6(5)	A statement must be made of how the company has applied the principles of the UKCGC in a manner that enables shareholders to evaluate how the principles have been applied. The form and content of this part of the statement are not prescribed. The intention is for companies to explain their governance policies in light of the UKCGC principles, and the Introduction to the UKCGC contains some guidance in this area.

'Comply or explain'

LR 9.8.6(6) DTR 7.2.3R (1)(b),(2),(3)	A statement[3] must be made as to whether the company has complied throughout the accounting period with all relevant UKCGC provisions. Where the company has not complied with all of the provisions, or has complied for only part of the accounting period, a statement to that effect must be made. This statement should specify the provisions that have not been complied with. Reasons must also be given for any non-compliance and, where relevant, the period of non-compliance should be stated.
UKCGC Introduction para 8	An alternative to complying with a provision may be justified in particular circumstances based on a range of factors, including the size, complexity, history and ownership structure of a company. Explanations should set out the background, provide a clear rationale for the action the company is taking, and explain the impact that the action has had. Where a departure from a provision is intended to be limited in time, the explanation should indicate when the company expects to conform to the provision. Explanations are a positive opportunity to communicate, not an onerous obligation.

The board and its committees

UKCGC Section 1

DTR 7.2.7R	The corporate governance statement must contain a description of the composition and operation of the company's administrative, management and supervisory bodies and their committees.

Sustainable success

UKCGC Principle A	A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.
UKCGC Provision 1	The board should assess the basis on which the company generates and preserves value over the long-term. It should describe in the annual report how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company's business model[4,5] and how its governance contributes to the delivery of its strategy.

Company purpose and culture

UKCGC Principle B	The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.
UKCGC Principle C	The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.
UKCGC Provision 2	The board should assess and monitor culture. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the company's purpose, values and strategy, it should seek assurance that management has taken corrective action. The annual report should explain the board's activities and any action taken. In addition, it should include an explanation of the company's approach to investing in and rewarding its workforce.

Stakeholder engagement

UKCGC Principle D	In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

UKCGC Provision 4

When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed.

UKCGC Principle E

The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

UKCGC Provision 5

The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making. The board should keep engagement mechanisms under review so that they remain effective. For engagement with the workforce, one or a combination of the following methods should be used: a director appointed from the workforce.

- a director appointed from the workforce;
- a formal workforce advisory panel; or
- a designated non-executive director.

If the board has not chosen one or more of these methods, it should explain what alternative arrangements are in place and why it considers that they are effective.

Division of responsibilities

UKCGC Section 2

Board culture

UKCGC Principle F

The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

Board balance and independence

UKCGC Principle G

The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making[7]. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

UKCGC Provision 10

The board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director:

- is or has been an employee of the company or group within the last five years;
- has, or has had within the last three years, a material business relationship with the company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme;
- has close family ties with any of the company's advisers, directors or senior employees;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the board for more than nine years from the date of their first appointment.

Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided.

Operation of the board

UKCGC Principle H

Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

UKCGC Provision 14 — The responsibilities of the chair, chief executive, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available. The annual report should set out the number of meetings of the board and its committees, and the individual attendance by directors.

UKCGC Provision 15 — When making new appointments, the board should take into account other demands on directors' time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the board, with the reasons for permitting significant appointments explained in the annual report. Full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.

UKCGC Principle I — The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently

Composition, succession and evaluation

UKCGC Section 3

Appointments, composition and succession planning

UKCGC Principle J — Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

UKCGC Provision 20 — Open advertising and / or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged, it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.

UKCGC Principle K — The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

UKCGC Provision 19 — The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided.

Performance evaluation

UKCGC Principle L — Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

UKCGC Provision 21 — There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors.

Report of the nomination committee, including diversity

UKCGC Provision 23 — The annual report should describe the work of the nomination committee[8], including:

- the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;
- how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition;
- the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and
- the gender balance of those in the senior management and their direct reports.

Audit, risk and internal control

UKCGC Section 4

UKCGC Principle M — The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

Fair, balanced and understandable reporting [9]

UKCGC Principle N	The board should present a fair, balanced and understandable assessment of the company's position and prospects.
UKCGC Provision 27	The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Review of effectiveness of the risk management and internal control systems

UKCGC Principle O

The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

UKCGC Provision 29

The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.

GRM 57

In its statement on its review of the effectiveness of the company's risk management and internal control systems, the board should, as a minimum, acknowledge that it is responsible for those systems and for reviewing their effectiveness, and it should disclose:

- that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the company;
- that the systems have been in place for the year under review and up to the date of approval of the annual report and accounts;
- that they are regularly reviewed by the board; and
- the extent to which the systems accord with the guidance.

GRM 58

The board should summarize the process that it has applied in reviewing the effectiveness of the system of risk management and internal control. The board should explain what actions have been or are being taken to remedy any significant failings or weaknesses. Where this information has been disclosed elsewhere in the annual report and accounts (for example, in the audit committee report), a cross-reference to where that information can be found would suffice. In reporting on these actions, the board would not be expected to disclose information which, in its opinion, would be prejudicial to its interests.

DTR 7.2.5R

The corporate governance statement must include a description of the main features of the company's internal control and risk management systems in relation to the financial reporting process.

DTR 7.2.10R

Where the issuer is required to prepare a group directors' report, it should include a description of the main features of the group's internal control and risk management systems in relation to the financial reporting process for the undertakings included in the consolidation, taken as a whole.

Robust assessment of emerging and principal risks

UKCGC Provision 28

The board should carry out a robust assessment of the company's emerging and principal risks. The board should confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.

GRM 50

The descriptions of the principal risks and uncertainties should be sufficiently specific that a shareholder can understand why they are important to the company. The report might include a description of the likelihood of the risk, an indication of the circumstances under which the risk might be most relevant to the company, and its possible impacts. Significant changes in principal risks (such as a change in the likelihood or possible impact, or the inclusion of new risks) should be highlighted and explained. A high-level explanation of how the principal risks and uncertainties are being managed or mitigated should also be included.

Viability statement

LR 9.8.6R(3)(b)

There must be a statement by the directors in the annual report on their assessment of the prospects of the company.

UKCGC Provision 31

Taking account of the company's current position and principal risks, the board should explain in the annual report how it has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate. The board should state whether it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.[5, 6]

GBE 126	Companies should consider developing their viability statements in two stages. Firstly, by considering and reporting on their longer-term prospects, taking into account the company's current position and principal risks, and then by stating whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their viability assessment, drawing attention to any qualifications or assumptions as necessary.

Going concern

LR 9.8.6R(3)(a)	There must be a statement by the directors, in both the annual and half-yearly statements, that the business is a going concern, with supporting assumptions or qualifications as necessary. This statement should cover both the parent company and the group as a whole.
UKCGC Provision 30	In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.
GRM Appendix A 5	Events or conditions might result in the use of the going concern basis of accounting being inappropriate in future reporting periods. As part of their assessment, the directors should determine if there are any material uncertainties relating to events or conditions that might cast significant doubt on the continuing use of the going concern basis of accounting in future periods. Uncertainties relating to such events or conditions should be considered material, and therefore disclosed, if their disclosure could reasonably be expected to affect the economic decisions of shareholders and other users of the financial statements. This is a matter of judgement. In making this judgement, the directors should consider the uncertainties arising from their assessment, both individually and in combination with others.

Report of the audit committee

DTR 7.1.5R	The company must make available a statement on how the audit committee (or equivalent body) carries out its responsibilities and how it is composed.[10]
ACG 80	The annual report should include a separate section describing the work of the audit committee in discharging its responsibilities, signed by the chairman.

UKCGC Provision 26, ACG 81

The annual report should describe the work of the audit committee, including:

- the significant issues that the audit committee considered relating to the financial statements, and how these issues were addressed, including:
  - issues in relation to the financial statements and how these were addressed, having regard to matters communicated to it by the auditors;
  - the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team; and
  - where a company's audit has been reviewed by the FRC's Audit Quality Review team, the Committee should discuss the findings with their auditors and consider whether any of those findings are significant and, if so, make disclosures about the findings and the actions they and the auditors plan to take. This discussion should not include disclosure of the audit quality category.
- an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
- in the case of a board not accepting the audit committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the audit committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment);
- where there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of external audit; and
- an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services. [11]

CMA Order Part 4

Where a FTSE 350 company has not completed a competitive tender process for auditors' appointments in relation to five consecutive financial years, the audit committee must set out, in the audit committee report relating to the fifth financial year in relation to which there has been no competitive tender process:

- the financial year in which the company proposes that it will next complete a competitive tender process; and
- the reasons as to why completing a competitive tender process in the financial year proposed is in the best interests of the company's members.

The information specified above must also be supplied by the audit committee in each subsequent audit committee report, until such time as the company completes a competitive tender process.

Where the audit committee considers that the proposed financial year is no longer appropriate for the completion of a competitive tender process, it must provide reasons for the decision in the audit committee report published immediately subsequent to the making of the decision.

CMA Order Part 7

A FTSE 350 company must include a statement of compliance with the provisions of the Order in the audit committee report (or elsewhere in the annual report, in circumstances where an audit committee report is not issued) for each financial year. Part 5 of the Order[12] does not require specific disclosures, but the confirmation required under Part 7 relates, in large part, to these procedures.

Remuneration

UKCGC Section 5

Refer to the 'Corporate governance requirements' section of the remuneration report.

Notes on corporate governance report

Corporate governance report

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014

1. This report sets out the disclosure requirements for a UK premium listed company preparing its corporate governance statement. Premium listed companies are those companies with equity listings which are subject to the more stringent, super equivalent UK listing requirements, as set out in the FCA's Listing rules (see Issue 2 of the Financial Conduct Authority (FCA) (previously FSA) Listing regime FAQs published in June 2010). The relevant corporate governance disclosure requirements are set out in four places:
   - FCA Listing Rule 9.8.6R (which includes the 'comply or explain' requirement);
   - FCA Disclosure Guidance and Transparency Rules (DTR) Section 7.2 (which set out certain mandatory disclosures);
   - Competition and Markets Authority's Final Order, (for UK incorporated FTSE 350 companies only); and
   - The 2018 UK Corporate Governance Code ("UKCGC") and associated guidance from the Financial Reporting Council ("FRC"), being:
     – Guidance on Risk Management, Internal Control and Related Financial and Business Reporting ("GRM") (2014);
     – Guidance on Audit Committees ("ACG") (2016); and,
     – Guidance on Board Effectiveness ("GBE") (2018).

The illustrative report presented here largely follows the order of the 2018 UKCGC. In practice the order that companies use is likely to depart from this approach.

Those provisions and other rules and recommendations that give rise to specific disclosures in the corporate governance statement are given immediately after the relevant principles.

2. The corporate governance disclosures included in these illustrative financial statements are based on the requirements for a UK premium listed company. Overseas premium listed companies (that is, companies incorporated overseas but with a premium listing in the UK) are also required to comply with the UKCGC. The FCA has not, however, applied Listing rule 9.8.6(3), which requires statements by the directors on (a) the appropriateness of adopting the going concern basis of accounting (containing the information set out in provision 30 of the UKCGC). (b) their assessment of the prospects of the company (containing the information set out in provision 31 of the UKCGC) to overseas premium listed companies. Notwithstanding this, any failure to provide a going concern or viability statement would need to be explained under Listing Rule 9.8.6(6) by an overseas premium listed company.

Overseas companies (whether standard or premium equity listings) are required to comply with certain parts of DTR 7.2 (Corporate Governance statements) but not DTR 7.1 (Audit Committees). The requirements are summarised in the table below:

	UK premium	UK standard equity	Overseas premium	Overseas standard equity
Listing rule 9.8.6(5) and (6) (Compliance statement) – reporting against UKCGC	✓	✗	✓	✗
Listing rule 9.8.6 (3) (Going concern and viability statements)	✓	✗	✗	✗
FCA Corporate governance rules				
DTR 7.1 Audit Committee	✓	✓	✗	✗
DTR 7.2 Corporate Governance Statement:				
• DTR 7.2.2R, 7.2.3R and 7.2.7R	✓	✓	✓	✓
• DTR 7.2.5R (&7.2.10R)	✓	✓	✓	✓
• DTR 7.2.6R	✓	✓	✗	✗
• DTR 7.2.8AR	✓	✓	✓	✓
Auditors' Report (LR 9.8.10) (13 Code provisions)	✓	✗	✓ (excluding going concern and viability statements)	✗

Comply or explain

3. This corporate governance report contains all UKCGC Principles, but only those provisions which stipulate disclosures to be made in the annual report. The full UKCGC can be found on the FRC's website. In order to fulfil the 'comply or explain' requirement of the Listing Rules, companies should assess their compliance with all of the provisions, and then explain any non-compliance in the corporate governance report. The PwC Manual of Accounting – Narrative Reporting provides further information on corporate governance reporting.

Code disclosures usually made in the strategic report

4. Certain annual report disclosures required by the UKCGC will often be included in the strategic report, most usually those relating to the business model or risk and viability reporting.

The viability statement

UKCGC Provisions 1 and 31

5. Sustainability of the business model linked to viability statement: Boards may wish to consider the sustainability of the business model (UKCGC Provision 1) as part of the assessment of prospects (UKCGC Provision 31) within the viability statement.

GRM Appendix B para 3

6. Viability period: The length of the viability period should be determined, taking account of a number of factors, including, without limitation: the board's stewardship responsibilities. previous statements they have made, especially in raising capital. the nature of the business and its stage of development. its investment and planning periods.

Board composition

UKCGC Provision 11

7. At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent.

Nomination committee composition

UKCGC Provision 17

8. A majority of members of the committee should be independent non-executive directors. The chair of the board should not chair the committee when it is dealing with appointment of their successor.

Fair, balanced and understandable reporting

9. The UKCGC does not specify where the 'fair, balanced and understandable' statement by the directors should be given in the annual report. However, it is usually incorporated into the statement of directors' responsibilities.

Audit committee composition

UKCGC Provision 24

10. Under UKCGC Provision 24, the board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. The chair of the board should not be a member. The board should satisfy itself that at least one member has recent and relevant financial experience. The committee as a whole shall have competence relevant to the sector in which the company operates.

Non-audit services policy

ACG 73

11. The audit committee should set and apply a formal policy specifying the types of non-audit service for which use of the external auditor is pre-approved. Such approval should only be in place for matters that are clearly trivial. Reporting of the use of non-audit services should include those subject to pre-approval.

CMA Order Part 5

12. Part 5 of the CMA Order states: ‘Only the audit committee, acting collectively or through its chairman, and for and on behalf of the board of directors, is permitted:
    - to the extent permissible by law and regulations, to negotiate and agree the statutory audit fee and the scope of the statutory audit;
    - to initiate and supervise a competitive tender process;
    - to make recommendations to the board of directors as to the auditors’ appointment pursuant to the competitive tender process;
    - to influence the appointment of the audit engagement partner; and
    - to authorise incumbent auditors or auditors appointed to replace incumbent auditors to provide any non-audit services to the FTSE 350 company or the group of which that FTSE 350 company is a part, prior to the commencement of those non-audit services.

Board and senior management diversity (applicable for periods beginning on or after 1 April 2022, though early adoption is encouraged)

LR 9.8.6R(9), (10) & (11)

13. Through Policy Statement PS 22/3, the FCA has updated the Listing Rules and DTR to require listed companies to publish annually, on a ‘comply or explain’ basis, a statement as to whether they meet a number of board diversity targets on gender and ethnicity, along with diversity data on their boards and executive management. Although applicable for periods beginning on or after 1 April 2022, the FCA encourages companies whose financial years began before then (from 1 January 2022) to consider reporting on the targets and making numerical disclosures in relation to their current accounting period on a voluntary basis.

    On a ‘comply or explain’ basis, the company should make a statement describing whether it meets the following diversity targets:
    - At least 40% of the board to be women.
    - At least one of the senior board positions (Chair, CEO, SID or CFO) to be a woman.
    - At least one member of the board to be from a minority ethnic background (which is defined by reference to categories recommended by the Office for National Statistics).

    The annual statement will also need to include:
    - The reference date during the period that has been used (and, where this is different from the reference date used in respect of the previous accounting period, an explanation of why).
    - Any changes to the board that have occurred between the reference date and the date on which the annual financial report is approved that have affected the company’s ability to meet one or more of the targets.

    Alongside the statement, companies are required to publish diversity data on board positions (Chair, CEO, SID and CFO) and executive management in a standardised table format and are also required to explain their approach to collecting the data.

DTR 7.2.8AR

14. The reporting requirements are expanded to include a description of the diversity policy applied to the remuneration, audit and nomination committees of the board, and to cover wider diversity characteristics such as, for instance, age, gender, ethnicity, sexual orientation, disability or educational, professional and socio-economic backgrounds.

Statement of directors' responsibilities [1]

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with UK-adopted international accounting standards.

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

UKCGC Provision 27

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's position and performance, business model and strategy.

DTR 4.1.12R(3)

Each of the directors, whose names and functions are listed in [refer to section of the annual report containing details of directors] confirm that, to the best of their knowledge:

- the group and company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the [Directors' report] includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

By order of the board

AB Smith

Company Secretary

24 February 2023

Notes on statement of directors' responsibilities

1. The statement by the directors should be made in accordance with what is known to them at the date on which they approve the financial statements. in practice directors will need to perform their work to a date before the approval of the financial statements and update their work as appropriate.
2. An overseas listing might impact the wording of the statement of directors' responsibilities, both with reference to the basis of preparation and if there are any specific reporting requirements that have to be referred to. The relevant regulatory requirements would need to be determined.

VALUE IFRS UK Plc Consolidated financial statements 31 December 2022[1-11]

IAS1(49),(51)(a)

VALUE IFRS UK Plc Consolidated financial statements 31 December 2022 [1-11]

IAS1(49)

Consolidated financial statements

- Consolidated statement of profit or loss 46
- Consolidated statement of comprehensive income 47
- Consolidated balance sheet 53
- Consolidated statement of changes in equity 57
- Consolidated statement of cash flows 60

Notes to the consolidated financial statements 64

IAS1(51)(b),(d)

These financial statements are consolidated financial statements for the group consisting of VALUE IFRS UK Plc and its subsidiaries. A list of subsidiaries is included in note 16.

IAS1(51)(e)

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

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)
CA06 s397

VALUE IFRS UK Plc is a public limited company which is listed on the London Stock Exchange and incorporated and domiciled in the UK. Its registered office and principal place of business is:

VALUE IFRS UK Plc
350 Harbour Street
Nice Town
UK

IAS10(17)

The financial statements were authorised for issue by the directors on 23 February 2023.
All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.valueifrsplc.com

Notes on consolidated 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 significant accounting policies and other explanatory notes; and
   (f) if the entity has applied an accounting policy retrospectively, made a retrospective restatement of items or has reclassified items in its financial statements: a statement of financial position as at the beginning of the earliest comparative period.

IAS1(10)

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

Comparative information

IAS1(38)

3. Except where an IFRS permits or requires otherwise, comparative information should be disclosed in respect of the preceding period for all amounts reported in the financial statements. Comparative information should 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 about the steps that have been taken during the period to resolve the uncertainty.

Three balance sheets required in certain circumstances

IAS1(40A),(40B)

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

   it must present a third balance sheet (statement of financial position) as at the beginning of the preceding period (e.g. 1 January 2021 for 31 December 2022 reporters).

IAS1(40D)

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

IAS1(40C) IAS8 IAS1(41)

7. Where the entity is required to include a third balance sheet, it must provide appropriate explanations about the changes in accounting policies, other restatements or reclassifications, as required under 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 (for example 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.

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 UK 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 UK Plc

11. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK 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(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

S1(10)(b), (10A)

Consolidated statement of profit or loss [1-38]

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

Reference		Notes	2022 CU'000	2021 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 UK Plc		**32,626**	26,123
	Non-controlling interests		**3,005**	2,318
			35,631	28,441

Reference		Notes	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	**57.1**	47.5
	Diluted earnings per share	22	**56.0**	47.3
IAS33(66)	**Earnings per share for profit attributable to the ordinary equity holders of the company:**			
	Basic earnings per share	22	**58.4**	48.2
	Diluted earnings per share	22	**57.3**	48.0

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

Not mandatory The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

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

Consolidated statement of comprehensive income

IAS1(113)

Reference		Notes	2022 CU'000	2021 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 UK 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 UK 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.

Notes on consolidated statements of profit or loss and comprehensive income

Disclosure of specified separate line items in the financial statements

IAS1(82)(a)
IAS1(82)(aa)
IAS1(82)(ba)
IAS1(82)(ca)
IAS1(82)(cb)
IFRS15(Appendix A)

1. IAS 1, 'Presentation of Financial Statements', requires the separate presentation of the following line items in the statement of profit or loss:
   (a) interest revenue calculated using the effective interest rate method, separately from other revenue; *
   (b) gains and losses from the derecognition of financial assets measured at amortised cost; *
   (c) impairment losses determined in accordance with section 5.5 of IFRS 9, including reversals of impairment losses or impairment gains;
   (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 *
   (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 to fair value through profit or loss. *

   * not illustrated, because not material or not applicable to VALUE IFRS UK Plc. While VALUE IFRS UK Plc recognises interest under the effective interest rate method, it does not consider this to be 'revenue' since 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 might 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. Refer to the commentary to note 5 for details.

Additional line items

IAS1(85)

4. Additional line items, headings and subtotals should 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 (that is, 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. However, additional subheadings 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 use of additional subheadings, therefore, should 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.

7. 'Earnings before interest and tax' (EBIT) might be an appropriate subheading to show in the statement of profit or loss, because 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 strategic report.

9. 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.

ESMA APMs
FRC Corporate Reporting Thematic Review, 'Alternative Performance Measures'

10. Preparers of financial reports should also consider the guidance issued by ESMA and the FRC in relation to disclosure of non-GAAP measures (APMs) in the financial report, where applicable. In particular:
    - APMs should be clearly labelled and should not be given more prominence, emphasis or authority than statutory measures;
    - A reconciliation should be included of each APM to the most directly reconcilable line item, subtotal or total presented in the financial statements. Material reconciling items should be separately identified and explained; and
    - APMs should be measured and presented consistently over time.

Operating profit

IAS1(BC56)

11. An entity might elect to include a subtotal for its result from operating activities. While this is permitted, care must be taken that the amount disclosed is representative of activities that would normally be considered to be 'operating'. Items that are clearly of an operating nature (for example, inventory write-downs, or 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 might be circumstances where the line item showing the investor's share of the results is included before finance costs. This could be appropriate where the associates and joint ventures are an integral vehicle through which the group conducts it operations and its strategy. In such cases, it might 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 balance sheet treatment, 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 might choose to give additional financial information by way of a footnote and cross-reference to the notes.

Discontinued operations

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

15. Entities should 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 could be presented in the notes or in the statement of comprehensive income (separate statement of profit or loss). In the case of VALUE IFRS UK Plc, it is presented in note 15. If it is presented in the statement of profit or loss it must be presented in a section identified as relating to discontinued operations (that is, separately from continuing operations). The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (refer to paragraph 11 of IFRS 5).

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 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 UK 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 para 27 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 changes in respect of items recognised in other comprehensive income.

IAS1(82A)

19. Items of OCI must be classified by nature and group 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, for example 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.

Summary

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

Item	**Reference**	**Requirement in standard**	**Presentation in VALUE IFRS UK 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 para 27 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.	IAS 1(106)(d)	Statement of changes in equity and notes, see related commentary	Statement of changes in equity and note 9

Discontinued operations

IFRS5(38)

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, because it would provide a useful basis for predicting the future results of the continuing operations. We also note that entities must present separately any cumulative income or expense recognised in other comprehensive income that relates to a non-current asset or disposal group classified as held for sale.

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

Material items of income and expense

IAS1(97)

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 UK Plc, these disclosures are made in note 4**.**

IAS1(86),(97)

24. IAS 1 does not provide a specific name for the types of item 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 might, 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 a footnote or in the notes to the financial statements.

Reclassification adjustments

IAS1(92),(94)

27. An entity should 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 UK 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 UK Plc, these disclosures are made in note 13(b).

Classification of expenses

By nature or function

IAS1(99),(100)

30. An analysis of expenses should 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 (for example, depreciation of assets used in the production). Impairment charges should be classified according to how the depreciation or amortisation of the particular asset is classified. Entities should not mix functional and natural classifications of expenses by excluding certain expenses (such as inventory write-downs, employee termination benefits and impairment charges from the functional classifications to which they relate). An exception is impairment charges on financial and contract assets that must be presented separately under paragraph 82(ba) of IAS 1 if they are material.

IAS1(104),(105)

33. Entities classifying expenses by function should 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, because 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 might vary with the type of expense. For example, where expenses are classified by nature, wages and salaries paid to employees involved in research and development (R&D) activities would be classified as employee benefits expense, while amounts paid to external organisations for R&D would be classified as external R&D expense. However, where expenses are classified by function, both the wages and salaries and external payments should be classified as R&D expense.

Offsetting

IAS1(32)

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) can be netted against the related reimbursement.

IAS1(35)

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

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)

Consolidated balance sheet [1-1]
for the year ended 31 December 2022

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

Reference		Notes	2022 CU'000	2021 Restated* CU'000	1 January 2021 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)(c)	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.

IAS1(10)(a),(54)

Consolidated balance sheet [1-12]

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

Reference		Notes	2022 CU'000	2021 Restated * CU'000	1 January 2021 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)	Provision	8(j)	**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(j)	**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)	**84,077**	63,976	62,619
	Other equity	9(b)	**1,774**	(550)	(251)
IAS1(54)(r)	Other reserves	9(c)	**18,493**	12,381	7,395
	Retained earnings	9(d)	**43,585**	34,503	20,205
IAS1(54)(r)	Capital and reserves attributable to owners of VALUE IFRS UK 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 balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages […] were authorised for issue by the board of directors on 24 February 2023 and were signed on its behalf.

CD Suede
Chief executive

G Wallace
Finance director

VALUE IFRS UK Plc registered number xxyyzz

Notes on consolidated balance sheet

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

IAS1(10)

1. IAS 1, 'Presentation of Financial Statements', refers to the balance sheet as 'statement of financial position'. However, since this title is not mandatory, VALUE IFRS UK Plc has elected to retain 'balance sheet'.

Current / non-current distinction

IAS1(60)

2. An entity presents current and non-current assets and current and non-current liabilities as separate classifications in its balance sheet except, 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 should 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 balance sheets required in certain circumstances

IAS1(40A),(40B)

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

Separate line item for employee benefit obligations

IAS1(54)

7. Paragraph 54 of IAS 1 sets out the line items that are, as a minimum, required to be presented in the balance sheet. Additional line items, heading and subtotals should be added 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 balance sheet. VALUE IFRS UK Plc has elected to present all employee benefit obligations together as separate current and non-current line items, because 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 balance sheet 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 UK 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 might also be appropriate to choose different categories for the balance sheet and provide the above information in the notes.

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 UK Plc has therefore presented its contract assets and contract liabilities upon adoption of IFRS 15 and presented them as separate line items in the balance sheet. However, contract assets, contract liabilities and receivables do not have to be referred to as such and do not need to be presented separately in the balance sheet, as long as the entity provides sufficient information so that 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 balance sheet, as done by VALUE IFRS UK 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 balance sheet 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 balance sheet as investment property.

IAS1(10)(c),(106)

Consolidated statement of changes in equity [1-3]

Attributable to the owners of VALUE IFRS UK Plc

		Notes	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 2021**		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 (restated*)		-	-	3,810	(403)	3,407	258	3,665
	Total comprehensive income for the period		**-**	**-**	**3,810**	**25,720**	**29,530**	**2,576**	**32,106**
IFRS9(6.5.11)(d)(i)	Costs of hedging transferred to the carrying value of inventory purchased during the year	12(a)	-	-	237	-	237	-	237
IFRS9(B5.7.1)	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	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 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 2021**		**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.

Attributable to owners of VALUE IFRS UK Plc

		Notes	**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 2021 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 2021		**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)	Hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year	12(a)	-	-	(31)	-	(31)	-	(31)
IFRS9(B5.7.1)	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	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)	(500)	-	500	(1,380)	(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 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)	-	-	-	-
			20,101	2,324	1,094	(24,303)	(784)	867	83
IAS1(106)(d)	**Balance at 31 December 2022**		**84,077**	**1,774**	**18,493**	**43,585**	**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.

Notes on consolidated statement of changes in equity

Accounting standard for the statement of changes in equity

IAS1(106)

1. The statement of changes in equity should 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:

   - Profit or loss
   - Other comprehensive income
   - 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. 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 should also show separately each item of comprehensive income. However, this information could be presented either in the notes or in the statement of changes in equity. VALUE IFRS UK Plc has elected to provide the detailed information in note 9(c) and (d).

IAS 1(10)(d)
IAS 7(1),(10)
IAS1(113)

Consolidated statement of cash flows [1-10]

Reference		Notes	2022 CU'000	2021 CU'000
IAS7(10),(18)(a)	**Cash flows from operating activities**			
IAS7(14)(a)	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),(14)	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 financing 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.

Notes on consolidated 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.

   The IFRS IC concluded in April 2022 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 deposits nature in a way that it would no longer meet the definition of cash in IAS 7.

   The IFRS IC also noted that entities may need to present the restricted cash as a separate line item in the balance sheet 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 twelve months after the reporting period.

Reporting cash flows

Expenditure on unrecognised assets to be classified as operating cash flows

IAS7(16)

2. Cash flows can only be classified as arising from investing activities if they result in the recognition of an asset in the balance sheet. Examples of expenditure that should be classified as operating cash flows on this basis are:

   (a) expenditures on exploration or evaluation activities, unless the entity has a policy of capitalising these expenditures as permitted under IFRS 6 Exploration for and Evaluation of Mineral Resources.

   (b) expenditures on advertising or promotional activities, staff training and research and development, and

   (c) transaction costs related to a business combination.

Disclosing cash flows on a gross or net basis

IAS7(22)-(24)

3. Cash inflows and outflows must generally be reported gross unless they relate to:

   (a) cash receipts and payments on behalf of customers which reflect the activities of the customer rather than the entity, or

   (b) items in which the turnover is quick, the amounts are large, and the maturities are short.

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

Interest, dividends and taxes

IAS7(31)-(34)

4. IAS 7 does not specify how to classify cash flows from interest paid and interest and dividends received. VALUE IFRS UK 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.

Supplier finance arrangements

7. While the IFRS IC 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. In November 2021, the IASB proposed amendments to IAS 7 and IFRS 7 which would require entities to disclose additional information in the notes about those arrangements. See the commentary to note 7 for further information. For further guidance see our practical guide Financial reporting considerations for supplier finance arrangements on Viewpoint which explains the issues to consider when determining the appropriate presentation and disclosure of such arrangements.

References to information disclosed in the notes

IAS1(13)

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, for example 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 cash flows for the total entity, including both continuing and discontinued operations. Entities might comply with the disclosure requirements in the following ways:

    (a) No presentation of cash flows from discontinued operations on the face of the cash flow statement (that is, gross cash flows are presented), with a breakdown between the three categories presented in the notes. This is the presentation chosen by VALUE IFRS UK Plc, see note 15.

    (b) Cash flows from discontinued operations are split between the three relevant categories on the face of the cash flow statement, with one line being included within each category including the relevant results from discontinued operation. A total is presented for each category.

    (c) Information is presented separately for continuing and discontinued operations on a line-by-line basis, on the face of the cash flow statement. A total is presented for each category.

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

1	Significant changes in the current reporting period	65
	How numbers are calculated	67
2	Segment information	68
3	Revenue from contracts with customers	75
4	Material profit or loss items	82
5	Other income and expense items	84
6	Income tax expense	89
7	Financial assets and financial liabilities	94
8	Non-financial assets and liabilities	115
9	Equity	152
10	Cash flow information	159
	Risk	163
11	Critical estimates, judgements and errors	164
12	Financial risk management	169
13	Capital management	190
	Group structure	193
14	Business combination	194
15	Discontinued operation	198
16	Interests in other entities	201
	Unrecognised items	209
17	Contingent liabilities and contingent assets	210
18	Commitments	212
19	Events occurring after the reporting period	213
	Further details	216
20	Related party transactions	217
21	Share-based payments	223
22	Earnings per share	228
23	Offsetting financial assets and financial liabilities	231
24	Assets pledged as security	234
25	Auditors' remuneration	235
26	Summary of significant accounting policies	237
27	Changes in accounting policies	255

Structure of the notes

IAS1(10)(e)

IAS1(113)

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

IAS1(114)

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

3. Traditionally, most financial reports have used the structure suggested in 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 which have provided preparers with more flexibility in presenting the information in their financial reports.

5. This publication demonstrates one possible way in which 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.

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, because 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 UK 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'.

Notes to the consolidated financial statements

1 Significant changes in the current reporting period [1-6]

Not mandatory

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 2022 (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 2022 (see note 15).
- The sale of surplus land by VALUE IFRS Consulting Inc (see note 4).
- A fire in Springfield in March 2022 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 note 8(i) and 8(d)).

For a detailed discussion about the group's performance and financial position, refer to our strategic report on pages 6 to 7.

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).

[Entities may use this section to explain the impact of inflation on their operations, financial position and financial performance.] [2]

Notes on 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 to 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) strategic report, rather than the (audited) notes to the financial statements.

2. At the time of writing, Russia's war on Ukraine is continuing and may likely have significant accounting implications for some entities. We have not updated the illustrative disclosures in this publication to reflect these developments 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 our In Depth Accounting implications of the Russian invasion of Ukraine on Viewpoint.

Disclosures not illustrated: material uncertainties related to going concern

IAS1(25)

3. When preparing financial statements, management should make an assessment of an entity's ability to continue as a going concern. Financial statements should 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 might cast significant doubt on the entity's ability to continue as a going concern, those uncertainties should be disclosed. Where the financial statements are not prepared on a going concern basis, that fact should 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.

4. Where there are material uncertainties about the entity's ability to continue as a going concern, this fact should be disclosed upfront (for example, in a note such as this).

5. 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.

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.

(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

6. 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 increase in inflation 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.
(c) Information about estimates and judgements made in relation to particular items.

2. Segment information	68
3. Revenue from contracts with customers	75
4. Material profit or loss items	82
5. Other income and expense items	84
6. Income tax expense	89
7. Financial assets and financial liabilities	94
8. Non-financial assets and liabilities	115
9. Equity	151
10. Cash flow information	159

2 Segment information [1-7]

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, from both a product and a 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 the UK and China. The committee monitors the performance in those two regions separately.

IFRS8(22)(aa)

3 **Furniture retail** – since January 2020, the manufacturing business has been supplemented by a chain of retail stores in the UK. While the committee receives separate reports for each region, the stores have been aggregated into one reportable segment because 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 because 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 2022.

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, since 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 with effect from 1 March 2022. 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 might 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, because this type of activity is driven by the central treasury function, which manages the cash position of the group.

IFRS8(23)

	2022 CU'000	2021 Restated CU'000
Furniture manufacturing and wholesale		
UK *	**14,581**	16,733
China	**12,900**	6,990
Furniture retail – UK *	**15,880**	5,664
IT consulting		
US	**16,500**	14,035
Europe	**7,766**	9,580
Electronic equipment – UK *	**3,473**	-
All other segments	**4,558**	4,730
Total adjusted EBITDA	**75,658**	57,732

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

IFRS8(28)(b)

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

IFRS8(23)

	Notes	**2022 CU'000**	2021 Restated * CU'000
Total adjusted EBITDA		**75,658**	57,732
Inter-segment 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 note 11(b) for details regarding the restatement as a result of an error.

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

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

2022	**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				
UK	**(910)**	**(5,165)**	**(3,748)**	**48**
China	**(3,787)**	**(2,161)**	**(3,650)**	**–**
Furniture retail – UK	**–**	**(2,716)**	**(3,965)**	**–**
IT consulting				
US	**1,270**	**(831)**	**(2,164)**	**250**
Europe	**–**	**(430)**	**(750)**	**–**
Electronic equipment – UK	**–**	**(342)**	**(800)**	**–**
All other segments	**–**	**(895)**	**(556)**	**42**
Unallocated items	**–**	**–**	**(549)**	**–**
Total	**(3,427)**	**(12,540)**	**(16,182)**	**340**
2021				
Furniture manufacturing and wholesale				
UK	715	(4,109)	(3,559)	60
China	–	(2,068)	(2,506)	–
Furniture retail – UK	–	(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

There was no impairment charge or other significant non-cash item recognised in 2021. For details about the material items, refer to note 4 below.

2(d) Segment assets

IFRS8(27)(c)

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

IFRS8(23),(24)

	Year ended 31 December 2022			Year ended 31 December 2021		
	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						
UK **	**63,286**	**550**	**9,705**	65,163	490	5,970
China	**45,500**	**–**	**5,685**	45,700	–	4,370
Furniture retail – UK **	**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 – UK **	**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
Inter-segment 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 balance sheet	**310,820**			242,680		

IFRS8(28) (c) — Total assets as per the balance sheet

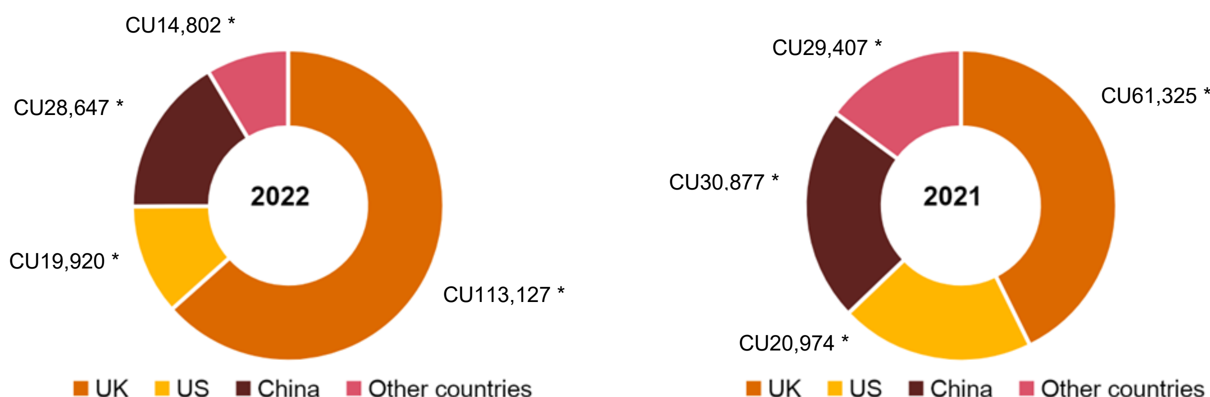
* Other than financial assets and deferred tax

** 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.

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)

	2022 CU'000	2021 CU'000
Furniture manufacturing and wholesale		
UK	**12,238**	13,381
China	**4,800**	2,150
Furniture retail – UK	**11,390**	7,979
IT consulting		
US	**3,900**	5,079
Europe	**2,600**	2,270
Electronic equipment – UK	**6,087**	-
All other segments	**1,112**	2,773
Total segment liabilities	**42,127**	33,632
Inter-segment 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
IFRS8(28)(d) Derivative financial instruments	**1,376**	1,398
Total liabilities as per the balance sheet	**153,429**	126,681

Not mandatory

2(f) Restatements for error [5]

Due to a computational error, segment assets of the UK Furniture manufacturing and wholesale segment for the year ended 31 December 2021 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 items for the prior year. Further information on the error is set out in note 11(b).

Notes on segment information

Description of segments

IFRS8(2aaa2)

1. Entities should 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.

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 IFRS 8 or any other IFRS that would appear to prohibit the use of graphics for disclosing quantitative information.

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 might decide not to restate comparative information and might not adjust segment measures for changes made to the accounting policies. In this case, the impact of the errors 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 might 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 UK Plc has not disclosed the results of the discontinued operation within the segment disclosures. This decision was based on the fact that the CODM did not separately review the results of this division since the decision to dispose of it. A discontinued operation should be presented within the segment note if it meets the quantitative threshold for disclosure and if the CODM reviews the results of the division.

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

7. The following disclosures are not illustrated in this publication, because they are not applicable to VALUE IFRS UK 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:

	2022	Furniture – manufacturing and wholesale		Furniture – retail	IT consulting		Electronic equipment	All other segments	Total
		UK	China	UK	US	Europe	UK		
		CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	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**
	2021								
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**

IFRS8(32)

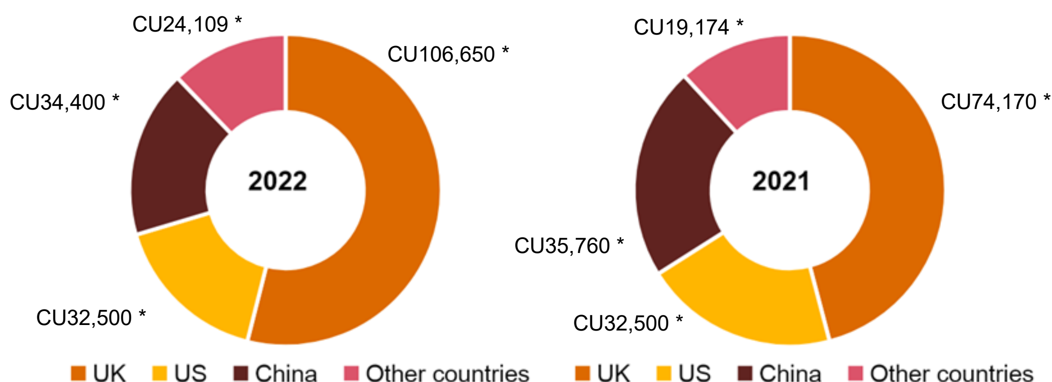
Revenues from external customers come from the sale of furniture on a wholesale and retail basis, from the provision of IT consulting services and from the sale of electronic equipment. The revenue from wholesale sales of furniture relates only to the group's own brand, Pina Colada Furniture. The retail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

IFRS8(34)

Revenues of approximately CU26,320,000 (2021: CU24,280,000) are derived from a single external customer. These revenues are attributed to the UK furniture manufacturing and wholesale segment.

IFRS8(33)(a)

The entity is domiciled in the UK. 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 2022 CU'000	31 Dec 2021 CU'000
IAS1(77)	Current contract assets relating to IT consulting contracts	(b)(i),(c)(iv)	**1,547**	2,597
	Loss allowance	12(c)	**(28)**	(36)
IFRS15(116)(a)	Total contract assets		**1,519**	2,561
IAS1(77)	Non-current asset recognised for costs incurred to fulfil a contract	(b)(iv)	**312**	520
IAS1(77), IFRS15(120)(a)	Contract liabilities – customer loyalty programme	(c)(iii)	**552**	536
IAS1(77)	Contract liabilities – IT consulting contracts	(b)(iii),(c)(iv)	**1,430**	989
IFRS15(116)(a)	Total current contract liabilities		**1,982**	1,525

(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 2021 was due to the negotiation of larger prepayments and an increase in overall contract activity.

(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:

Reference		**31 Dec 2022 CU'000**	31 Dec 2021 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) below.	**150**	-

(iii) Unsatisfied long-term consulting contracts

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

Reference		**31 Dec 2022 CU'000**	31 Dec 2021 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 2022 will be recognised as revenue during the next reporting period (CU5,328,000). The remaining 40% (CU3,553,000) will be recognised in the 2024 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 balance sheet.

Reference		**31 Dec 2022 CU'000**	31 Dec 2021 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)

IAS36(126)(a)

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-line basis over the term of the specific contract that 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 2022, 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, that is, 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, because 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, since 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 2022. 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 2022 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 2023 financial statements if the sale is cancelled (CU1,625,000 for the reversal of 2022 profits, and CU135,000 of costs connected with returning the stock to the warehouse).

In 2021, 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 would not reverse. Of the CU280,000 of revenue not recognised in 2021, 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)

(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, because 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)

IFRS15(119)(c)

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

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.

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)
IFRS15(117),(B16)

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 UK Plc exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which VALUE IFRS UK 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.

(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 might 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.

Notes on 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 UK 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 versus 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 a 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 versus long-term contracts); or

   (f) sales channels (directly to customers versus 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 maker. Where revenue is disaggregated on a basis other than reportable segments, the entity must disclose sufficient information so that 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. 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.

6. A full list of all accounting policies is provided in note 26, 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 UK Plc

7. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK 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 under paragraphs 127 and 128 of IFRS 15. 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]

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	**2022 CU'000**	2021 CU'000
IAS1(97),(98)(c)	Gain on sale of freehold land	(a)	**1,270**	–
IAS1(97),(98)(b)	Restructuring costs	8(j)	**(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)**	–
	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 2022 damaged a major office and warehouse building owned by a subsidiary that is part of the UK 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.

Since 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(74)(d)

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

4(c) Disposal of plant and equipment

VALUE IFRS Manufacturing upgraded its plant and equipment by installing a large new production line in its Springfield factory in the previous financial year. There were several items of old equipment that had to be removed to make space 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 – UK segment).

4(d) Litigation settlement

In January 2021, 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 UK furniture manufacturing and wholesale segment in 2021, the group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits would be available against which the tax losses could be utilised. As a consequence, a deferred tax asset of CU945,000 was recognised for these losses in 2021.

Notes on material profit or loss items

IAS1(97),(98)

1. Where items of income and expense are material, their nature and amount should be disclosed separately either in the statement of comprehensive income, the statement of profit or loss (where applicable), or in the notes. Circumstances that would give rise to the separate disclosure of items of income and expense include:

   (a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;

   (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;

   (c) disposals of items of property, plant and equipment;

   (d) disposals of investments;

   (e) discontinued operations (refer to note 15);

   (f) litigation settlements;

   (g) other reversals of provisions; and

   (h) gains or losses recognised in relation to a business combination.

2. Material items do not need to be presented in a separate note. However, in our view it will be easier for users to assess the impact of such items on the entity's performance if this information is presented together.

5 Other income and expense items [1-9]

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 balance sheet notes.

IAS1(112)(c)

5(a) Other income

		Notes	2022 CU'000	2021 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 [6]

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) below. 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.

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).

IFRS7(20)(b)

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

(iii) Government grants

IAS20(39)(b),(c)

Export market development grants of CU250,000 (2021: 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	2022 CU'000	2021 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	12(b)	**139**	(38)
			4,593	(671)

5(c) Breakdown of expenses by nature

		Notes	2022 CU'000	2021 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]	(i)	**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

(i) Employee benefits expenses

		Notes	2022 CU'000	2021 CU'000
CA06 s411(5)	Wages and salaries		**38,370**	36,759
CA06 s411(5)	Social security costs		**12,674**	11,283
	Share-based payment expenses	21(e)	**2,156**	1.353
CA06 s411(5)	Pension costs – defined contribution plans	8(g)	**2,425**	2,075
CA06 s411(5)	Pension costs – defined benefit plans	8(g)	**816**	498
	Other post-employment benefit expense	8(g)	**153**	107
			56,594	**52,075**

(ii) Average number of people employed

		2022	2021
CA06 s411(1)	Monthly average number of people (including executive directors) employed:		
	Manufacturing	**240**	**223**
	Retail	**165**	**83**
	Consultancy	**308**	**301**
	Administration	**122**	**188**
		835	**795**

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

		Notes	2022 CU'000	2021 Restated CU'000
	Finance income [7,8]			
	Interest income from financial assets held for cash management purposes	(a)(i)	**1,261**	905
IFRS7(20)(a)(iv) IFRS7(20)(a)(v)	Net gain on settlement of debt	7(g)	**355**	-
CA06 s411(5)	**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	8(b)	**(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)**	(5,875)

(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% (2021: 7.45%).

Notes on other income and expense items

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

Employee benefits expenses

S19(25),(158),(171)
CA06 s411(5)

2. Although IAS 19, 'Employee Benefits', does not require specific disclosures about employee benefits other than post-employment benefits, other standards might 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 might result in an expense needing disclosure in order to comply with paragraph 97 of IAS 1. In addition, the Companies Act 2006 requires certain disclosures to be made.

Finance costs

3. Finance costs will normally include:

AS23(5),(6)
IFRS7(IG13)

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

   (i) interest expense calculated using the effective interest rate method, as described in IFRS 9, 'Financial Instruments'.

   (ii) interest in respect of lease liabilities (refer to note 8(b)).

   (iii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

AS37(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

FRS5(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.

RS16(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.

AS21(52)(a)

5. Amounts disclosed under paragraph 3(a)(iii) above should 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 UK Plc discloses this amount in note 12(b).

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

Finance income

FRS15 (Appendix A)
Framework (4.29)
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 might 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 UK Plc includes finance income that arises from treasury activity (for example, income on surplus funds invested for the short term) outside operating profit, whilst including other types of finance income as operating items. Although entities have some discretion in the way in which finance income is included in the statement of comprehensive income, the presentation policy adopted should be applied consistently and disclosed if material.

FRS7(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 UK Plc

9. The following requirement is not illustrated in this publication, because it is not applicable to VALUE IFRS UK Plc:

FRS7(20)(c),(d)

(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 [1-10]

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.

		2022 CU'000	2021 Restated CU'000
S12(79),(81)(g)(ii)	**6(a) Income tax expense**		
	Current tax		
S12(80)(a)	Current tax on profits for the year	**17,116**	11,899
S12(80)(b)	Adjustments for current tax of prior periods	**(369)**	135
	Total current tax expense	**16,747**	12,034
S12(80)(c)	*Deferred income tax*		
	Decrease/(increase) in deferred tax assets (note 8(e))	**(4)**	(1,687)
	(Decrease)/increase in deferred tax liabilities (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

AS1(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 respectively. 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]

		2022 CU'000	2021 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 UK tax rate of 19% (2021: 19%)	**9,917**	7,636
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Goodwill impairment	**723**	-
	Amortisation of intangibles [3]	**92**	158
	Research and development expenditure	**365**	303
	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	**11,972**	8,667
IAS12(85)	Difference in overseas tax rates	**484**	3,990
IAS12(80)(b)	Adjustments for current tax of prior periods	**(369)**	135
	Research and development tax credit	**(121)**	(101)
	Remeasurement of deferred tax – change in the UK tax rate	**282**	-
IAS12(80)(f)	Previously unrecognised tax losses used to reduce deferred tax expense (refer to 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.

IAS12(81)(d)

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. [5]

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

		Notes	2022 CU'000	2021 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)) and changes in accounting policies (see note 27).

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 @ 25% (2021: @ 19%)	**331**	475

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.

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 (2021: 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, because the liability will only crystallise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future. [7]

VALUE IFRS Retail Limited has undistributed earnings of CU1,350,000 (2021: 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 UK Plc is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

Notes on 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.

   (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 UK Plc is reconciling total tax expense, it is equally acceptable to use profit from continuing operations as starting point.

Initial recognition exemption – 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 exemption only applies to transactions that are not a business combination and do not affect either accounting profit or taxable profit.

Taxation of share-based payments

IAS12(68A) - (68C)

4. For the purpose of these illustrative financial statements, we have assumed that deductions are available for the payments made by VALUE IFRS UK 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 to all entities in all circumstances. 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.

Tax rate changes post year end

IAS10(22)(h)

5. The effects of a change in tax rate that is substantively enacted after the balance sheet date but before the accounts are signed must be disclosed as a non-adjusting post balance sheet event if the effects of the change are significant.

Income tax recognised outside profit or loss

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

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 Agreement

9. On 8 October 2021, 136 countries reached an agreement for a two-pillar approach to international tax reform (‘the OECD agreement’). Amongst other things, Pillar One proposes a reallocation of a proportion of tax to market jurisdictions, while Pillar Two seeks to apply a global minimum effective tax rate of 15%. The OECD agreement is likely to see changes in corporate tax rates in a number of countries in the next few years. The impact of changes in corporate tax rates on the measurement of tax assets and liabilities depends on the nature and timing of the legislative changes in each country. Entities that might be significantly affected by the OECD agreement, but where changes have not been substantively enacted during the year, might consider these requirements and provide additional disclosures to enable users of financial statements to understand the impact of the expected changes on the entity’s financial position and financial performance. If an entity concludes that disclosure should be provided related to the above tax issues, we would expect that disclosure to be generally qualitative in nature.

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

10. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK Plc:

Reference	Issue not illustrated	Relevant disclosure or reference
IAS12(81)(d)	Changes in the applicable tax rate	Explain the changes
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
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

7 Financial assets and financial liabilities [1-16]

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

The group holds the following financial instruments:

IFRS7(8)

Financial assets	Notes	2022 CU'000	2021 CU'000
Financial assets at amortised cost			
Trade receivables (IAS12(81)(a),(62A))	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			
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

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 2022 CU'000	31 Dec 2021 CU'000	1 Jan 2021 CU'000
Current assets			
Trade receivables from contracts with customers	**16,308**	8,570	5,238
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, in which case they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows, and so it 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 balance sheet. 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 it continues measuring them at amortised cost.
The relevant carrying amounts are as follows:

	2022 **CU'000**	2021 CU'000
Transferred receivables	**3,250**	-
Associated secured borrowing (bank loans – see note 7(g) below)	**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 [8-9]

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)

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

7(b) Other financial assets at amortised cost

IAS1(117)

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

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.

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

Financial assets at amortised cost include the following debt investments:

	2022			2021		
	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 could 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 [8-9]

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) below for further information).

	2022 CU'000	2021 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 2021, compared to a carrying amount of CU551,000 (2021: 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 Currency Units. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk, because 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)
IFRS9(4.1.2A)

- 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.
- 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 by 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:

	2022 CU'000	2021 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 26(o) sets out the remaining accounting policies.

(iii) Disposal of equity investments

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

Since 1 January 2022, 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, since 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:

	2022 CU'000	2021 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 (2021: nil) of securities issued by entities that are controlled by the ultimate parent entity, Lion AG.

(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:

		2022 CU'000	2021 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)

Refer to 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 Currency Units. For an analysis of the sensitivity of the assets to price and interest rate risk, refer to 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) below.

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

(ix) Significant judgements [2,10]

The directors have determined that they do not control a company called VALUE IFRS Trustee Limited, even though VALUE IFRS UK 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 UK Plc, because VALUE IFRS UK Plc is not exposed to, 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 (2021: 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)
IFRS9(5.7.5)

- debt investments that do not qualify for measurement at either amortised cost (see note 7(b) above) or FVOCI note 7(c));
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

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

Financial assets mandatorily measured at FVPL include the following:

		2022 CU'000	2021 CU'000
	Non-current assets		
IAS1(77)	Unlisted preference shares [5]	**1,100**	980
IAS1(77)	Contingent consideration (note 15(c))	**1,290**	-
		2,390	980
	Current assets		
IAS1(77)	US listed equity securities	**5,190**	4,035
IAS1(77)	UK listed equity securities	**6,110**	6,880
		11,300	10,915
		13,690	11,895

See note 26(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:

	2022 CU'000	2021 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. For information about the methods and assumptions used in determining fair value, refer to note 7(h) below.

7(e) Cash and cash equivalents

		2022 CU'000	2021 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:

		2022 CU'000	2021 CU'000
	Balances as above	**55,083**	30,299
IAS7(8)	Bank overdrafts (see note 7(g) below)	**(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 26(k) for the group's other accounting policies on cash and cash equivalents.

(iii) Restricted cash

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

7(f) Trade and other payables [9,13]

		2022 CU'000	2021 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

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

IFRS7(29)(a) IFRS13(97),(93)(b),(d) The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. [8,9]

IAS1(117)

(i) Refund liabilities

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. 2021: 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 2022 and CU38,000 as at 31 December 2021 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. 2021: CU125,000). Note 3(c)(i) has further explanations about both types of refund liabilities.

(ii) Significant judgement - supplier finance arrangement [6,7]

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 balance sheet.

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).

IAS1(41)

The group has changed its presentation of the amounts relating to supplier finance arrangements in the current reporting period following an agenda decision issued by the IFRS Interpretations Committee in December 2020. In the previous annual report, amounts payable under supplier finance arrangements were not separately disclosed in note 7(f) and the payments to the bank were included in operating cash flows.

As a consequence of the reclassification of the cash flows, operating cash flows for the comparative period increased by CU 30,000 and financing cash flows decreased by the same amount. Note 10(c) has been restated to include payables under supplier finance arrangements.

7(g) Borrowings [16]

	2022			2021		
	Current CU'000	**Non-current CU'000**	**Total CU'000**	Current CU'000	Non-current CU'000	Total CU'000
Secured (IAS1(77))						
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	68,685
Unsecured (IAS1(77))						
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**	**-**	4,00	4,00
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) above). 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 UK 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.

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

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

IFRS7(14)(a)

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

(ii) Compliance with loan covenants [16]

VALUE IFRS UK Plc has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting period, see note 13 for details.

(iii) Convertible notes [11]

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

VALUE IFRS UK Plc issued 1,500,000 7% convertible notes for CU20 million on 23 January 2022. The notes are convertible into ordinary shares of the entity, at the option of the holder, or repayable on 23 January 2026. The conversion rate is 2 shares for each note held, which is based on the market price per share at the date of the issue of the notes (CU6.10), but subject to adjustments for reconstructions of equity. The convertible notes are presented in the balance sheet as follows:

		2022 CU'000	2021 CU'000
IAS1(77)	Face value of notes issued	**20,000**	-
	Other equity securities – value of conversion rights (note 9(b))	**(3,500)**	-
		16,500	-
	Interest expense *	**842**	-
	Interest paid	**(527)**	-
	Non-current liability	**16,815**	-

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

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

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

(iv) Redeemable preference shares [11]

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 2029, or by VALUE IFRS UK 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, the VALUE IFRS UK 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 below for information about the group's offsetting arrangements

(vii) Fair value [8-9]

IFRS7(25),(29)(a)

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

	2022		2021	
	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 [12,13]

(i) Fair value hierarchy

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

IFRS13(93)(b)

Recurring fair value measurements 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 fair value through profit or loss (FVPL)					
US listed equity securities	7(d)	**5,190**	**-**	**-**	**5,190**
UK 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**

IAS1(38)

Recurring fair value measurements At 31 December 2021	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	12(a)	4,035	-		4,035
UK listed equity securities	7(d)	6,880	-		6,880
Preference shares – property sector	7(c)	-	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
Preference shares – property sector	7(c)	100	980	-	1,080
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)

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. 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 (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

IFRS13(86)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

IFRS13(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 balance sheet date.
- For foreign currency options, option pricing models (for example, Black-Scholes model).
- For other financial instruments, discounted cash flow analysis.

IFRS13(93)(b)

All of the resulting fair value estimates are included in level 2, except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

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

IFRS13(93)(e)

The following table presents the changes in level 3 items for the periods ended 31 December 2022 and 31 December 2021:

	Unlisted equity securities CU'000	**Contingent consider-ation CU'000**	**Trading derivatives at FVPL CU'000**	**Total CU'000**
Opening balance 1 January 2021	**1,322**	**-**	**-**	**1,322**
Gains recognised in other comprehensive income	300	-	-	300
Closing balance 31 December 2021	**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 2022	**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 [14]				
2022	-	**90**	**15**	**105**
2021	-	-	-	-

IFRS13(93)(f)

(iv) Transfers between levels 2 and 3

IRS13(93)(d)

In 2022 the group transferred a hedging foreign currency forward from level 2 into level 3, because 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, since it reflects credit risk specific to the counterparty. Credit risk was not considered to be a significant input factor in previous years.

(v) Valuation inputs and relationships to fair value

IFRS13(93)(d),(99)

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

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

Description	Fair value at 31 Dec 2022 CU'000	Fair value at 31 Dec 2021 CU'000	Un-observable inputs *	Range of inputs (probability-weighted average) 2022	Range of inputs (probability-weighted average) 2021	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.
			Risk-adjusted discount rate	9%-11% (10%)	9.5%-11% (10.2%)	2021: increasing / decreasing the growth factor and the discount rate by + / - 50bps and 100 bps respectively would change the FV by +CU55,000 / - CU65,000
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 (2021: change in default rate by + / - 6% changed FV by CU33,000)
Contingent consideration	1,290	n / a	Risk-adjusted discount rate	14%	n / a	A change in the discount rate by 100 bps would increase / decrease the FV by CU40,000
			Expected cash inflows	CU2,150,000-CU2,570,000 (CU2,360,000)	n / a	If expected cash flows were 10% higher or lower, the FV would increase / decrease by CU35,000

IFRS13(93)(h)(i)

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

IFRS13(93)(g)

(vi) Valuation processes

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

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

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by VALUE IFRS UK Plc's internal credit risk management group.
- Earnings growth factors for unlisted equity securities is 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.

Notes on 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. 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 26. 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)
IFRS7(5A)

4. IFRS 7 does not apply to the following items, because 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 liability).

   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 UK Plc determined this to be the case.

Classification of preference shares

FRS9(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 could elect to carry them at FVOCI without recycling to profit or loss if not held for trading. If they do not meet the definition, 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 UK Plc undertook this analysis and concluded that the preference shares should be held at fair value through profit or loss, since 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.

Supplier finance arrangements

6. In recent years, there has been an increased use of supplier financing (or reverse factoring) arrangements. In December 2020, the IFRS IC issued an agenda decision covering several financial reporting considerations relating to supplier financing 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.
7. Reverse factoring and supplier finance arrangements 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 practical guide Financial reporting considerations for supplier finance arrangements on Viewpoint which explains the issues to consider when determining the appropriate presentation and disclosure of such arrangements.

In November 2021, the IASB proposed amendments to IAS 7 which would require entities to disclose additional information in the notes to about those arrangements, including the following information as at the beginning and end of the reporting period:

(a) The carrying amount of financial liabilities recognised in the balance sheet that are part of the arrangement.
(b) The carrying amount of financial liabilities disclosed under (a) for which suppliers have already received payment from the finance provider.
(c) The range of payment due dates of financial liabilities disclosed under (a) and the range of payment due dates of trade payables that are not part of a supplier finance arrangement.

Under the proposals, entities shall also:

(a) Disclose the terms and conditions of each supplier finance arrangement including whether there are, for example, extended payment terms and security or guarantees provided, and
(b) Provide additional information if this information is necessary to enable users of the financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows.

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

IFRS7(25),(29)

8. An entity should 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.

(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

9. 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)

10. 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, because the employer will not have the power to direct the relevant activities of the trustee company and will not be exposed to, or have rights to, variable returns. However, in many cases, these types of entity 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)

11. Entities should 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.

Fair value measurements

Classes of assets and liabilities

IFRS13(94)

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

    (a) the nature, characteristics and risks of the asset or liability.

    (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

IFRS13(94)

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

Unrealised gains and losses relating to recurring level 3 measures

IFRS13(93)(f)

14. 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 that they are consistently applied. The methods are:

    (a) Balance sheet view: determine unrealised gains and losses as the fair value of the security less its amortised cost base. Under this view, gains and losses are realised at maturity or sale date. Therefore the entire gain or loss is considered unrealised until maturity.

    (b) Statement of profit or loss view: determine unrealised gains and losses as the total gains and losses during the period less the cash received or paid for those items. Under this view, each cash receipt or settlement represents a realised gain or loss in its entirety.

    (c) Cash flow view: first determine any realised gains or losses as the difference between the expected cash flows at the beginning of the period and the actual cash flows at the end of the period. Then determine unrealised gains or losses for items still held at the reporting date as the remaining expected cash flows for future periods at the end of the period less the remaining expected cash flows for future periods at the beginning of the period.

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

15. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK 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. • 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 UK 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 in accordance with 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. • the amount reclassified on 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.

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 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 to 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 to 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.

Supplier finance

Issue not illustrated	Relevant disclosures or references
Use of supplier finance arrangements	Disclose the following: • the fact that supplier finance arrangements are in place. • whether balances are classified as debt or trade payables and any significant judgements taken in relation to their classification. • if the use of supplier finance has a significant impact on the cash flow position, a description of the impact.

16. The following illustrative disclosures might be useful where relevant to an entity:

Put option arrangements

(a) Entities that have put option arrangements should consider explaining the accounting for these, since the individual terms and conditions (and hence the accounting) might 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 might 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 liabilities designated at FVPL

IFRS7(B5)(a),(21)
IFRS9(4.3.5)
IFRS9(5.7.7)

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

The group has convertible debentures which are classified entirely as liabilities because they were issued in a currency other than the functional currency of the company. Since 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.

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.

Reference		2022 CU'000	2021 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 that the company is contractually obliged to pay to holders of the convertible debentures at maturity	**102,620**	87,086
IFRS7(10)(b)	Difference between carrying amount and amount that the company is contractually obliged 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, because 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 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 2022.

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]

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	Freehold land CU'000	Buildings CU'000	Furniture, fittings and equipment CU'000[9]	Machinery and vehicles CU'000	Assets under construction CU'000	Total CU'000
	At 1 January 2021 (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 2021						
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)	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 2021 (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 2022						
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 (iii)	-	(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 2022						
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

(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, because there was no amount included in the asset revaluation surplus relating to the relevant assets.

IAS16(74)(d)

An amount of CU300,000 (2021: 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.

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 or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term, as follows:

IAS16(73)(c)

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

Furniture, fittings and equipment include assets received in form of free store fit outs. These assets are recognised at their fair value and depreciated over the shorter of their useful life or the lease term.

See note 26(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:

	2022 CU'000	2021 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 balance sheet

IFRS16(54)

The balance sheet shows the following amounts relating to leases:

		2022 CU'000	2021 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 2022 financial year were CU2,152,000 (2021: 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	2022 CU'000	2021 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 2022 was CU3,615,000 (2021: CU3,000,000). [6]

IAS1(117)

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

IFRS16(59)(a),(c)
IFRS16(15)

The group leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years, but may have extension options as described in (v) below.

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.

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 payment 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.
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

IFRS16(18)
IFRS16(26)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.
- 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.
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.
- restoration costs.

IIFRS16(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 26(h) for the other accounting policies relevant to leases.

(vi) 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 (2021: 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.

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 2022, 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) (2021: 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 (2021: 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)(a)(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 2022, 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 (2021: CU25,000 and CU307,000 respectively).

8(c) Investment properties [33]

		2022	2021
		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

IAS40(75)(f)

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

		2022	2021
		CU'000	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)
IAS40(75)(f)(iv)	Fair value gain recognised in other income	**1,350**	1,397

IAS1(117)

(ii) Measuring investment property at fair value

IAS40(75)(a)

Investment properties, principally office buildings, are held for long-term rental yields and are not occupied by the group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

(iii) Significant estimate – fair value of investment property

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

IAS40(75)(g)

(iv) Non-current assets pledged as security

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

IAS40(75)(h)

(v) Contractual obligations

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

IFRS16(92)

(vi) Leasing arrangements

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:

	2022	2021
	CU'000	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 2021**					
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 2021**					
	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 2021**					
	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 2022**					
	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 2022**					
	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; 2021: CU450,000), cost of providing services (CU475,000; 2021: CU125,000), marketing expense (CU310,000; 2021: CU45,000) and administration expenses (CU200,000; 2021: 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 (2021: CU1,010,000), which are included in administration cost in the statement of profit or loss.

IAS1(117)

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

IAS38(118)(a),(b)

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

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

See note 26(t) for the other accounting policies relevant to intangible assets, and note 26(j) for the group's policy regarding impairments.

(ii) Customer contracts

IAS1(119)

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

IAS1(125)

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

The group has recently completed the development of software that is used to analyse business processes by the IT consulting division. As at 31 December 2022, the carrying amount of this software was CU2,358,000 (2021: CU1,636,000). 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 might be shorter or longer than five years, depending on technical innovations and competitor actions. Based on a useful life of five years, the carrying amount is expected to be CU1,886,000 as at 31 December 2023. If it were only three years, the carrying amount would instead be CU1,580,000, and if the useful life were estimated to be eight years, the carrying amount would be CU2,063,000 as at 31 December 2023.

(iv) Impairment tests for goodwill

IAS36(134)

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

IAS36(134)(a)

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

2022	**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**
Electronic equipment	**-**	**-**	**-**	**1,115**
2021	US CU'000	China CU'000	Europe CU'000	Total CU'000
IT consulting	4,200	-	3,015	7,215
Furniture – manufacturing and wholesale	-	2,410	-	2,530

(v) Significant estimate: key assumptions used for Value-in-use calculations [33]

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

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 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: [10,11]

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

2022	Furniture – manufacturing and wholesale China	IT consulting US	IT consulting Europe	Electronic equipment UK
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**
2021				
Sales volume (% annual growth rate)	2.5	3	3.9	-
Sales price (% annual growth rate)	1.3	1.6	1.8	-
Budgeted gross margin (%)	44.0	60.0	54.0	-
Other operating costs (CU'000)	9,300	8,300	4,350	-
Annual capital expenditure (CU'000)	1,850	580	225	-
Long-term growth rate (%)	3.2	2.2	1.8	-
Pre-tax discount rate (%)	14.3	14.4	15.1	-

IAS36(134)(d)(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.
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the Value-in-use model as a result of this expenditure.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rates (IAS36(55))	Reflect specific risks relating to the relevant segments and the countries in which they operate.

Where relevant, entities should consider explaining how they have reflected the impact of inflation and climate-related risks in setting these key assumptions, and whether there have been any changes in this regard since the last reporting period. [14]

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)

(vi) Significant estimate: impairment charge [2,3]

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

IAS36(130)(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 would not be affected following this decision. No class of asset other than goodwill was impaired.

As at 31 December 2022, the recoverable amount of the entire CGU was CU45,789,000.

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

IAS36(134)(f)

Furniture manufacturing 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 2022 (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% (that is, 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 2022 by CU388,000 (2021: 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:

	2022		2021	
	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**	15.1	15.9

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

8(e) Deferred tax balances

(i) Deferred tax assets

		Notes	2022 CU'000	2021 CU'000
IAS12(81)(g)(i)	**The balance comprises temporary differences attributable to:**			
	Lease liabilities [20,22]	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**	590
	Finance leases	8(a)	**-**	232
	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(h)	**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 [13,14]	(ii)	**(3,429)**	(3,290)
	Net deferred tax assets		**7,849**	5,524

Significant estimates [2,3,23,24]

IAS1(125), IAS12(82)

The deferred tax assets include an amount of CU1,378,000 which relates to carried-forward tax losses of VALUE IFRS Manufacturing Limited. The subsidiary has incurred the losses over the last two financial years following the acquisition of the manufacturing operations in Springfield. They relate to the one-off costs of integrating the operations and will not recur in future. The group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2024 onwards. The losses can be carried forward indefinitely and have no expiry date.

	Movements [18,19]	**Lease liabilities CU'000**	**Tax losses CU'000**	**Pension obligation CU'000**	**Provisions CU'000**	**Other CU'000**	**Total CU'000**
	At 1 January 2021	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 2021	3,387	2,245	783	786	1,613	8,814
	At 1 January 2022	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 2022	3,450	3,170	1,317	1,137	2,204	11,278

(ii) Deferred tax liabilities

		Notes	**2022 CU'000**	2021 Restated* CU'000
IAS12(81)(g)(i)	**The balance comprises temporary differences attributable to:**			
	Property, plant and equipment	8(a)	**6,243**	4,140
	Right-of-use assets [20-22]	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 [16,17]	(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 [16,17]

VALUE IFRS UK Plc and its wholly owned UK 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.

	Movements [18,19]	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 2021 (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 2021	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 2022	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.

LR 9.8.4(1)

The group capitalised interest of CU525,000 (2021: CU325,000) during the period. Tax relief of CU143,000 (2021: CU86,000) was used to reduce the corporation tax liability, with a corresponding increase in the deferred tax liabilities.

8(f) Inventories [33]

		2022 CU'000	2021 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 cost 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. See note 26(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 2022 amounted to CU55,540,000 (2021: 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 – refer to note 4).

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

Write-downs of inventories to net realisable value amounted to CU950,000 (2021: CU750,000). These were recognised as an expense during the year ended 31 December 2022 and were 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 2022, because 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 [25]

		2022 CU'000	2021 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 2022, 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 2023. The asset is presented within total assets of the UK 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 2021.

(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) below. This is a level 2 measurement as per the fair value hierarchy set out in note 7(h) above.

8(h) Employee benefit obligations [26,33]

IAS1(77)

	2022			2021		
	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) 28	**-**	**3,684**	**3,684**	-	1,900	1,900
Post-employment medical benefits (iii) 28	**-**	**707**	**707**	-	711	711
Total employee benefit obligations	**690**	**6,749**	**7,439**	470	4,881	5,351

(i) Leave obligations [27]

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 26(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 (2021: 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. [27]

Reclassification of employee benefit obligations

The group previously presented its liabilities for accumulating sick leave and other long-term employee benefit obligations as provisions in the balance sheet. However, management considers it to be more relevant if all employee benefit obligations are presented in one separate line item in the balance sheet. Prior year comparatives as at 31 December 2021 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 2021).

Current leave obligations expected to be settled after 12 months

(ii) Defined benefit pension plans [29,30]

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

The group operates defined benefit pension plans in the UK 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 UK 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 the UK, 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 (2021: CU2,075,000).

Balance sheet amounts

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

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

		Present value of obligation CU'000	Fair value of plan assets CU'000	Total CU'000	Impact of minimum funding requirement/ asset ceiling CU'000	Net amount CU'000
	1 January 2021	**3,479**	**(2,264)**	**1,215**	**120**	**1,335**
IAS19(141)(a)	Current service cost	319	-	319		319
IAS19(141)(d)	Past service cost	179	-	179		179
IAS19(141)(b)	Interest expense/(income)	214	(156)	58	5	63
	Total amount recognised in profit or loss	712	(156)	556	5	561
IAS19(141)(c)	Remeasurements					
	Return on plan assets, excluding amounts included in interest (income)	-	(85)	(85)	-	(85)
	Loss from change in demographic assumptions	20	-	20	-	20
	Loss from change in financial assumptions	61	-	61	-	61
	Experience losses	641	-	641	-	641
	Change in asset ceiling, excluding amounts included in interest expense	-	-	-	80	80
	Total amount recognised in other comprehensive income	722	(85)	637	80	717
IAS19(141)(e)	Exchange differences	(324)	22	(302)	-	(302)
IAS19(141)(f)	Contributions:					
	Employers	-	(411)	(411)	-	(411)
	Plan participants	30	(30)	-	-	-
IAS19(141)(g)	Benefit payments	(127)	127	-	-	-
	31 December 2021	**4,492**	**(2,797)**	**1,695**	**205**	**1,900**
	1 January 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 2022	**8,581**	**(5,211)**	**3,370**	**314**	**3,684**

IAS19(141)

One of our UK 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, with effect from 31 December 2022, which settled all retirement benefit plan obligations relating to the employees of that factory. In the prior year, the group made minor amendments to the terms of the plan, resulting in past service cost of CU179,000.

IAS19(138)(e)

The net liability disclosed above relates to funded and unfunded plans as follows:

	2022 CU'000	2021 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:

	2022			2021		
	UK CU'000	**US CU'000**	**Total CU'000**	UK 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 (2021: CU1,371,000) relating to active employees, CU3,900,000 (2021: CU2,115,000) relating to deferred members and CU1,561,000 (2021: 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% (2021: 7.6%) and claim rates of 6% (2021: 5.2%).

Balance sheet amounts

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

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

		Present value of obligation CU'000	Fair value of plan assets CU'000	Net amount CU'000
	1 January 2021	**706**	**(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
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**
	1 January 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 2022	**1,235**	**528**	**707**

IAS19(138)(e)

The net liability disclosed above relates to funded and unfunded plans as follows:

	2022 CU'000	2021 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:

	2022		2021	
	UK	**US**	UK	US
Discount rate	**5.10%**	**5.20%**	5.50%	5.60%
Salary growth rate	**4.00%**	**4.50%**	4.50%	4.00%
Pension growth rate	**3.00%**	**0%**	3.10%	0%
Long-term increase in healthcare costs	**-**	**8.00%**	-	7.60%
Claim rates	**-**	**6%**	-	5.20%

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:

	2022		2021	
Retiring at the end of the reporting period:	**UK**	**US**	UK	US
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:

			Impact on defined benefit obligation					
	Change in assumption		**Increase in assumption**			**Decrease in assumption**		
	2022	2021		**2022**	2021		**2022**	2021
Discount rate	**0.50%**	0.30%	**Decrease by**	**8.20%**	6.60%	**Increase by**	**9.00%**	7.20%
Salary growth rate	**0.50%**	0.70%	**Increase by**	**1.80%**	2.30%	**Decrease by**	**1.70%**	2.10%
Pension growth rate	**0.25%**	0.30%	**Increase by**	**4.70%**	5.20%	**Decrease by**	**4.40%**	5.10%
Life expectancy	**+/- 1 year**		**Increase by**	**2.80%**	2.50%	**Decrease by**	**2.90%**	2.70%
Long-term increase in healthcare costs	**0.50%**	0.40%	**Increase by**	**5.50%**	5.20%	**Decrease by**	**4.80%**	4.30%
Claim rates	**0.50%**	0.40%	**Increase by**	**6.30%**	5.90%	**Decrease by**	**6.80%**	6.40%

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 might be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (that is, present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

IAS19(145)(c)

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

IAS19(142)

The major categories of plan assets are as follows:

	31 December 2022				31 December 2021			
	Quoted	**Un-quoted**	**Total**	**in %**	Quoted	Un-quoted	Total	in %
	CU'000	**CU'000**	**CU'000**		CU'000	CU'000	CU'000	
Equity instruments			**1,824**	**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 UK	**-**	**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 UK Plc with a fair value of CU530,000 (2021: CU410,000), and land and buildings occupied by the group with a fair value of CU550,000 (2021: 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 UK 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 FY2022 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 UK and US government securities only. The corporate bonds are global securities with an emphasis on the UK 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 UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

IAS19(146)

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

The 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 2022 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 the UK 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 the UK and 12% in the US. The next valuation is due to be completed as at 31 December 2023. 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 2023 are CU1,150,000.

IAS19(147)(c)

The weighted average duration of the defined benefit obligation is 25.2 years (2021: 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 and 2 years CU'000	Between 2 and 5 years CU'000	Over 5 years CU'000	Total CU'000
31 December 2022					
Defined benefit obligation	**628**	**927**	**2,004**	**21,947**	**25,506**
Post-employment medical benefits	**127**	**174**	**614**	**4,775**	**5,690**
Total	**755**	**1,101**	**2,618**	**26,722**	**31,196**
31 December 2021 (IAS1(38))					
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)

	2022			2021		
	Current CU'000	**Non-current CU'000**	**Total CU'000**	Current CU'000	Non-current CU'000	Total CU'000
Dilapidation 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

(i) Information about individual provisions and significant estimates

Dilapidation 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) above) resulted in the loss of 155 jobs at two factories. An agreement was reached with the local union representatives in October 2021, 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. For details of the related pension curtailment, see note 8(h).

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)

Significant estimate: warranty provision

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 might 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 2022, this particular provision had a carrying amount of CU330,000 (2021: 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 (2021: CU45,000 higher / lower).

Legal claim

IAS37(85)(a),(b)

In October 2022, an unfavourable judgment 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 2023.

See note 26(x) for the group's other accounting policies relevant to provisions.

(ii) Movements in provisions

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

	2022	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

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 2022**	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 – UK	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 2021					
	Investment properties					
	Office buildings – West Harbourcity	8(c)	-	5,135	4,915	10,050
	Land and buildings					
	Manufacturing sites – UK	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 out of fair value hierarchy levels as at the end of the reporting period.

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 2021 and 31 December 2022 for recurring fair value measurements:

	Office buildings CU'000	Manufacturing sites		Total CU'000
		UK CU'000	China CU'000	
Opening balance 1 January 2021 (IAS1(38))	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 2022	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

2022	1,350	-	-	1,350
2021	907	-	-	907

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

IFRS13(93)(d)

The group commenced redevelopment of an office building in the UK during the year. The redevelopment will greatly expand the net lettable area of the building and is expected to be completed in early 2023. 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. On 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 2022.
- 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)

	Fair value at			**Range of inputs (probability-weighted average)**		
Description	**31 December 2022 CU'000**	31 December 2021 CU'000	**Unobservable inputs ***	**2022**	2021	**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
Manufacturing sites - UK	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%)	
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(91)(a), (93)(d),(h)(i),(ii)

IFRS13(93)(h)(i)

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

IFRS13(93)(g)
IAS40(75)(e)
IAS16(77)(a),(b)

(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 2022, 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 2022. The last independent valuation of these land and buildings was performed as at 31 December 2021.

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 2022. 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.

Notes on 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. 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 26. Commentary about the disclosure of significant estimates and judgements is provided in note 11.

Classes of property, plant and equipment

IAS16(37)

4. A class of property, plant and equipment is a grouping of assets of a similar nature and use in the entity's operation. Paragraph 37 of IAS 16 provides the following examples:
   (a) land;
   (b) land and buildings;
   (c) machinery;
   (d) ships;
   (e) aircraft;
   (f) motor vehicles;
   (g) furniture and fixtures;
   (h) office equipment; and
   (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. IFRS16 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 asses, 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 Updates
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.

COVID-19-related rent concessions

10. In May 2020, the IASB published an amendment to IFRS 16 that provided lessees (but not lessors) with relief in the form of an optional practical expedient from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees could elect to account for rent concessions in the same way as if they were not lease modifications. The expedient initially only applied to reductions in lease payments due on or before 30 June 2021, but that date was subsequently extended to 30 June 2022 through further amendments made in March 2021.
11. Lessees that have applied the practical expedient will have to disclose that it has been applied to all qualifying rent concessions, or if not, information about the nature of the contracts to which it has been applied, and the amount recognised in profit or loss.

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

12. As the IASB decided not to provide a similar practical expedient to lessors for a number of reasons, judgement will be needed to determine the appropriate accounting treatment for lease concessions that are made in the context of COVID-19.

Impairment

Impairment testing – disclosure of assumptions

13. 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.

Disclosing the impact of climate-related risks

14. For guidance on disclosing the impact of climate-related risks in the financial statements please refer to the commentary to note 11.

Prior year recoverable amount calculation

IAS36(136)

15. The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) could, in accordance with paragraph 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 that 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 relates to the carried-forward calculation of recoverable amount. A carry-forward of the recoverable amount calculations will not be appropriate where the entity's carrying amounts of the non-current assets are materially affected by the adoption of IFRS 16.

Deferred tax assets and liabilities

Offsetting

IAS12(74)

16. Deferred tax assets and liabilities should be offset if, and only if:
    (a) there is a legally enforceable right to offset 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:
        - the same taxable entity; or
        - 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)

17. 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 UK Plc.

Disclosure of reconciliation by type of temporary difference

IAS12(81)(g)

18. 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; and
    (b) the amounts of deferred tax income or expense recognised in profit or loss, if this is not apparent from the changes in the amounts recognised in the balance sheet.

19. This information can be presented in various ways. VALUE IFRS UK Plc has chosen to provide the information in the form of a reconciliation by type of temporary difference. However, other formats are equally acceptable, provided that all of the required disclosures are made.

Deferred tax on right-of-use assets and lease liabilities

ED/2019/5

20. 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 exemption 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.

21. 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 qualify for offsetting in the balance sheet, the notes need to disclose the gross amounts. VALUE IFRS UK Plc has illustrated this in note 8(e).
22. The amendments apply to annual reporting periods beginning on or after 1 January 2023 but can be adopted early. VALUE IFRS UK Plc has chosen to do so and disclosed this fact in note 25(a). No changes were necessary to any of the amounts recognised or disclosures made as VALUE IFRS UK Plc's accounting policy already complied with the now mandatory treatment.

Recognition of deferred tax assets by loss-making entities

IAS12(82)

23. 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

24. 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

25. 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 UK Plc has therefore combined the assets of a disposal group with individual assets held for sale as a single line item in the balance sheet, but provided the associated disclosures in separate notes.

Employee benefit obligations

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

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

Classification of employee benefit obligations as non-current

IAS1(69)

27. 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 balance sheet as a non-current liability if there is no possibility that 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 might not be expected to take the leave for a longer period.

IAS19(133)

28. 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.

Disclosures for defined benefit obligations

IAS19(135)

29. 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; and
    (c) describe how the plans might affect the amount, timing and uncertainty of the entity's future cash flows.

IAS19(136)-(138)

30. 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 might be necessary in some circumstances. However, preparers should also keep in mind that materiality applies to all of the disclosures required under IAS 19.

    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 UK Plc has reclassified its employee obligations in the current year from provisions to a separate line item in the balance sheet.

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 might 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 UK 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 UK Plc

33. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK 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 IFRS 16 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.
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(89)-(97) IFRS16(90)(a) IFRS16(93) IFRS16(94)	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. • selling profit or loss; • finance income on the net investment in the lease; • income relating to variable lease payments not included in the measurement of the net investment; • qualitative and quantitative explanation of significant changes in the carrying amount of the net investment in the lease; and • maturity analysis of lease 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) IFRS16(95) IFRS16(96)	The entity is a lessor with operating leases	• variable lease payments that do not depend on an index or a rate; • 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 • where applicable, the disclosure required by IAS 36, IAS 38 and IAS 41.
Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform	• Entities with leases that include variable lease payments that are referenced to a benchmark interest rate subject to IBOR reform may need to provide additional IBOR reform disclosures. Our Practical guide to Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 for interest rate benchmark (IBOR) reform includes example disclosures and guidance on the IFRS 16 amendments.

Investment property

	Issue not illustrated	**Relevant disclosures or references**
IAS40(75)(c)	Classification as investment property is difficult	Disclose criteria used to distinguish investment property from owner-occupied property and property held for sale in the ordinary course of business.
IAS40(77)	Adjustments made to valuations	Disclose reconciliation between valuation obtained and the adjusted valuation.
IAS40(75)(f)	Sale of investment property between pools of assets measured using different methods (paragraph 32C of IAS 40)	Disclose cumulative change in fair value recognised in profit or loss.
IFRS16(90)(b)	Contingent rents recognised as income in the period	Disclose amounts where applicable.
IAS40(75)(b)	Operating leases classified as investment property	Explain circumstances of classification as investment property and whether the fair value model is applied.

IAS40(78)	Investment property cannot be reliably measured at fair value on a continuing basis	Disclose amounts separately and provide additional information about the property.
IAS40(79)	Entity has elected to use the cost model for measuring its investment property	Disclose additional information such as depreciation methods, useful lives etc.

Intangible assets

	Issue not illustrated	Relevant disclosures or references
IAS38(122)(a)	Intangible assets with indefinite useful lives	Disclose the carrying amount and factors that have played a significant role in assessing that the assets have an indefinite useful life.
IAS38(122)(b)	Individually material intangible assets	Describe the assets and disclose the carrying amount and remaining amortisation period.
IAS38(122)(c)	Intangible assets acquired by way of government grant	Disclose the fair value initially recognised, the current carrying amount and whether the assets are measured at cost or at revaluation.
IAS38(122)(d)	Intangible assets with restricted title and/or pledged as security for liabilities	Disclose existence and carrying amounts.
IAS38(122)(e)	Contractual commitments for the acquisition of intangible assets	Disclose amount.
IAS38(124)	Intangible assets measured under the revaluation model	Provide additional disclosures as set out in 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.
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
IAS2(36)(h)	Inventories	Disclose amount of inventories pledged as security for liabilities.
IAS19(140)(b)	Defined benefit plans: reimbursement rights	These will need to be separately disclosed in the reconciliation of the amounts recognised in the balance sheet.
IAS19(148),(149)	Multi-employer and group plans	Provide additional information as specified in 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.

The following additional illustrative disclosures might 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 CU2,345,000) 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 26(j).

Unallocated goodwill

IAS36(133)

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

Recoverable amount is determined using fair value less cost of disposal

IAS36(134)(c)

Management has determined the recoverable amount of the XYZ CGU by assessing the fair value less cost of disposal (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)

		Value assigned to key assumption		
CGU	**Unobservable inputs**	**2022**	2021	**Approach to determining key assumption**
XYZ	Cost of disposal (CU'000)	**CU250**	CU320	Estimated based on the company's experience with disposal of assets and on industry benchmarks.
	Sales volume (%)	**2.7**	3.3	Average annual growth rate over the five-year forecast period, based on past performance and management's expectations of market development.
	Sales price (%)	**1.4**	1.9	Average annual growth rate over the five-year forecast period, based on current industry trends and includes long-term inflation forecasts for each territory.
	Cost reductions from restructuring initiatives (CU'000)	**CU2,900**	CU2,500	Estimated cost reductions are based on management's judgement and past experience with similar restructuring initiatives.
	Cash flow forecast period	**5 years**	5 years	Board approved/ reviewed 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 [1-10]

IAS1(106)(d)

9(a) Share capital and share premium [1]

		Notes	2022 Shares	2021 Shares	2022 CU'000	2021 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	**1,023**	1,523
	Total share capital and share premium		**58,098,156**	55,293,075	**84,077**	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 2021		54,550	54,550	6,546	61,096
	Employee share scheme issues	21	143	143	655	798
	Dividend reinvestment plan issues	(iv)	100	100	459	559
IAS1(79)(a)(iv)	Balance 31 December 2021		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 2022		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)

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

	Details	Notes	Number of shares (thousands)	Par value CU'000	Share premium CU'000	Total CU'000
IAS1(79)(a)(iv)	Opening balance 1 January 2021 and 31 December 2022		500	500	1,023	1,523
	Shares bought back on-market and cancelled	(vii)	(500)	(500)	-	(500)
IAS1(79)(a)(iv)	Balance 31 December 2022		-	-	1,023	1,023

(iii) Ordinary shares

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

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

On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote; and, 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 2021 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 2022.

(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.

(vi) Rights issue

IAS1(106)(d)(iii), (112)(c)

On 10 October 2022 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 2022. The issue was fully subscribed.

(vii) Share buy-back

IAS1(106)(d)(iii)

During October/November 2022 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 transaction costs (net of CU15,000 tax), was deducted from equity. A transfer of CU500,000 was made from retained earnings to the capital redemption reserve.

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.

9(b) Other equity

		Notes	2022 Shares	2021 Shares	2022 CU'000	2021 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 [2,3]	(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 [2,3]

IAS1(79)(a)(vi)

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

	Details	**Number of shares**	**CU'000**
IAS1(79)(a)(iv)	Opening balance 1 January 2021	(46,916)	(251)
	Acquisition of shares by the Trust	(52,364)	(299)
	Balance 31 December 2021	**(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 2022	**(120,641)**	**(676)**

IAS1(106)(d)

9(c) Other reserves [4-6]

IAS1(106A)

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

		Notes	Reva-luation surplus CU’000	Financial assets at FVOCI CU’000	Hedging CU’000	Share-based payments CU’000	Trans-actions with NCI CU’000	Foreign currency translation CU’000	Total other reserves CU’000
IAS16(77)(f) IAS21(52)(b)	At 1 January 2021		**3,220**	**1,173**	**(203)**	**1,289**	**-**	**1,916**	**7,395**
	Costs of hedging transferred to inventory	12(a)	-	-	339	-	-	-	339
	Deferred tax	8(e)	-	-	(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)(ii)	Revaluation – gross	8(a),7(c) 12(a)	5,840	(1,458)	1,496	-	-	-	5,878
IAS12(81)(ab), IAS1(90)	Deferred tax	8(e)	(1,752)	437	(449)	-	-	-	(1,764)
IAS16(77)(f)	Non-controlling interests (NCI) share in revaluation – gross		(178)	-	-	-	-	-	(178)
IAS12(81)(ab), IAS1(90)	Deferred tax		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(e)	(30)	-	-	-	-	-	(30)
IAS1(92),(95) IFRS7(23)(d)	Reclassification to profit or loss – gross	12(a) 7(c)	-	-	(195)	(195)	-	-	(195)
IAS12(81)(ab), IAS1(90)	Deferred tax	8(e)	-	-	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
	NCI share in translation differences		-	-	-	-	-	(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 2021		**7,020**	**536**	**945**	**1,844**	**-**	**2,036**	**12,381**

		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	Capital redemption reserve CU'000	Total other reserves CU'000
IAS16(77)(f) IAS21(52)(b)										
	At 1 January 2022		**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)(ii), (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(e)	(2,173)	(225)	(71)	-	-	-	-	(2,469)
IAS16(77)(f)	NCI share in revaluation – gross		(211)	-	-	-	-	-	-	(211)
IAS12(81)(ab), IAS1(90)	Deferred tax		63	-	-	-	-	-	-	63
IAS16(41)	Depreciation transfer – gross	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(e)	(90)	-	-	-	-	-	-	(90)
IAS1(92),(95) IFRS7(23)(d)	Reclassification to profit or loss – gross	12(a) 7(c)	-	-	(155)	-	-	-	-	(155)
IAS12(81)(ab), IAS1(90)	Deferred tax	8(e)	-	-	46	-	-	-	-	46
IFRS9(5.5.2)	Impairment of debt instruments at FVOCI	12(c)	-	8	-	-	-	-	-	8
IAS12(81)(ab), IAS1(90)	Deferred tax	8(e)	-	(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
	NCI share in translation differences		-	-	-	-	-	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)
	Buy-back of preference shares	9(a)							500	500
IFRS10(23)	Transactions with NCI	16(c)	-	-	-	-	(333)	-	-	(333)
	At 31 December 2022		**11,928**	**615**	**972**	**2,771**	**(333)**	**2,040**	**500**	**17,993**

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 26(r) for details.

IFRS9(B5.7.1)

Financial assets at FVOCI

IFRS9(B5.7.1A)

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.

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:

		2022			2021	
	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

IFRS9(6.5.11)(d)(i)

Hedging reserves

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, see note 12(c) 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 26(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 26(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 26(b)(v) which might 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 OCI, as described in note 26(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.

Capital redemption reserve
On the buy-back and cancellation of preference shares, an amount equal to the par value was transferred from retained earnings to the capital redemption reserve for capital maintenance purposes.

9(d) Retained earnings

IAS1(106)(d)

Movements in retained earnings were as follows:

		Notes	2022 CU'000	2021 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)	**(880)**	-
	Transfer to capital redemption reserve on buy-back of preference shares	9(a)	**(500)**	-
	Depreciation transfer, net of tax	9(c)	**224**	234
	Balance 31 December		**43,585**	34,503

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

Notes on 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 UK Plc is disclosing the share premium in the notes.

Treasury shares

IAS32(33)

2. IAS 32 states that treasury shares must be deduced from equity and that no gain or loss should 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 UK Plc has elected to present the shares in 'other equity', but they could also be disclosed as a separate line item in the balance sheet, deducted from retained earnings or presented in a specific reserve.

CA06 s724, s727

3. Where a UK limited company purchases its own shares out of distributable profits, it can elect to hold the shares as treasury shares or to dispose of them, provided that certain conditions are met. This means that the shares, once purchased, are not cancelled, but they remain in existence. Once the shares have been purchased, the company can continue to hold all or some of them, or it can sell them for 'cash consideration' or transfer them, for the purposes of, or pursuant to, and employees' share scheme.

Other reserves

IAS1(106)(d)

4. An entity should 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)

5. 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 UK Plc has elected to make both disclosures in the notes.

IAS1(7),(95)

6. 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.

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 balance sheet 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 UK 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. Entities with significant share-based payment transactions should explain their policy.

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

10. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK Plc:

	Issue not illustrated	Relevant disclosures or references
IAS1(80)	Entities without share capital	Disclose information equivalent to that required by paragraph 79(a) of IAS 1.
IAS1(136A),(80A)	Puttable financial instruments	Various disclosures, see 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 a separate line item in profit or loss or in the notes.

10 Cash flow information[1-9]

10(a) Cash generated from operations [1]

		Notes	2022 CU'000	2021 Restated* 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) / losses 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		**87**	5,202
	Increase / (decrease) in trade creditors		**1,429**	(6)
	Increase in contract liabilities		**457**	870
	Increase in other operating liabilities		**(251)**	(1,704)
	Increase in other provisions		**1,215**	574
	Cash generated from operations		**65,818**	48,781

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

IAS7(43)

10(b) Non-cash investing and financing activities [2,3]

	2022 CU'000	2021 CU'000
Acquisition of retail store furniture and fittings from lessor as lease incentive (note 8(a))	**-**	950

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).
- 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	**2022 CU'000**	2021 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)

			Liabilities from financing activities			Other assets		
IAS7(44A)-44E)		Borrowings CU'000	Supplier finance [9] 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 2021	(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	(5,862)		(505)	(6,367)	-	-	(6,367)
	Interest payments (presented as operating cash flows)	6,294		505	6,799	-	-	6,799
	Net debt as at 31 December 2021	**(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	(6,429)		(527)	(6,956)	-	-	(6,956)
	Interest payments (presented as operating cash flows)	7,600		527	8,127	-	-	8,127
	Net debt as at 31 December 2022	**(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.

(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.

Notes on 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 UK 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 should be disclosed in a way that provides all of 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 liabilites 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(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.

IFRS IC 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:
   (a) A reconciliation of changes in liabilities from financing. If an entity also choses 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 balances 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 caish 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

9. As explained in the commentary on the statement of cash flows, 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. For further guidance see our practical guide Financial reporting considerations for supplier finance arrangements on Viewpoint.

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	164
12. Financial risk management	169
13. Capital management	190

11 Critical estimates, judgements and errors [1-14]

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 explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

While not specifically illustrated in this publication, entities should consider whether any of the following is relevant and may require additional explanations:

ESMA Enforcement priorities 2020

- The impact of climate-related risks [8-12].
- Inflation [1-3].
- Russia's invasion of Ukraine [13].

11(a) Significant estimates and judgements [4,6-9]

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).
- estimated goodwill impairment – note 8(d).
- estimation uncertainties and judgements made in relation to lease accounting – note 8(b)
- 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 – note 3.
- recognition of deferred tax asset for carried-forward tax losses – note 8(e).
- consolidation decisions and classification of joint arrangements – 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 might have a financial impact on the entity and that are believed to be reasonable under the circumstances.

11(b) Correction of material error in calculating depreciation[5]

IAS8(49)(a)

In September 2022, a subsidiary discovered a computational error in calculating depreciation of some its equipment. The error resulted in a material understatement of depreciation recognised for the 2021 and prior financial years and a corresponding overstatement of property, plant and equipment. There was no change to net cash flows.

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:

Balance sheet (extract)	31 December 2021 CU'000	Increase / (Decrease) CU'000	31 December 2021 (Restated) CU'000	31 December 2020 CU'000	Increase / (Decrease) CU'000	1 January 2021 (Restated) CU'000
Property, plant and equipment	103,630	(1,550)	102,080	94,445	(1,300)	93,145
Deferred tax liability (IAS12(81)(a))	(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)**

	2021 CU'000	Profit Increase / (Decrease) CU'000	2021 (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 UK 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 UK Plc	29,705	(175)	29,530
Non-controlling interests	2,576	-	2,576
	32,281	**(175)**	**32,106**

IAS 8(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[8]

IAS8(39)

IAS16(76)

During the year the estimated total useful lives to a subsidiary of certain items of plant and equipment used in the manufacture of furniture 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 that 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
2023	740
2024	(610)
2025	(460)
2026	(650)

Notes on critical estimates, judgements and errors

Inflation

1. During 2022 the UK, like many countries across the globe, saw a rapid rise in inflation.

2. 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 the effect on the financial statements is likely to be equally widespread, and companies need to consider the accounting implications for this year-end.

3. For guidance on how the financial statements and disclosures could be affected, see our In Depth Navigating IFRS Accounting Standards in periods of rising inflation.

Judgements and estimates

FRC Corporate Reporting Thematic Review, 'Judgements and estimates'

4. Preparers of financial statements should consider the guidance published by the FRC in relation to judgements and estimates. The FRC sets outs its expectations to include:
   a. judgements and estimates should be separately identified and the relevant disclosures to be provided for each.
   b. detailed descriptions of the specific, material judgements made by the directors in applying their accounting policies should be disclosed.
   c. estimates should focus on those with a significant risk of a material change to the carrying value of assets and liabilities within the next year, and the disclosures should:
      i. Be clear and specific, pinpointing the precise sources of estimation uncertainty and avoiding the use of boilerplate language.
      ii. identify the specific amounts at risk, rather than just the value of the financial statement line item within which these are contained.
      iii. quantify the assumptions underlying estimates when investors need this information to fully understand their effect.
      iv. disclose the sensitivity of carrying amounts to assumptions and estimates and / or the range of reasonable possible outcomes within the next financial year.
      v. where past assumptions have changed, explain these changes if the past uncertainty remains unresolved.

Correction of prior period errors

IAS1(42)

5. Correction of prior period errors by restatement of comparative amounts is only required for prior period errors that are material.

Disclosure not illustrated: not applicable to VALUE IFRS UK Plc

Sources of estimation uncertainty

IFRIC14(10)

6. The recognition of a net defined benefit asset might 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

7. Examples of significant judgements that might 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.

Disclosure of climate-related risks in the financial statements

Practice Statement 2(51)

8. Another example of judgements that may need to be explained are judgements made by the entity about the possible impact of climate-related and other emerging business risks. Climate-related risks could have a significant impact on an entity's operations and financial performance and users of the financial statements are increasingly looking for evidence that the entity has incorporated climate risk factors when making estimates and judgements in the preparation financial statements. The accounting standards have an overarching requirement to disclose information that users need 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 undertaken a rigorous assessment to provide all the relevant and material information affecting the financial statements.
9. The IASB has 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.
10. 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.
11. The areas that could be affected by climate risk and potentially require additional disclosures include (but are not limited to):
    (a) sources of estimation uncertainty, significant judgements and going concern
    (b) net realisable value of inventories
    (c) recoverability of deferred tax assets
    (d) useful lives and residual values
    (e) research and development expenditures
    (f) impairment of assets (impairment indicator and affecting recoverable amounts)
    (g) provisions, contingent liabilities, contingent assets and levies
    (h) risks relating to financial instruments including expected credit losses, concentration of credit risk and concentration of market risk
    (i) classification and measurement of financial instruments and impairment
    (j) fair value measurements, in particular of assets within level 3 of the fair value hierarchy
    (k) insurance contract liabilities.
12. For further information see PwC In Brief INT 2021-14.

Change of accounting estimate in final interim period

IAS34(26)

13. 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 should be disclosed in a note to the annual financial statements for that annual reporting period.

Accounting implications of Russia's war on Ukraine

14. At the time of writing, Russia's war on Ukraine is continuing and may likely have significant accounting implications for some entities. We have not updated the illustrative disclosures in this publication to relfect these developments 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 our In Depth Accounting implications of the Russian invasion of Ukraine on Viewpoint.

12 Financial risk management [1-21]

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 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 balance sheet:

		2022 CU'000	2021 CU'000
	Current assets [3-6]		
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 [3-6]		
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 [3-6]		
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

IAS 1(117)

(i) Classification of derivatives [21]

IAS 1(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. They are presented as current assets or liabilities to the extent that they are expected to be settled within 12 months after the end of the reporting period.

The group's accounting policy for its cash flow hedges is set out in note 26(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, refer to 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 *	Intrinsic value of options	Spot component of currency forwards	Interest rate swaps	Total hedge reserves
		CU'000	CU'000	CU'000	CU'000	CU'000
IFRS7(24B)(b)(ii)	**Opening balance 1 January 2021**	**(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
IFRS 7(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 2021	**51**	**819**	**(492)**	**567**	**945**
IFRS 7(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 2022	**(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 (2021: 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

Revised illustration

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:

		2022	2021
		CU'000	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

Hedge effectiveness

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.

IFRS 7(23D)

In hedges of foreign currency purchases, ineffectiveness might arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the UK or the derivative counterparty.

IFRS 7(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, so the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. Since all critical terms matched during the year, there is an economic relationship.

IFRS 7(22B)(c),(23D)
IFRS7(24C)(b)(ii)

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It might occur due to:

- the credit value / debit value adjustment on the interest rate swaps which is not matched by the loan.
- differences in critical terms between the interest rate swaps and loans.

Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2022 and 2021.

IFRS7(33)

12(b) Market risk

IFRS7(21C)

(i) Foreign exchange risk [8,9]

Exposure

IFRS 7(31),(34)(c), (22 A)(c)

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

	31 December 2022			31 December 2021		
	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		

IAS 21(52)(a)

The aggregate net foreign exchange gains / (losses) recognised in profit or loss were:

		2022	2021
		CU'000	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 the group

IFRS 7.33)(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 UK currency cost of highly probable forecast inventory purchases.

IFRS7(22A)(b),(c)

The group treasury's risk management policy is to hedge between 65% and 80% of forecast 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 2021, approximately 80% of inventory purchases were hedged in respect of foreign currency risk. At 31 December 2022, 90% of forecasted US dollar inventory purchases during the first quarter of 2023 qualified as 'highly probable' forecast transactions for hedge accounting purposes (for 2021, approximately 85% of inventory purchases were hedged and 93% of the purchases qualified as 'highly probable' as at 31 December 2021).

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 2021, VALUE IFRS UK 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:

Reference		**2022 CU'000**	2021 CU'000
IFRS7(24A)(b)	**Foreign currency options**		
IFRS 7.24)(a)	Carrying amount (current asset)	**1,709**	1,320
IFRS 7(24A)(d)	Notional amount	**10,000**	8,000
IFRS 7(23B)(a)	Maturity date	**January 2023 – March 2023**	Jan 2022 – April 2022
IFRS 7(22B)(c)	Hedge ratio *	**1:1**	1:1
IFRS 7(24A)(c)	Change in intrinsic value of outstanding hedging instruments since inception of the hedge	**596**	1,353
IFRS 7.24 B)(b)(i)	Change in value of hedged item used to determine hedge ineffectiveness	**(596)**	(1,353)
IFRS 7.23 B)(b)	Weighted average strike rate for outstanding hedging instruments	**US$0.9612:CU1**	US$0.8543:CU1

IFRS 7(22B)(c)

* The foreign currency forwards and options are denominated in the same currency as the highly probable future inventory purchases (US$), so the hedge ratio is 1:1.

		2022 CU'000	2021 CU'000
IFRS 7(24A)(b)	**Foreign currency forwards**		
IFRS 7.24)(a)	Carrying amount (current liability)	**(766)**	(777)
IFRS 7(24A)(d)	Notional amount	**11,519**	10,612
IFRS 7(23B)(a)	Maturity date	**January 2023 – March 2023**	January 2022 – March 2022
IFRS 7(22B)(c)	Hedge ratio *	**1:1**	1:1
IFRS 7(24A)(c)	Change in discounted spot value of outstanding hedging instruments since inception of the hedge	**(218)**	(935)
IFRS 7.24 B)(b)(i)	Change in value of hedged item used to determine hedge ineffectiveness	**222**	937
IFRS 7.23 B)(b)	Weighted average hedged rate for outstanding hedging instruments (including forward points)	**US$0.9612:CU1**	US$0.9428:CU1

IFRS 7(22B)(c) * The foreign currency forwards and options are denominated in the same currency as the highly probable future inventory purchases (US$), so the hedge ratio is 1:1.

		2022 CU'000	2021 CU'000
IFRS 7(24A)(b)	**Net investment in foreign operation**		
IFRS 7.24)(a)	Carrying amount (non-current borrowings)	**(1,509)**	-
IFRS 7(24A)(d)	RMB carrying amount	**RMB6,946,000**	-
IFRS 7(22B)(c)	Hedge ratio *	**1:1**	-
IFRS 7(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**	-
IFRS 7.24 B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	**(190)**	-
IFRS 7.23 B)(b)	Weighted average hedged rate for the year (including forward points)	**RMB5.93214:CU1**	

Sensitivity

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

As shown above, the group is primarily exposed to changes in US / Currency Unit 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**	
	2022 CU'000	2021 CU'000	**2022 CU'000**	2021 CU'000
US / CU exchange rate – increase 9% (2020 - 10%) *	**(1,494)**	(1,004)	**(806)**	(743)
US / CU exchange rate – decrease 9% (2020 - 10%) *	**1,223**	822	**660**	608

* Holding all other variables constant

Profit is more sensitive to movements in Currency Unit / US dollar exchange rates in 2022 than 2021 because of the increased amount of US dollar-denominated borrowings. Equity is more sensitive to movements in Currency Unit / US dollar exchange rates in 2022 than 2021 because of the increased amount of foreign currency forwards. The group's exposure to other foreign exchange movements is not material.

IFRS7(21C)

(ii) Cash flow and fair value interest rate risk [10,11]

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 2022 and 2021, the group's borrowings at variable rate were mainly denominated in 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 repricing dates of the borrowings at the end of the reporting period are as follows:

	2022 CU'000	**% of total loans**	2021 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%

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9,

IAS 39, IFRS 7, IFRS 4 and IFRS 16

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.

Entities with loans that are referenced to a benchmark interest rate subject to IBOR reform may need to provide additional IBOR reform disclosures. [11]

Instruments used by the group

IFRS 7(22B)(a),(23B)

Swaps currently in place cover approximately 18% (2021: 17%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 7.8% and 8.3% (2021: 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% (2021: 9.4%).

IFRS 7(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:

		2022 CU'000	2021 CU'000
IFRS7(24A)(b)	**Interest rate swaps**		
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	**2021**	2020
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	**8.10%**	9.30%

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**	
	2022 CU'000	2021 CU'000	**2022 CU'000**	2021 CU'000
Interest rates – increase by 70 basis points (2020: 60 bps) *	**138**	(18)	**(90)**	(16)
Interest rates – decrease by 100 basis points (2020: 80 bps) *	**(127)**	96	**129**	22

* Holding all other variables constant

IFRS7(21C)

(iii) Price risk

Exposure

IFRS7(33)(a)

The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet either as 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 UK FTSE 250 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	
	2022 CU'000	2021 CU'000	**2022 CU'000**	2021 CU'000
FTSE 250 – increase 9% (2021: 7.5%)	**385**	361	**284**	266
NYSE International 100 – increase 7% (2021: 6.5%)	**254**	184	**-**	-
FTSE 250 – decrease 6% (2021: 4%)	**257**	193	**189**	177
NYSE International 100 – decrease 5% (2021: 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.

12(c) Credit risk

IFRS7(33)(a),(b)

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)

IFRS7(34)(c)

(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.

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 might obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called on if the counterparty is in default under the terms of the agreement.

(iii) Impairment of financial assets [19]

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.
- 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 [11]

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)

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.

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for both trade receivables and contract assets:

	31 December 2022	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 120 days past due**	**Total**
IFRS7(35N)	Expected loss rate	1.80%	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 2021					
	Expected loss rate	1.40%	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**	
		2022 CU'000	2021 CU'000	**2022 CU'000**	2021 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 [13]

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.

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 at 1 January 2021	**-**	**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 2021	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 2022	**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:

	Loss allowance as at 1 January and 31 December 2021	-
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 2022	**8**

Impairment of financial assets

IFRS9(5.5.17)

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.

(iv) 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:

			2022 CU'000	2021 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 (2021: CU607,000) relate to receivables arising from contracts with customers.

(v) 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. 2021: 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 (2021: CU24,093,000) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

IFRS7(34)(a)

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

(i) Financing arrangements [18]

IFRS7(7),(34)(a)
IAS7(50)(a)

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

	2022 CU'000	2021 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 Currency Units or US dollars and have an average maturity of 6.5 years (2021: 6.9 years). [19]

(ii) Maturities of financial liabilities [14-17]

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.
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, because 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 (2021: 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 [14-17]	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
At 31 December 2022							
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	**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**
Total derivatives	**949**	**504**	**-**	**-**	**-**	**1,453**	**1,376**
At 31 December 2021							
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
Total derivatives	782	668	-	-	-	1,450	1,398

IFRS7(B10A)(a)

Of the CU46.195m disclosed in the 2022 borrowings time band 'between 2 and 5 years', the group is considering early repayment of CU5,000,000 in the first quarter of the 2023 financial year (2021: nil).

Notes on financial risk management

Classes of financial instruments

IFRS7(6),(B1)-(B3)

1. Where IFRS 7 requires disclosures by class of financial instrument, the entity should 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 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 a separate class any financial instruments outside the scope of IFRS 9. The entity should provide sufficient information to permit reconciliation to the line items presented in the balance sheet. Guidance on classes of financial instruments and the level of required disclosures is provided in Appendix B 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 might be disclosed, and you should consider carefully what might 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 balance sheet. 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 balance sheet 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 balance sheet date, or settlement cannot be deferred for at least 12 months of the balance sheet date, that portion should be presented as a current liability the remainder should be presented as a non-current liability.

Classification of Liabilities as Current or Non-Current – Amendments to IAS 1

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.
6. VALUE IFRS UK Plc has not adopted amendments made to IAS 1 which are effective for annual periods beginning on or after 1 January 2023. Classification of all financial instruments as current or non-current assets and liabilities will need to be considered under that amended guidance, when adopted.

Disclosing how hedge ineffectiveness was determined for the current period

7. 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 the reporting date (based on the 'lessor 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)

8. 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 balance sheet, the effect on profit or loss of their revaluation under IAS 21 is not fully eliminated.
9. For the purpose of IFRS 7, currency risk does also not arise from financial instruments that are non-monetary items. VALUE IFRS UK 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.
10. 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.

Interest rate benchmark reform

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

11. Our fact pattern assumes that VALUE IFRS UK Plc will not be affected by interest rate benchmark reform. However, entities with hedging relationships and entities that have exposure to interest rates where (i) the interest rates are dependent on interbank offered rates (IBORs), and (ii) these IBORs are subject to interest rate benchmark reform may need to provide additional IBOR reform disclosures. Our Practical guide to Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 for interest rate benchmark (IBOR) reform includes example disclosures which illustrate both 'phase 1' and 'phase 2' amendments to IFRS 7 for a cash flow hedge and other financial instruments typical of a corporate entity which applies IFRS 9 to its hedge accounting relationships.

Credit risk

IFRS15(107),(108)
IFRS9(5.5.3),(5.5.4)
IFRS9(5.4.1)(b)

12. 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.
13. 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 below.

Liquidity risk

Maturity analysis

IFRS7(B11B)

14. 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 that 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)

15. 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)

16. 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.
17. Since the amounts included in the maturity tables are the contractual undiscounted cash flows, including principal and interest payments, these amounts will not reconcile to the amounts disclosed in the balance sheet. This is, in particular, as far as borrowings or derivative financial instruments are concerned. Entities can choose to add a column with the carrying amounts which ties into the balance sheet and a reconciling column if they so wish, but this is not mandatory.

Financing arrangements

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

18. 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 might 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

19. Entities should 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 Practice Statement, 'Making Materiality Judgements', discusses the circumstances under which covenants might need to be disclosed.

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK Plc:

General financial risk management disclosures

Reference	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.
IFRS7(22C)	The entity has designated a specific risk component of an asset in a hedge relationship (such as 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 18 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.
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 that 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 to 35M of IFRS 7, see illustration in paragraph 18 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 represent the maximum exposure to credit risk and describe any collateral held as security and other credit enhancements and their financial effect.
IFRS7(35E)	The entity believes that the credit risk disclosures are not sufficient to meet the objective of paragraph 35B of IFRS 7	Provide additional disclosures relevant to the users of the financial statements.

The following disclosure examples might be useful where relevant to an entity:

IAS1(117)

Accounting policy for fair value hedges

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).

IFRS9(6.5.8)

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, because it is explicitly specified in the supply contract price. Since 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 on 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.

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.

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.

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)(b)

IFRS7(35G)(a),(35M)

Company internal credit rating as at 31 December 2021 **	External credit rating *	Expected credit loss rate	Gross carrying amount (stage 1)	Gross carrying amount (stage 2)	Gross carrying amount (stage 3)
High	AAA	0.90%	45,776	123	-
	AA	1.30%	31,668	80	-
	A	2.20%	14,117	221	-
Moderate	BBB	**7.30%**	679	325	-
	BB	10.00%	140	223	-
	B	12.20%	67	54	-
Low	CCC	**14.00%**	44	252	-
	CC	18.00%	13	134	-
	C	30.00%	-	78	-
Credit Impaired	D	**50.00%**	-	-	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)

IFRS7(35H)

No significant changes to estimation techniques or assumptions were made during the reporting period.
The loss allowance for loans to customers as at 31 December 2021 and 31 December 2022 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 2021	666	12	162	840
IFRS7(35H)(b)(i)	Individual financial assets transferred to under-performing (lifetime expected credit losses)*	(68)	83	-	15
IFRS7(35H)(b)(ii)	Individual financial assets transferred to non-performing (credit-impaired financial assets)	-	(28)	28	-
IFRS7(35I)(a)	New financial assets originated or purchased	114	-	-	114
IFRS7(35I)(c)	Write-offs	-	-	(5)	(5)
IFRS7(35I)(c)	Recoveries	(10)	-	(3)	(13)
	Change in risk parameters **	17	-	-	17
	Other changes	2	15	10	27
	Loss allowance as at 31 December 2021	**721**	**82**	**192**	**995**

		Performing CU'000	Under-performing CU'000	Non-performing CU'000	Total CU'000
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 2022	**1,108**	**113**	**78**	**1,299**

* The increase in the loss allowance of CU8,000 (2021: CU15,000) 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.

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 2022 CU'000	31 December 2021 CU'000
Performing	**91,560**	78,934
Underperforming	**1,421**	894
Non-performing	**499**	560
Loans written off	**20**	30
Total gross loan receivables	**93,500**	80,418
Less: loan loss allowance	**(1,299)**	(995)
Less: write-off	**(10)**	(25)
Loan receivables net of expected credit losses	**92,191**	**79,398**

13 Capital management [1-4]

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 might adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the following gearing ratio:

- Net debt as per note 10(c), divided by
- Total 'equity' (as shown in the balance sheet, including non-controlling interests).

IAS1(134),(135),(136)

During 2022, the group's strategy, which was unchanged from 2021, 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 2022 and 31 December 2021 were as follows:

	2022 CU'000	2021 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.

(i) Loan covenants [1]

IAS1(135)(d)

Under the terms of the major borrowing facilities, the group is required to comply with the following financial covenants:

- the gearing ratio must be not more than 50%,
- 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 2022, the ratio of net finance cost to EBITDA was 8% (10% as at 31 December 2021).

13(b) Dividends [2-4]

		2022 CU'000	2021 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 2022 of 20 cents (2021: 10 cents) per fully paid share	**11,310**	5,476

(ii) 7% non-redeemable participating preference shares

		2022	2021
IAS1(107)	Annual dividend of 7% (2021: 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 2022 and 2021 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 (2021: 21 cents). The aggregate amount of the proposed dividend expected to be paid on 10 April 2023 out of retained earnings at 31 December 2022, but not recognised as a liability at year end, is £12,782,000 (2021: £11,507,000).

Notes on 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.

Dividends

Parent vs consolidated information

2. 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 UK Plc

3. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK 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 Interpretation 17 and the illustrative example below for details.

4. The following illustrative disclosure might be useful where relevant to an entity:

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 2022, 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 subsidiaries is provided in note 16. This note also discloses details about the group's equity-accounted investments.

14. Business combination 194

15. Discontinued operation 198

16. Interests in other entities 201

14 Business combination [1-3]

14(a) Summary of acquisition

IFRS3(B64)(a)-(d)

On 1 April 2022 VALUE IFRS UK 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 [2]	**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 2022 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 2021. [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 2022, additional consideration of up to CU1,000,000 might be payable in cash on 1 September 2023.

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.

IFRS3(B67)(b)

As at 31 December 2022, the contingent consideration has been derecognised, because 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 2023. 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 2022, there has been no change in the amount recognised for the liability in April 2021 (except for the unwinding of the discount of CU27,000), since there has been no change in the probability of the outcome of the lawsuit.

(iii) Acquired receivables.

IFRS3(B64)(h)

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 the proportionate share of the acquired net identifiable assets. See note 26(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 2022.

If the acquisition had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 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 that the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2022, together with the consequential tax effects.

14(b) Purchase consideration – cash outflow

		2022 CU'000	2021 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**	-

(i) 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.

Notes on 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 UK Plc

Merger relief

CA06 s612

2. Where a company issues equity shares in consideration for securing a holding of at least 90% of the nominal value of each class of equity in another company, the application of merger relief is compulsory. Merger relief is a statutory relief from recognising any share premium on shares issued. Instead, a merger reserve is recorded equal to the value of share premium which would have been recorded if the provisions of section 612 of the Companies Act 2006 had not be applicable.

Additional disclosures

3. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK 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 [1-3]

15(a) Description

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

On 30 October 2021 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 2021 financial statements.

IFRS5(30)

The subsidiary was sold on 28 February 2022 with effect from 1 March 2022 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 2022 (2022 column) and the year ended 31 December 2021.

		2022 CU'000	2021 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
	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 (2022 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

		2022 CU'000	2021 CU'000
	Consideration received or receivable:		
IAS7(40)(b)	Cash	**3,110**	-
	Fair value of contingent consideration	**1,200**	-
IAS7(40)(a)	Total disposal consideration	**4,310**	-
	Carrying amount of net assets sold	**(3,380)**	-
	Gain on sale before income tax and reclassification of foreign currency translation reserve	**930**	-
IFRS5(38)	Reclassification of foreign currency translation reserve	**(170)**	-
IAS12(81)(h)(i)	Income tax expense on gain	**(279)**	-
	Gain on sale after income tax	**481**	-

IAS32(11) In the event that the operations of the subsidiary achieve certain performance criteria during the period 1 March 2022 to 28 February 2024, 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 2022) were:

	28 February 2022 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 2021:

		2022 CU'000	2021 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 2021 were CU170,000.

Notes on 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 balance sheet information for the prior year is neither restated nor remeasured.

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

3. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK Plc:

	Issues not illustrated	Relevant disclosures or references
IFRS5(35)	Resolution of uncertainties relating to adjustments recognised as a result of the disposal of a discontinued operation	Disclose separately the nature and amount of the adjustments.
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.
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 [1-6]

16(a) Subsidiaries [1]

IFRS12(10)(a)

The group's subsidiaries at 31 December 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares, 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)
SI 2008/410 4 Sch 1,16,17

Name of entity	Address of the registered office	Place of business/ country of incorporation	Ownership interest held directly by the company		Ownership interest held by the group		Ownership interest held by non-controlling interests		Principal activities
			2022	2021	**2022**	2021	**2022**	2021	
			%	%	**%**	%	**%**	%	
VALUE IFRS Retail Limited	350 Harbour Street, Nice Town, UK	UK	**100**	100	**100**	100	**-**	-	Furniture retail stores
VALUE IFRS Manufacturing Limited (note 16(c))	350 Harbour Street, Nice Town, UK	UK	**90**	85	**90**	85	**10**	15	Furniture manufacture
VALUE IFRS Electronics Group	350 Harbour Street, Nice Town, UK	UK	**70**	-	**70**	-	**30**	-	Electronic equipment manufacture
VALUE IFRS Overseas Ltd (i),(ii)	2 Shanghai Road, Shanghai, China	China	**-**	-	**45**	45	55	55	Furniture manufacture
VALUE IFRS Consulting Inc	1861 Lakeside, NJ 08700, United States	United States	-	-	100	100	-	-	IT consulting
VALUE IFRS Development Limited	350 Harbour Street, Nice Town, UK	UK	-	-	100	100	-	-	Development of residentialland
VALUE IFRS Engineering GmbH	Bayerstraße 15A, 80330 München, Germany	Germany	-	100	-	100	-	-	Engineering business; see note 15

All subsidiary undertakings are included in the consolidation. The company does not have any shareholdings in the preference shares of subsidiary undertakings included in the group.

IAS1(122)

(i) Significant judgement: consolidation of entities with less than 50% ownership

IFRS12(7)(a),(9)(b)

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 Overseas Ltd grants VALUE IFRS UK 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, since 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 (2021: CU410,000).

16(b) Non-controlling interests (NCI)

IFRS12(12)(g)
IFRS12(B11)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Summarised balance sheet	VALUE IFRS Manufacturing Limited		VALUE IFRS Overseas Ltd		VALUE IFRS Electronics Group	
IFRS12(B10)(b)		**2022**	2021	**2022**	2021	**2022**	2021
		CU'000	CU'000	**CU'000**	CU'000	**CU'000**	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**	-
IFRS12(12)(f)	Accumulated NCI	**2,751**	3,775	**2,071**	1,914	**4,641**	-

	Summarised statement of comprehensive income	VALUE IFRS Manufacturing Limited		VALUE IFRS Overseas Ltd		VALUE IFRS Electronics Group	
IFRS12(B10)(b)		**2022 CU'000**	2021 CU'000	**2022 CU'000**	2021 CU'000	**2022 CU'000**	2021 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**	-
IFRS12(12)(e)	Profit allocated to NCI	**1,257**	1,185	**1,327**	1,134	**422**	-
IFRS12(B10)(a)	Dividends paid to NCI	**1,262**	935	**925**	893	**830**	-

	Summarised cash flows	VALUE IFRS Manufacturing Limited		VALUE IFRS Overseas Ltd		VALUE IFRS Electronics Group	
IFRS12(B10)(b)		**2022**	2021	**2022**	2021	**2022**	2021
		CU'000	CU'000	**CU'000**	CU'000	**CU'000**	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 2022, 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 UK Plc during the year is summarised as follows:

	2022 CU'000	2021 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 2021.

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 the UK.

IFRS12(21)(a)(iii)

The principal place of business of the joint operation is the UK.

(iii) 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 26(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 2022 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	**Address of registered office**	**% of ownership interest**		**Nature of relationship**	**Measurement method**	**Quoted fair value**		**Carrying amount**	
		2022 %	2021 %			**2022 CU'000**	2021 CU'000	**2022 CU'000**	2021 CU'000
Big Hide Pet SA	Pet Street, Paris, France	**15**	15	Associate (1)	Equity	**585**	560	**568**	540
Cuddly Bear Plc	Cuddly Road, Derby, UK	**35**	35	Associate (2)	Equity	**495**	505	**492**	490
Squirrel Ltd	Acorn Drive, Stoke, UK	**40**	40	Joint Venture (3)	Equity	**- ***	- *	**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 UK 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 UK 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.

(ii) Commitments and contingent liabilities in respect of associates and joint ventures

		2022 CU'000	2021 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 UK 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)

Reference	Summarised balance sheet	Big Hide Pet SA 31 Dec 2022 CU'000	Big Hide Pet SA 31 Dec 2021 CU'000	Cuddly Bear Plc 31 Dec 2022 CU'000	Cuddly Bear Plc 31 Dec 2021 CU'000	Squirrel Ltd 31 Dec 2022 CU'000	Squirrel Ltd 31 Dec 2021 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

	Summarised statement of comprehensive income	Big Hide Pet SA		Cuddly Bear Plc		Squirrel Ltd	
IFRS12(B12), (B13)		**2022**	2021	**2022**	2021	**2022**	2021
		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

(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.

	2022 CU'000	2021 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

Notes on interests in other entities

Listing of subsidiaries

SI 2008/410 4 Sch 1

1. Companies are required to disclose a full list of related undertakings (both direct and indirect) in the notes to the financial statements, regardless of the length of that list or the materiality of the subsidiaries. The full list (or just a list of non-principal subsidiaries and other related undertakings) could be included in a separate section of the annual report and incorporated by cross-reference into the notes to the financial statements.

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 might, 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 might not be suitable for all 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 UK Plc

5. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK Plc:

	Issue not illustrated	Relevant disclosures or references
IFRS12(14)-(17)	Consolidated structured entities	Provide information as specified in paragraphs 14 to 17 of IFRS 12. Entities such as employee share trusts will often qualify as structured entities. To the extent that 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(10)(b)(iv),(19) IAS1(106)(d),(97)	Disposal or loss of control over a subsidiary	Provide information about the gain or loss recognised on the loss of control. Consider also the requirement to reclassify any components of other comprehensive income that are attributable to the subsidiary from equity to profit or loss or directly to retained earnings. Any amounts transferred from equity reserves on the loss of control of a subsidiary will need to be reflected in the reconciliation of reserves as reclassification adjustments (refer to note 9(c)). Where the reclassified amounts are material, consider providing additional explanations.
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 could 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.
	Issue not illustrated	Relevant disclosures or references
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 to 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 to 19G and 25A of IFRS 12 for details.

6. Readers of the financial statements might find it useful if the note for equity-accounted investments also provides a reconciliation of the aggregate carrying amounts from opening to closing balances, although this is not required under IFRS 12. This could look as follows:

	2022 **CU'000**	2021 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

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; and
(b) non-cash investing and financing transactions – see note 10(b).

17. Contingent liabilities and contingent assets 210

18. Commitments 212

19. Events occurring after the reporting period 213

Notes on 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.c

17 Contingent liabilities and contingent assets [1-2]

17(a) Contingent liabilities[1]

(i) Claims

IAS37(86),(91)
IAS37(86)

A claim for unspecified damages was lodged against VALUE IFRS Retail Limited in December 2021 in relation to alleged non-performance under a sales contract. The company has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim, but legal advice indicates that it is not probable that a significant liability will arise.

In September 2022, 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 judgment before the end of June 2023. The group considers it to be probable that the judgment will be in its favour and has therefore not recognised a provision in relation to this claim. The potential undiscounted amount of the total payments that the group could be required to make, if there was an adverse decision related to the lawsuit, is estimated to be approximately CU250,000.

(ii) Associates and joint ventures

IFRS12(23)(b)

For contingent liabilities relating to associates and joint ventures, refer to note 16(e).

17(b) Contingent assets

IAS37(89)

A subsidiary has lodged a claim against a supplier for damages caused by the supply of faulty products. The matter has been referred to arbitration and, having received legal advice, the directors believe that a favourable outcome is probable. However, the contingent asset has not been recognised as a receivable at 31 December 2022, because receipt of the amount is dependent on the outcome of the arbitration process.

Notes on Contingent liabilities and contingent assets

Definitions

Application of definitions

IAS37(10)

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 UK Plc

The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK 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:

		2022 CU'000	2021 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 (2021: nil) relating to the Fernwood Partnership (refer to note 16(d)).

18(b) Repairs and maintenance: investment property

		2022 CU'000	2021 CU'000
IAS40(75)(h)	Contractual obligation for future repairs and maintenance – not recognised as a liability	**540**	389

19(a) Acquisition of Better Office Furnishings Limited

IAS10(21)(a),(b)
IFRS3(59)(b)
IFRS3(B64),(B66)

On 15 February 2023, VALUE IFRS UK 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 2022. The operating results and assets and liabilities of the acquired company will be consolidated from 15 February 2023.

(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**

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 to 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 2023, 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.

IFRS3(B64)(m)

(iii) Acquisition-related costs

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 2023.

(iv) Non-controlling interest

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.

IFRS3(B64)(o)

(v) Information not disclosed because not yet available

IFRS3(B66)

At the time when 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, because 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)
IAS139(40),(AG62)

At the beginning of February 2023, 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 2028. The refinancing resulted in the recognition of a modification gain of CU80,000 which will be recognised in profit or loss in the 2023 financial year.

19(c) Other events

IAS10(21)

Refer to note 13(b) for the final dividend recommended by the directors, to be paid on 10 April 2023.

Notes on events occurring after the reporting period

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

1. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK Plc:

Reference	Issue not illustrated	Relevant disclosures or references
IAS10(21),(22)(c) IFRS3(B64)	Business combination disclosures	Disclose 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 might 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 217

21. Share-based payments 223

22. Earnings per share 228

23. Offsetting financial assets and financial liabilities 231

24. Assets pledged as security 234

25. Auditors' remuneration 235

26. Summary of significant accounting policies 237

27. Changes in accounting policies 255

20 Related party transactions [1-11]

20(a) Parent entities

IAS1(138) (c)

The group is controlled by the following entities:

	Name	Type	Place of incorporation	Ownership interest 2022	Ownership interest 2021 [7,8]
IAS24(13), IAS1(138)(c)	Lion (UK) Plc	Immediate parent entity	UK	**60%**	63.70%
IAS24(13) IAS1(138)(c)	Lion AG	Ultimate parent entity and controlling party	Germany*	**60%**	63.70%

* Lion AG holds 100% of the issued ordinary shares of Lion (UK) Plc.

SI 2008/410 4 Sch 8,9

The parent undertaking of the smallest group to consolidate these financial statements is Lion (UK) plc. Copies of the Lion (UK) plc consolidated financial statements can be obtained from Lake View, Pretty Town, UK.
The parent undertaking of the largest group to consolidate these financial statements is Lion AG. Copies of the Lion AG consolidated financial statements can be obtained from Nue Straße 12, 79081 Berlin, Germany.

20(b) Subsidiaries

Interests in subsidiaries are set out in note 16(a).

IAS24(17)

20(c) Key management personnel compensation [3]

		2022 CU'000	2021 CU'000 [7,8]
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)

In addition to the above, the group is committed to pay the CEO and the CFO up to CU250,000 in the event of a change in control of the group. [7,8]

CA06 s412

20(d) Directors [9]

		2022 CU'000	2021 CU'000 [7,8]
SI 2008/410 5 Sch 1(1)(a)	Aggregate emoluments	**860**	661
SI 2008/410 5 Sch 1(1)(b)	Aggregate gains made on the exercise of share options	**311**	157
SI 2008/410 5 Sch 1(1)(c)	Aggregate amounts receivable under long-term incentive schemes	**211**	239
SI 2008/410 5 Sch 1(1)(d)	Company contributions to money purchase pension scheme	**72**	-
		1,454	1,057

Detailed remuneration disclosures are provided in the remuneration report.[3]

IAS24(18)

20(e) Transactions with other related parties [6]

IAS24(18)(a)

The following transactions occurred with related parties:

		2022 CU'000	2021 CU'000[7,8]
	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

IAS24(18)

20(e) Transactions with other related parties

		2022 CU'000	2021 CU'000[7,8]
	Dividend revenue		
IAS24(19)(g)	Other related parties	**150**	300
	Superannuation contributions [5]		
IAS24(19)(g)	Contributions to superannuation funds on behalf of employees *	**3,719**	3,287
	* See note 8(g) for information about VALUE IFRS UK Plc shares held by the group's defined benefit plan and property owned by the plan that is occupied by the group.		
	Other transactions		
IAS24(19)(a)	Dividends paid to UK parent entity	**13,690**	6,963
IAS24(19)(a)	Final call on partly paid ordinary shares paid by UK parent entity (note 9(a))	**840**	-
IAS24(19)(a)	Subscriptions for new ordinary shares by UK 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(f) 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:

		2022 CU'000	2021 CU'000 [7,8]
	Current payables (purchases of goods and services)		
IAS24(19)(a)	Lion (UK) 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(g) Loans to / from related parties

IAS24(19)(f)	**Loans to key management personnel** [10]		
IAS24(18)(b)	Beginning of the year	**606**	502
IAS24(18)(a)	Loans advanced	**220**	150
IAS24(18)(a)	Loan repayments received	**(109)**	(46)
IAS24(18)(a)	Interest charged	**57**	41
IAS24(18)(a)	Interest received	**(57)**	(41)
	Loss allowance (see note 12(c))	**(3)**	(2)
IAS24(18)(b)	End of year	**714**	604
IAS24(19)(g)	**Loans to other related parties**		
IAS24(18)(b)	Beginning of the year	**700**	600
IAS24(18)(a)	Loans advanced	**1,000**	600
IAS24(18)(a)	Loan repayments received	**(400)**	(500)
IAS24(18)(a)	Interest charged	**81**	62
IAS24(18)(a)	Interest received	**(81)**	(62)
	Loss allowance (see note 12(c))	**(4)**	(2)
IAS24(18)(b)	End of year	**1,296**	698
IAS24(19)(a)	**Loans from Lion (UK) 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
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 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, see note 12(c) for further information. No loss allowance was recognised in expense in 2021.

20(h) Terms and conditions

IAS24(18)(b)(i)

Transactions relating to dividends, calls on partly paid ordinary shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

The loans to key management personnel are generally for periods of 10 years, repayable in quarterly instalments at interest rates of 5% per annum. They are secured by first mortgages over the individuals' residences. One unsecured loan of CU60,000 was made to a director of VALUE IFRS UK Plc for a period of two years with an interest rate of 8% per annum. This loan is repayable in full on 30 March 2023.

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% (2021: 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 and 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 2026. The average interest rate on the other loans during the year was 9.5% (2021: 9.75%).

IAS24(18)(b)(i)

Outstanding balances other than loans to key management personnel are unsecured and are repayable in cash.

Notes on related party transactions

Presentation

1. All of the related party information required by IAS 24 that is relevant to VALUE IFRS UK 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, materiality depends on the size and nature of an item. It might 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 might apply when transactions occur between an entity and parties who have a fiduciary responsibility in relation to that entity, such as those transactions between the entity and its key management personnel.

Key management personnel compensation

3. While the disclosures under 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.

Related party definition

IAS24(9)

4. The definition of a related party includes the following persons and entities:

IAS24(IE4)-(IE26)

(a) A person (or a close member of that person's family) is related to the reporting entity if the person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.

(b) The reporting entity (A) is related to another entity (B) if:

(i) A and B are members of the same group (that is all entities within a group are related to each other);

(ii) A is an associate or joint venture of B. In this case A is related to all members of the group that B belongs to;

(iii) A and B are joint ventures of the same third party, C;

(iv) A is a joint venture of C and B is an associate of C (or vice versa);

(v) B is a post-employment benefit plan for the benefit of employees of A or an entity related to A. If A is itself a post-employment benefit plan, any sponsoring employers are also related to A;

(vi) B is controlled or jointly controlled by a person identified in (a) above;

(vii) a person who has control or joint control over A has significant influence over B or is a member of the key management personnel of B; or

(viii) B (or any member of the group of which B is a part) provides key management personnel services to A or A's parent.

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)

5. Post-employment benefit plans for the benefit of employees of the entity, or of any entity that is a related party of the entity, are related parties 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.

Transactions with related parties

IAS24(9),(21)
IAS37(3)

6. Related party transactions are transfers of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. They include commitments to do something if a particular event occurs (or does not occur) in the future and executory contracts (recognised or unrecognised). Since 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)

7. 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.

8. 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.

AIM companies

9. AIM companies are unquoted companies under the definition of the Companies Act and are not required to produce a directors' remuneration report. They are required to provide additional information:

SI 20081/410 5 Sch 2

- If the sum of aggregate remuneration, gains on the exercise of share options and amounts received/receivable under long-term incentive schemes exceeds £200,000 (for all directors in total), disclosures are required in respect of the highest paid director. These are:
  - the amount of this total attributable to the highest paid director;
  - the accrued pension and accrued lump sum on any defined benefit pension scheme;
  - whether he/she exercised any share options; and
  - whether any shares were received/receivable under any long-term incentive scheme.

AIM Rule 19

AIM Rule 19 requires the following to be disclosed for each director:

- emoluments and compensation (including both cash and non-cash benefits);
- details of share options and other long-term incentive schemes (including information on all outstanding options and/or awards); and
- the value of any company contributions made to a pension scheme.

AIM companies must disclose any transaction with a related party, whether disclosed previously under the AIM Rules or not, where any of the class tests in Schedule 3 to the AIM Rules exceed 0.25%. This must specify the identity of the related party and the consideration for the transaction.

Loans to directors

CA06 s413

10. In these illustrative financial statements, none of the loans made to key management personnel have been to directors. The legal disclosure requirements on directors' benefits: advances, credit and guarantees are set out in section 413 of the Companies Act 2006.

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

11. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK 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 key management personnel services and any other transactions with that entity.
IAS24(21)(g)	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 to 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, because 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 2016 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 UK 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 UK 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 UK Stock Exchange during the week up to and including the date of the grant.

Set out below are summaries of options granted under the plan:

IFRS2(45)(b)(i),(ii),(iii),(iv),(vii)

	2022		2021	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
As at 1 January	**CU5.55**	**2,056,000**	CU5.33	1,688,000
Granted during the year	**CU6.18**	**818,000**	CU5.78	814,000
Exercised during the year *	**CU5.28**	**(228,000)**	-	-
Forfeited during the year	**CU5.71**	**(445,000)**	CU5.12	(446,000)
As at 31 December	**CU5.78**	**2,201,000**	CU5.55	2,056,000
Vested and exercisable at 31 December	**CU5.28**	**263,000**	-	-

IFRS2(45)(c)

* The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2022 was CU6.35 (2021: 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 2022**	Share options 31 December 2021
1 November 2019	30 October 2024	CU5.28	263,000	546,000
1 November 2020	30 October 2025	CU5.51	569,000	709,000
1 November 2021	30 October 2026	CU5.78	641,000	801,000
1 November 2022	30 October 2027	CU6.18	728,000	-
Total			**2,201,000**	**2,056,000**

IFRS2(45)(d)

Weighted average remaining contractual life of options outstanding at end of period	3.67 years	3.96 years

(i) Fair value of options granted

IFRS2(46),(47)(a)(i)

The assessed fair value at grant date of options granted during the year ended 31 December 2022 was CU1.80 per option (2021: CU1.75). The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, and the correlations and volatilities of the peer group companies.

IFRS2(47(a)(i)

The model inputs for options granted during the year ended 31 December 2022 included:

(a) options are granted for no consideration and vest based on VALUE IFRS UK 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 (2021: CU5.78);
(c) grant date: 1 November 2022 (2021: 1 November 2021);
(d) expiry date: 30 October 2027 (2021: 30 October 2026);
(e) share price at grant date: CU6.12 (2021: CU5.83);
(f) expected price volatility of the company's shares: 35% (2021: 30%)
(g) expected dividend yield: 3.8% (2021: 3.2%); and
(h) risk-free interest rate: 6% (2021: 5.5%).

IFRS2(47)(a)(ii)

The expected price volatility is based on the historical 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 UK 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 26(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 UK 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 UK Stock Exchange during the week up to and including the date of the grant (CU5.94 for the rights granted in February 2022, and CU6.08 for the rights granted in 2021).

IFRS2(47)(b)

The fair value of the rights at grant date (CU5.50; 2021: 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 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)

	2022	2021
	Number of shares	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	**0.68 years**	0.70 years

IFRS2(45)(d)

(i) Net settlement feature for withholding tax obligations

IFRS2(44),(45)(a)

Under UK tax law, VALUE IFRS UK 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. An amount of CU46,000 was withheld and paid to the taxation authority in relation to the deferred shares granted in February 2022 (2021: nil).

21(c) Employee share scheme

IFRS2(44),(45)(a)

A scheme under which shares could be issued by the company to employees for no cash consideration was approved by shareholders at the 2018 annual general meeting. All UK 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 can 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 26(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 can be granted up to CU1,000 worth of fully paid ordinary shares in VALUE IFRS UK 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 UK Stock Exchange during the week up to and including the date of grant. The shares are recognised at the closing share price on the grant date (grant date fair value) as an issue of treasury shares by the trust (in 2021 as share capital, see note 9(a)) and as part of employee benefit costs in the period when the shares are granted.

Offers under the scheme are at the discretion of the company, and no offer can 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 cannot be sold until the earlier of three years after issue or cessation of employment by the group. In all other respects the shares rank equally with other fully paid ordinary shares on issue (refer to note 9(a)).

		2022	2021
IFRS2(45)(a)	Number of shares issued under the plan to participating employees on 1 June 2022 (2 June 2021)	**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 (2021: CU5.50). The shares had a grant date fair value of CU6.18 (2021: CU5.59).

21(d) Share appreciation rights

IFRS2(44),(45)(a)

In September 2022, 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 UK Plc's share price between the grant date (25 September 2022: CU5.43) and the vesting date (25 September 2025). 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 with the following inputs as at 31 December 2022:

		31 December 2022
	Share price at measurement date	**CU6.19**
	Expected volatility	**32%**
	Dividend yield	**3.80%**
	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 2022.

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:

	2022 CU'000	2021 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

Notes on 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 might therefore be appropriate to provide similar disclosures to the extent that they are applicable to the share awards.

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

Fair value of goods or services received, or of equity instruments granted

2. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK 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 paragraphs 44, 46 and 50 of IFRS 2	Provide additional information as necessary.

3. The following illustrative disclosure might be useful where relevant to an entity:

Modification of share-based payment arrangements

IFRS2(47)(c)

In May 2022, VALUE IFRS UK Plc increased the vesting period for the employee share options granted in October 2021 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: [entities should further provide details here].

22 Earnings per share [1]

22(a) Basic earnings per share

		2022 Cents	2021 Cents
	From continuing operations attributable to the ordinary equity holders of the company	**57.1**	47.5
IAS33(68)	From discontinued operation	**1.3**	0.7
	Total basic earnings per share attributable to the ordinary equity holders of the company	**58.4**	48.2

22(b) Diluted earnings per share

		2022 Cents	2021 Cents
	From continuing operations attributable to the ordinary equity holders of the company	**56**	47.3
IAS33(68)	From discontinued operation	**1.3**	0.7
	Total diluted earnings per share attributable to the ordinary equity holders of the company	**57.3**	48

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

		2022 CU'000	2021 CU'000
IAS33(70)(a)	**Basic earnings per share**		
	Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
	From continuing operations	**31,899**	25,724
	From discontinued operation	**727**	399
		32,626	26,123
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	**31,899**	25,765
IAS33(70)(a)	Add: interest savings on convertible notes	**435**	-
	Used in calculating diluted earnings per share	**32,334**	25,765
	Profit from discontinued operation	**727**	399
	Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**33,061**	26,164

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

		2022 Number	2021 Number
IAS33(70)(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**55,885,049**	54,184,666
IAS33(70)(b)	Adjustments for calculation of diluted earnings per share:		
	Amounts uncalled on partly paid shares and calls in arrears	**101,328**	90,517
	Options	**166,139**	87,346
	Deferred shares	**101,058**	82,315
	Convertible notes	**1,452,085**	-
IAS33(70)(b)	Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**57,705,659**	54,444,844

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 they are included as potential ordinary shares in the determination of diluted earnings per share.

(ii) Options

IAS33(72)

Options granted to employees under the VALUE IFRS Employee Option Plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required TSR hurdles would have been met based on the company's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 21.

IAS33(70)(c)

The 818,000 options granted on 1 November 2022 are not included in the calculation of diluted earnings per share, because they are antidilutive for the year ended 31 December 2022. 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 that all outstanding rights will vest. The rights are not included in the determination of basic earnings per share. Further information about the rights is provided in note 21.

(iv) Convertible notes

IAS33(72)

Convertible notes issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The notes have not been included in the determination of basic earnings per share. Details relating to the notes are set out in note 7(g).

(v) 7% non-redeemable participating preference shares

IAS33(72)

The 7% non-redeemable participating preference shares were classified as equity and were a separate category of ordinary shares for the purposes of determining earnings per share, rather than potential ordinary shares. The shares were bought back and cancelled during the year (see note 9(a)). They have not been included in the determination of basic or diluted earnings per share, because no shares were on issue at year end in this category of ordinary shares.

(vi) 6% cumulative redeemable preference shares

IAS33(72)

The 6% cumulative redeemable preference shares are not ordinary or potential ordinary shares and have not been included in the determination of basic and diluted earnings per share. These shares are classified as liabilities (see note 7(g)).

Notes on earnings per share

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

1. The following requirements are not illustrated in this publication, because they are not applicable to VALUE IFRS UK Plc:

Reference	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 [1-7]

IAS32(42)
IFRS7(13A),(13B)

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where VALUE IFRS UK 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 UK Plc has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be offset 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 2022 and 31 December 2021. The column 'net amount' shows the impact on the group's balance sheet if all set-off rights were exercised.

IFRS7(13C)

	Effects of offsetting on the balance sheet			Related amounts not offset		
2022	**Gross amounts**	**Gross amounts offset in the balance sheet**	**Net amounts presented in the balance sheet**	**Amounts subject to master netting arrange-ments**	**Financial instrument collateral**	**Net amount**
Financial assets	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**
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**
2021						
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 balance sheet.

(ii) Borrowings

IFRS7(13B)

VALUE IFRS UK 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. On maturity of the borrowing, the company and the lender intend to net settle. As a result, VALUE IFRS UK Plc's borrowings have been presented net of the cash on deposit, since 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. Since VALUE IFRS UK Plc does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the table above.

23(c) Collateral against borrowings [6]

IFRS7(13C)

VALUE IFRS UK Plc has pledged financial instruments as collateral against a number of its borrowings. Refer to note 24 for further information on financial and non-financial collateral pledged as security against borrowings.

Notes on 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 offset 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 offset in the balance sheet.

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 should 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 might 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 UK Plc illustrates an example where cash has been offset against borrowings held by the entity. As a result, it is required to disclose other financial instrument collateral provided in relation to this borrowing.

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	2022 CU'000	2021 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).

25. Auditors' remuneration [1-4]

SI 2011/2198
ICAEW Tech 14/13

During the year, the group (including its overseas subsidiaries) obtained the following services from the company's auditors and its associates:

	2022 CU'000	2021 CU'000
Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements	**738**	625
Fees payable to company's auditors and its associates for other services:		
Audit of the financial statements of the company's subsidiaries	**901**	543
Audit-related assurance services	**312**	154
Tax compliance services	**72**	91
Tax advisory services	**35**	52
	2,058	1,465
Fees in respect of the VALUE IFRS UK Plc pension scheme:		
Audit	**1,204**	931
Audit-related assurance services	**123**	-
	1,327	931

Notes on auditors' remuneration

Independence

UKCGC Provision 25

1. The annual report should outline how the directors ensure that the independence of the group's auditors has not been compromised by the provision of non-audit services. For listed companies, guidance on independence is included in the UK Corporate governance code. This disclosure can be given as part of the corporate governance statement or in the annual report.

Commentary

2. If the Company has agreed Liability Limitation Agreement ("LLA") with their auditors, as defined by Section 534 of the Companies Act 2006, then additional disclosures are required.

3. The following disclosures in the financial statements are required by The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, No. 489, Part 3, Regulation 8:

   A company which has entered into a liability limitation agreement must disclose:

   (i) its principal terms; and

   (ii) the date of the resolution approving the agreement or the agreement's principal terms or, in the case of a private company, the date of the resolution waiving the need for such approval, in a note to the company's annual accounts.

   CA06 Section 536(4) states that the 'principal terms' of an LLA are 'terms specifying, or relevant to the determination of –

   (a) the kind (or kinds) of acts or omissions covered,
   (b) the financial year to which the agreement relates, or
   (c) the limit to which the auditor's liability is subject.'

4. Companies may wish to take legal advice as to precisely what to disclose in their accounts, but we recommend the following to be the minimum:

   The directors have agreed with the group's auditors that the auditor's liability to damages for breach of duty in relation to the audit of the group's financial statements for the year to 31 December 2022 should be limited to the greater of £x or xtimes the auditor's fees, and that in any event the auditor's liability for damages should be limited to that part of any loss suffered by the group as is just and equitable having regard to the extent to which the auditor, the group and any third parties are responsible for the loss in question. The shareholders [approved this / waived the need for approval of this] limited liability agreement, as required by the Companies Act 2006, by a resolution dated [x]

   The annual accounts in which the disclosure required by paragraph must be made shall be those for the financial year to which the agreement relates unless the agreement was entered into too late for it to be reasonably practicable for the disclosure to be made in those accounts.

   If the agreement was entered into too late for it to be reasonably practicable for the disclosure required by paragraph (a) to be made in the accounts for the financial year to which the agreement relates, the disclosure shall be made in a note to the company's next following annual accounts.

26. Summary of significant accounting policies [1-20]

IAS1(112)(a),(b) (51)(b)

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent that 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 UK Plc and its subsidiaries.

IAS1(112)(a),(117)

26(a) Basis of preparation

(i) Compliance with IFRS

IAS1(16), DTR

The consolidated financial statements of the VALUE IFRS UK Plc group have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

[Note: An overseas listing might impact the wording of the basis of preparation and the relevant regulatory requirements would need to be determined.]

(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.

(iii) New and amended standards adopted by the group

IAS8(28)

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipement: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Annual Improvements to IFRS Standards 2018-2020; and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The group also elected to adopt the following amendments early:[9]

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12; and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

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

(iv) New standards and interpretations not yet adopted

IAS8(30)

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

[Entities that could be expected to be significantly impacted by the adoption of IFRS 17, 'Insurance Contracts', should consider whether there is any information that they should provide about the impact in their annual report. See Appendix D for more information.]

(v) Going concern

IAS1(125)
UKCGC Provision 30

The group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty, particularly over (a) the level of demand for the group's products, and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. Having assessed the principal risks and the other matters discussed in connection with the viability statement, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the group's borrowings is given in note 7(g)

26(b) Principles of consolidation and equity accounting

IAS1(119)

(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 (refer to note 26(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 balance sheet respectively.

IAS1(119)

(ii) Associates

IAS28(5),(16)

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

IFRS11(14)

Under IFRS 11, 'Joint Arrangements', investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. VALUE IFRS UK Plc has both joint operations and joint ventures.

Joint operations

IFRS11(20)

VALUE IFRS UK Plc recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 16(d).

Joint ventures

IFRS11(24)
IAS28(10)

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity method

IAS28(10)

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

IAS28(38),(39)

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 26(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 UK 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 might 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)

26(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 UK 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)

26(d) Foreign currency translation

IAS1(119)

(i) Functional and presentation currency

IAS21(9),(17),(18)
IAS1(51)(d)

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in currency units (CU), which is VALUE IFRS UK Plc's functional and presentation 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)
IAS21(30)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as 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 hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

IAS21(39)

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

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)

26(e) Revenue recognition

The accounting policies for the group's revenue from contracts with customers are explained in note 3.

IAS1(119)

26(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)

26(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. 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 that 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.

(i) Investment allowances and similar tax incentives

Companies within the group might be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (for example, the research and development Tax Incentive regime in the UK or other investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

IAS1(119)

26(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 payment 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.

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)

26(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 as 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)

26(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 might 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)

26(k) Cash and cash equivalents

IAS7(6),(8),(46)

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in VALUE, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

IAS1(119)

26(l) Trade receivables

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)

26(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 are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

IAS1(119)

(ii) Land held for 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 is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

IAS1(119)

26(n) Non-current assets (or disposal groups) held for sale and discontinued operations

IFRS5(6),(15)

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

IFRS5(20)-(22)

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

IFRS5(25)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

IFRS5(38)

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

IFRS5(31),(32), (33)(a)

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-

ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

26(o) Investments and other financial assets

(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).
- 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 be recorded either in profit or loss or in 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 [12,13]

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 a 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 a 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.

(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)

26(p) Derivatives and hedging activities

IFRS9(5.1.1), (5.2.1)(c), (5.2.3)

Derivatives are initially recognised at fair value on the date that 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 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).
- Hedges of a net investment in a foreign operation (net investment hedges). (IFRS9(6.5.2))

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

(i) Cash flow hedges that qualify for hedge accounting

IFRS9(6.5.11)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. 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. Until 31 December 2020, the group classified foreign currency options as held-for-trading derivatives and accounted for them at FVPL.

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 might 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)
IFRS9(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, since the hedged item affects profit or loss (for example, 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.

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

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). [14]

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

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). [15]

IAS1(119)
IFRS7(21)

26(q) Financial guarantee contracts

IFRS9(4.2.1)(c)

Financial guarantee contracts are recognised as a financial liability at the time that 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.
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

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)

26(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 might also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

IAS16(12)

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

IAS16(39)

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset. all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

IAS16(50),(73)(b) The depreciation methods and periods used by the group are disclosed in note 8(a).

IAS16(51) The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

IAS36(59) An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 26(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)

26(s) Investment properties

IAS40(75)(a) The group's accounting policy for investment properties is disclosed in note 8(c).

IAS1(119)

26(t) Intangible assets

IAS1(119)

(i) Goodwill

IFRS3(32) IAS36(10) Goodwill is measured as described in note 26(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) Software

IAS38(57),(66),(74), (97), (118)(a), (b) Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets 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.

IAS1(119)

(iv) Research and development

IAS38(54),(71) Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

IAS1(119)

(v) Amortisation methods and periods

Refer to note 8(d) for details about amortisation methods and periods used by the group for intangible assets.

IAS1(119)

26(u) Trade and other payables

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. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

IAS1(119)

26(v) Borrowings

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 that 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.

IFRS9(3.3.1), (3.3.3)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

IFRIC19(9)

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

IAS1(69)

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

IAS1(119) IAS23(8)

26(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)

26(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 might 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)

26(y) Employee benefits

(i) Short-term obligations[16]

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 balance sheet.

IAS19(8),(155),(156)

(ii) Other long-term employee benefit obligations[16]

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 balance sheet 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.

(iii) Post-employment obligations

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Pension obligations

IAS19(57),(67)

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

IAS19(83),(86)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

IAS19(123)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

IAS19(57)(d)

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

IAS19(103)

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

IAS19(51)

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

Other post-employment obligations

IAS19(155)

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

26(y) Employee benefits

IAS1(119)

Share-based payments[17]

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.

Employee options

IFRS2(15)(b),(19)
IFRS2(21)

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(20)
IFRS2(21A)

- including any market performance conditions (such as the entity's share price).
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).
- including the impact of any non-vesting conditions (such as 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.

The Employee Option Plan is administered by the VALUE IFRS Employee Share Trust, which is consolidated in accordance with the principles in note 26(b)(i). When the options are exercised, the trust transfers the appropriate amount of shares to the employee. The proceeds received, net of any directly attributable transaction costs, are credited directly to equity.

Employee share scheme

Under the employee share scheme, shares issued by the VALUE IFRS Employee Share Trust to employees for no cash consideration vest immediately on grant date. On this date, the market VALUE of the shares issued is recognised as an employee benefits expense, with a corresponding increase in equity.

Deferred shares

IFRS2(15),(16),(19)
IFRS2(19)

The fair value of deferred shares granted to employees for nil consideration under the short-term incentive scheme is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period, and adjustments are recognised in profit or loss and the share-based payment reserve.

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 with effect from the date of the forfeiture.

The deferred shares are acquired by the VALUE IFRS Employee Share Trust on-market at the grant date and are held as treasury shares until such time as they are vested (see note 26(z) below).

Share appreciation rights

IFRS2(30)

Liabilities for the group's share appreciation rights are recognised as an employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as employee benefit obligations in the balance sheet.

IAS1(119)

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.

26(y) Employee benefits

IAS1(119)

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. (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.

Reclassification of employee benefit obligations[18]

IAS1(41)

The group's liabilities for accumulating sick leave and other long-term employee benefit obligations were previously presented as provisions in the balance sheet. However, management considers it to be more relevant if all employee benefit obligations are presented in one separate line item in the balance sheet. Prior year comparatives as at 31 December 2020 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 2020).

IAS1(119)

26(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 UK 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 UK Plc.

IAS32(33)

Shares held by the VALUE IFRS Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

IAS1(119)

26(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)

26(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.
- The weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares.

IAS1(119)

26(ac) Rounding of amounts

IAS1(51)(e)

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Currency Units, unless otherwise stated.

Notes on summary of significant accounting policies

Basis of preparation

Change relevant for all UK companies

1. UK companies transitioned to UK-adopted International Accounting Standards for accounting periods beginning on or after 1 January 2021. So far there is no change to recognition and measurement however, the UK Endorsement Board (UKEB) is responsible for adopting new IFRS and amendments for use in the UK and the UKEB has the authority to carve out IFRS standards for use in the UK. Currently there are no UK carve outs to disclose.

Additional changes relevant to UK companies listed on the UK main market

2. The Disclosure Guidance and Transparency Rules Sourcebook ('DTR') was also updated to require that consolidated financial statements prepared by entities with premium or standard listings on the London Stock Exchange ('LSE') for periods commencing on or after 1 January 2021 be prepared in accordance with UK-adopted international accounting standards, consistent with the IFRS framework adopted in UK law.

Whether to disclose an accounting policy

IAS1(119)

3. 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.

4. Some IFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies that 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.

IAS1(117)

5. In this publication, we have disclosed policies that are specific to the entity and are relevant for an understanding of individual line items in the financial statements, together with the notes for those line items. Other, more general policies are disclosed in note 26.

   The IASB has amended IAS 1 to require entities to disclose their "material" rather than "significant" accounting policies. Accounting policies are material if, when considered together with other information 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.

   For the purposes of this publication, we have assumed that VALUE IFRS UK Plc did not have to change it's disclosed accounting policies because of the amendment to IAS 1 which it adopted early.

Change in accounting policy – new and revised accounting standards

IAS8(28)

6. 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 27 for further information.

IAS8(28)

7. 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.

8. For the purpose of this edition, we have assumed that VALUE IFRS UK Plc did not have to make any changes to its accounting policies. 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.

Early adoption of accounting standards

IFRS16(60A), (C1C

9. VALUE IFRS UK 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. 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 31 December 2022 but not yet mandatory refer to Appendix D.

Standards and interpretations issued but not yet effective

IAS8(30)

10. 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 (e.g. IFRS 17, 'Insurance Contracts', where relevant). 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.

11. In our view, where the expected impact is material, entities should make these disclosures even if the new accounting pronouncement is issued after the balance sheet date but before the date of authorisation of the financial statements.

12. The illustrative accounting policy note assumes that none of the standards on issue at the time of writing will have a material impact on VALUE IFRS UK 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 31 December 2022 but not yet mandatory refer to Appendix D.

    For major new standards such as IFRS 17, regulators will generally expect to see entity-specific disclosures about the entity's transition approach and, ultimately, also a quantification of the estimated impact of these standards, if the standards are relevant to the entity.

IFRS17 Appendix A

13. 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'. Entities should be aware that this could also include certain contract entered into by entities that are not insurers, such as fixed-fee for service contracts. IFRS 17 is not only applicable to insurance entities but all entities who issue contracts which meet the definition of an insurance contract under IFRS 17.

Financial instruments

IFRS7(21), (B5)

14. Disclosure of the measurement bases of financial instruments might 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.

    (c) how net gains or net losses on each category of financial instruments are determined (for example, 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

15. VALUE IFRS UK Plc's accounting policies for financial assets and derivatives (notes 26(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 might 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

IAS19(8),(BC16)-(BC21)

16. VALUE IFRS UK Plc has presented its obligation for accrued annual leave within current employee benefit obligations. However, it might 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.

    For measurement purposes, we have assumed that VALUE IFRS UK 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)

17. Share-based payment expenses should be recognised over the period during which the employees provide the relevant services. This period might 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 UK Plc are an example where this is the case. They are expensed over three years and two months, being the period to which the bonus relates and the two subsequent years until the deferred shares vest.

Reclassification

IAS1(41)

18. 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.

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

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

Reference	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 note 7 commentary paragraph 16 for illustrative disclosures.
IAS29(39)	Financial reporting in hyper-inflationary 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

20. 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) IFRS Illustrative Consolidated Financial Statements – Investment property

(b) IFRS Illustrative Consolidated Financial Statements – Investment funds

(c) IFRS Illustrative Consolidated Financial Statements – Private equity funds

(d) IFRS 9 for banks – Illustrative disclosures

(e) Illustrative IFRS Consolidated financial statements – IFRS 17 Insurance Contracts

27 Changes in accounting policies [1-7]

Disclosures removed as not relevant for the current reporting period.

Notes on changes in accounting policies

Disclosures not illustrated: not applicable to VALUE IFRS UK Plc

1. As there are no new or amended accounting standards that required VALUE IFRS UK Plc to change its accounting policies for the 2022 financial year, we have not illustrated the relevant disclosures in this year's publication. For a comprehensive illustration of disclosures of changes in accounting policies please refer to the 2019 or 2020 editions of the Illustrative annual report and IFRS financial statements for the UK (available on PwC Viewpoint).

2. Our practical guide to Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 for interest rate benchmark (IBOR) reform includes example disclosures which illustrate both 'phase 1' and 'phase 2' amendments to IFRS 7 for a cash flow hedge and other financial instruments typical of a corporate entity which applies IFRS 9 to its hedge accounting relationships.

Voluntary changes in accounting policy

3. 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)

4. 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..

IFRS15(C4)

5. 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.

Change of accounting policy in response to IFRS IC agenda decisions

IAS8(29)

6. While IFRS IC agenda decisions do not form part of IFRSs, they often result in explanatory material that provides new information that was not otherwise available and could not otherwise reasonably have been expected to be obtained. Therefore, an entity might change its previous accounting treatment following the issue of an IFRS IC agenda decision.

7. In such a case, the entity 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 IC agenda decision on [subject matter] in [date], the group has reconsidered its accounting treatment. The group has adopted the treatment set out in the IFRS IC 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.].

Additional comparative information – third balance sheet

IAS1(40A), (40C)

8. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements and this had a material effect on the information in the balance sheet (statement of financial position) at the beginning of the preceding period, the entity must present a third balance sheet as at that date (1 January 2021 for entities with a 31 December 2022 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)

9. The third balance sheet must be presented as at the beginning of the preceding period even if the entity presents comparative information for earlier periods.

Impact of change on prior period interim financial reports

IAS1(112)(c)

10. 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 period 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.

VALUE IFRS UK Plc
Company financial statements 31 December 2022

IAS1(49)

Company financial statements	257
Balance sheet	258
Statement of changes in equity	260
Statement of cash flows	261
Notes to the financial statements	262

IAS1(51)(b),(d)

These financial statements are the separate financial statements for VALUE IFRS UK Plc.

The financial statements are presented in Currency Units (CU).

IAS1(138)(a)
CA06 s397

VALUE IFRS UK Plc is a public limited company which is listed on the London Stock Exchange and incorporated and domiciled in the UK. Its registered office and principal place of business is:

VALUE IFRS UK Plc

350 Harbour Street

Nice Town

UK

IAS10(17)

The financial statements were authorised for issue by the directors on 24 February 2023.

IAS1(10)(a),(54)

Balance sheet [1]
for the year ended 31 December 2022

		Notes	**2022 CU'000**	2021 CU'000
IAS1(51)(c),(e) IAS1(113)				
	Assets			
IAS1(60),(66)	**Non-current assets**			
IAS28(38)	Investments	2	**59,286**	46,940
	Deferred tax asset	3(b)	**-**	9
IFRS7(8)(a)	Financial assets at fair value through profit or loss	1(b)	**1,290**	-
IFRS7(8)(h)	Financial assets at amortised cost	1(a)	**10,000**	15,000
	Total non-current assets		**70,576**	61,949
IAS1(60),(66)	**Current assets**			
IFRS7(8)(f)	Financial assets at amortised cost	1(a)	**4,940**	4,948
IAS1(54)(i)	Cash and cash equivalents (excluding bank overdrafts)		**36,858**	10,115
	Total current assets		**41,798**	15,063
	Total assets		**112,374**	77,012
	Liabilities			
IAS1(60),(69)	**Non-current liabilities**			
IAS1(54)(m) IFRS7(8)(g)	Borrowings	1(d)	**16,815**	-
IAS1(54)(o),(56)	Deferred tax liabilities	3(b)	**945**	-
	Total non-current liabilities		**17,760**	-
IAS1(60),(69)	**Current liabilities**			
IAS1(54)(k)	Trade and other payables	1(c)	**3,175**	1,786
	Total current liabilities		**3,175**	1,786
	Total liabilities		**20,935**	1,786
	Net assets		**91,439**	75,226
	Equity			
IAS1(54)(r)	Share capital and share premium	4(a)	**84,077**	63,976
	Other equity	4(b)	**1,774**	-550
IAS1(54)(r)	Other reserves	4(c)	**3,271**	1,844
	Retained earnings	4(d)		
	At 1 January		**9,956**	16,005
CA06 s408	Profit for the year [1]		**16,578**	4,980
	Other changes in retained earnings		**(24,217)**	(11,029)
			2,317	9,956
	Total equity		**91,439**	75,226

Not mandatory The above balance sheet should be read in conjunction with the accompanying notes.

The company financial statements on pages 239 to 258 were authorised for issue by the board of directors on 24 February 2023 and were signed on its behalf.

CD Suede
Chief Executive

G Wallace
Finance Director

VALUE IFRS UK Plc registered number xxyyzz

Parent company exemption

CA06 s408

1. VALUE IFRS UK Plc has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account. A company that takes this exemption is required to show the company's profit or loss for the year in its individual balance sheet. The law does not prescribe the way in which this information should be shown. A company could present the profit and loss for the year within the balance sheet itself by, for example, presenting as line items within the balance sheet both the brought-forward profit and loss reserve and the profit for the year. Alternatively, a company could show the profit for the year as a footnote to the balance sheet. Whichever method is used, the profit and loss for the year must be shown on the face of the balance sheet. It is not acceptable to give the disclosure in the notes only.

IAS1(10)(c),(106)

Statement of changes in equity

		Notes	Share capital and premium CU'000	Other equity CU'000	Other reserves CU'000	Retained earnings CU'000	Total equity CU'000
IAS1(106)(d)	**Balance at 1 January 2021**		62,619	(251)	1,289	16,005	79,693
IAS1(106) (d)(i),(ii)	Profit and total comprehensive income for the period		-	-	-	4,980	4,992
IAS1(106) (d)(iii)	**Transactions with owners in their capacity as owners:**						
IAS32(22),(35)	Contributions of equity net of transaction costs	4(a)	1,357	-	-	-	1,357
IAS32(33)	Acquisition of treasury shares	4(b)	-	(299)	-	-	(299)
	Dividends paid		-	-	-	(11,029)	(11,029)
IFRS2(50)	Employee share schemes – value of employee services	10	-	-	555	-	555
			1,357	(299)	555	(11,029)	(9,416)
IAS1(106) (d)	**Balance at 31 December 2021 and 1 January 2022**		**63,976**	**(550)**	**1,844**	**9,956**	**75,226**
IAS1(106) (d)(i),(ii)	Profit and total comprehensive income for the period		-	-	-	16,578	16,578
IAS1(106) (d)(iii)	**Transactions with owners in their capacity as owners:**						
IAS32(22),(35)	Contributions of equity, net of transaction costs and tax	4(a)	10,871	-	-	-	10,871
	Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	2	9,730	-	-	-	9,730
IAS32(33)	Acquisition of treasury shares	4(b)	-	(1,217)	-	-	(1,217)
IAS32(35)	Buy-back of preference shares, net of tax	4(a)	(500)	-	500	(1,380)	(1,380)
	Value of conversion rights on convertible notes	4(b)	-	2,450	-	-	2,450
	Dividends paid		-	-	-	(22,837)	(22,837)
	Employee share schemes – value of employee services	10	-	-	2,018	-	2,018
IFRS2(50)	Issue of treasury shares to employees	4(c)	-	1,091	(1,091)	-	-
			20,101	2,324	1,427	(24,217)	(365)
IAS1(106)(d)	**Balance at 31 December 2022**		**84,077**	**1,774**	**3,271**	**2,317**	**91,439**

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

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

Statement of cash flows

IAS1(113)

		Notes	2022 CU'000	2021 CU'000
IAS7(10),(18)(a)	**Cash flows from operating activities**			
IAS7(14)(a)	Cash used in operations	5(a)	**(8,905)**	(9,646)
IAS7(31)-(33)	Interest received		**1,400**	1,750
IAS7(31)-(33)	Interest paid		**(527)**	-
	Net cash (outflow) from operating activities		**(8,032)**	(7,896)
IAS7(10),(21)	**Cash flows from investing activities**			
IAS7(39)	Payment for acquisition of subsidiary	2	**(3,000)**	-
	Payment for additional investment in subsidiary	2	**(1,500)**	-
IAS7(39)	Proceeds from disposal of subsidiary	2	**3,110**	-
IAS7(16)(f)	Repayment of loan by subsidiary	9(c)	**5,000**	5,000
IAS7(31)	Dividends from subsidiaries	9(a)	**25,838**	12,894
	Net cash inflow from investing activities		**29,448**	17,894
IAS7(10),(21)	**Cash flows from financing activities**			
IAS7(17)(a)	Proceeds from issues of shares and other equity securities	4(a)	**12,411**	-
	Proceeds from calls on shares and calls in arrears	4(a)	**1,500**	-
IAS7(17)(c)	Proceeds from borrowings	1(d)	**16,500**	
IAS7(17)(b)	Payments for shares bought back	4(a)	**(1,350)**	-
IAS7(17)(b)	Acquisition of treasury shares		**(1,217)**	(299)
	Share issue and buy-back transaction costs	4(a)	**(245)**	-
IAS7(31),(34)	Dividends paid to company's shareholders		**(22,272)**	(10,470)
	Net cash inflow/(outflow) from financing activities		**5,327**	(10,769)
	Net increase/(decrease) in cash and cash equivalents		**26,743**	(771)
	Cash and cash equivalents at the beginning of the financial year		**10,115**	10,886
	Cash and cash equivalents at end of year		**36,858**	10,115

Not mandatory The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the company financial statements

1	Financial assets and financial liabilities	263
2	Investment in subsidiaries	266
3	Deferred tax	268
4	Equity	269
5	Cash flow information	271
6	Employee information	272
7	Financial risk management	273
8	Capital management	275
9	Related party transaction	276
10	Information included in the notes to the consolidated financial statements	277
11	Summary of significant accounting policies	278

1. Financial assets and financial liabilities

Not mandatory

This note provides information about the company's financial instruments, including:
- An overview of all financial instruments held by the company.
- Specific information about each type of financial instrument.
- Accounting policies.
- Information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

Not mandatory
IFRS7(8)

The company holds the following financial instruments:

Financial assets	2022 CU'000	2021 CU'000
Financial assets at amortised cost		
Financial assets at amortised cost	**14,940**	19,948
Cash and cash equivalents	**36,858**	10,115
Financial assets at fair value through profit or loss (FVPL)	**1,290**	-
	53,088	30,063

Financial liabilities	2022 CU'000	2021 CU'000
Liabilities at amortised cost		
Trade and other payables *	**3,154**	1,770
Borrowings	**16,815**	-
	19,969	1,770

* Excluding non-financial liabilities

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

The company's exposure to various risks associated with the financial instruments is discussed in note 7. 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.

1(a) Financial assets at amortised cost

IAS1(117)

Classification of financial assets at amortised cost

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.
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost include the following debt investments:

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

	2022			2021		
	Current CU'000	**Non-current CU'000**	**Total CU'000**	Current CU'000	Non-current CU'000	Total CU'000
Loan to subsidiary (i)	**5,000**	**10,000**	**15,000**	5,000	15,000	20,000
Less: loss allowance for debt investments at amortised cost (note 7(a))	**(60)**	**-**	**(60)**	(52)	-	(52)
	4,940	**10,000**	**14,940**	4,948	15,000	19,948

See note 11(g) for the relevant accounting policies.

1(a) Financial assets at amortised cost

(i) Loan to subsidiary

IAS24 (18)()(i)

In 2020, the company issued a loan to its subsidiary, VALUE IFRS Retail Limited. The loan is unsecured and repayable in annual instalments of CU5,000,000, with the final payment due on 31 December 2024. Interest accrues at an annual rate of 7% and is payable in cash.

Further information relating to loans to related parties is set out in note 9(d).

IFRS7 (25),(6)

Fair value of the loan to subsidiary was determined by discounting cash flows using a rate based on the borrowings rate of 7.5% (2021: 7.2%). The discount rate is equal to LIBOR plus an appropriate credit rating. The fair values are within level 2 of the fair value hierarchy.

	2022 CU'000	2021 CU'000
Fair value of loan to subsidiary	**14,947**	19,783

(ii) Impairment and risk exposure

Note 7(a) sets out information about the impairment of financial assets and the company's exposure to credit risk.

IFRS7 (34)

The loan to subsidiary is denominated in 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.

1(b) Financial assets at fair value through profit or loss

IAS1 (117)

(i) Classification of financial assets at fair value through profit or loss

IFRS9 (4.1.2)
IFRS9 (4.1.2A)

The company classifies debt instruments that do not qualify for measurement at either amortised cost of FVOCI as financial assets at fair value through profit or loss (FVPL):

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

Financial assets mandatorily measured at FVPL include the following:

	2022 CU'000	2021 CU'000
Non-current assets		
Contingent consideration (IAS1(77))	**1,290**	-

For details of contingent consideration, please refer to note 15(c) to the consolidated financial statements.

(ii) Amounts recognised in profit or loss

IFRS7(20) (a)(i)

During the year, the following gains were recognised in profit or loss:

	2022 CU'000	2021 CU'000
Fair value gains on debt instruments at FVPL	**135**	-
Fair value gain on contingent consideration	**90**	-

For details of fair value gains, please refer to note 14(a) and note 15(c) to the consolidated financial statements.

(iii) Risk exposure and fair value measurements

IFRS7(31)
IFRS13 (93)

For information about the methods and assumptions used in determining fair value please refer to note 7(h) to the consolidated financial statements.

1(c) Trade and other payables

		2022 CU'000	2021 CU'000
	Current liabilities		
	Amounts due to related parties	**3,016**	1,645
	Payroll tax and other statutory liabilities	**21**	16
IAS1(77)	Other payables	**138**	125
		3,175	1,786

IAS24(18) (b)(i) Amounts due to related parties are unsecured, interest free and repayable on demand.

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.

1(d) Borrowings

(i) Convertible notes

For information on convertible notes issued during the year, see note 7(g)(iii) to the consolidated financial statements.

2. Investment in subsidiaries

	2022 CU'000	2021 U'000
Shares in group undertakings		
Balance 1 January	**46,940**	45,857
Additions in year – acquisition of VALUE IFRS Electronics Group (i)	**12,900**	-
Additions in year – additional investment in VALUE IFRS Manufacturing Limited (ii)	**1,500**	-
Disposals in year – disposal of VALUE IFRS Engineering GmbH (iii)	**(3,641)**	-
Capital contribution relating to share-based payment (ix)	**1,587**	1,083
Balance 31 December	**59,286**	46,940

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid.

(i) Acquisition of VALUE IFRS Electronics group

On 1 April 2022, the company acquired 70% of the issued share capital of VALUE IFRS Electronics group for total consideration of CU12,900,000. For a breakdown of consideration, including details of the significant estimate surrounding the contingent consideration, please refer to note 14(a) to the consolidated financial statements.

(ii) Additional investment in of VALUE IFRS Manufacturing Limited

On 21 October 2022, the company acquired an additional 5% of the issued share capital of VALUE IFRS Manufacturing Limited for consideration of CU1,500,000.

(iii) Disposal of VALUE IFRS Engineering GmbH

On 28 February 2022, the company disposed of its investment in VALUE IFRS Engineering GmbH for total consideration of CU4,310,000. The carrying VALUE of the investment immediately prior to disposal was CU3,641,000, resulting in a gain on sale of CU699,000.

For a breakdown of the consideration and details of the contingent consideration, refer to note 15(c) to the consolidated financial statements.

(iv) Capital contribution relating to share-based payment

The capital contribution relating to share-based payments relates to share-based payments issued to employees of subsidiary undertakings in the group. For full details of the group's share-based payments, refer to note 21 to the consolidated financial statements.

(x) Significant estimate

Impairment of investment in subsidiary

IAS1(125)

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

The investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired. At the 2022 year end, it was identified that the performance of VALUE IFRS Manufacturing Limited had not met budget for the year. The carrying amount of this investment was CU24,982,000 at 31 December 2022. The recoverable amount was determined based on a value-in-use calculation which requires the use of assumptions. The recoverable amount was calculated as CU25,382,000, indicating that no impairment of the investment was required.

There was no indication of impairment of this investment at the 2021 year end, therefore no Value-in-use calculation was carried out in the prior year.

The calculation of value-in-useincorporates 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 an estimated growth rate. This growth rate is consistent with forecast included in the industry reports on the UK manufacturing industry.

The following table sets out the key assumptions:

Sales volume (% annual growth rate)	2.6
Sales price (% annual growth rate)	1.5
Budgeted gross margin (%)	38.2
Other operating costs (CU'000)	1,850
Annual capital expenditure (CU'000)	242
Long-term growth rate (%)	1.8
Pre-tax discount rate (%)	15.0

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.
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-usemodel as a result of this expenditure.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate.

IAS36(55)

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

	From	**To**
Budgeted gross margin (%)	38.2	36.4
Long-term growth rate (%)	1.8	1.5

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

3. Deferred tax

3(a) Deferred tax assets

		2022 CU'000	2021 CU'000
IAS12(81) (g)(i)	**The balance comprises temporary differences attributable to:**		
	Loss allowances for financial assets	**10**	9
	Total deferred tax assets	**10**	9

	Movements	**Provisions CU'000**
	At 1 January 2021	8
	Charged to profit or loss	1
	At 31 December 2021 and 1 January 2022	9
	Charged to profit or loss	1
	At 31 December 2022	10

3(b) Deferred tax liabilities

		2022 CU'000	2021 CU'000
IAS12(81) (g)(i)	**The balance comprises temporary differences attributable to:**		
	Convertible note	**955**	-
	Total deferred tax liabilities	**955**	-
IAS12(74)	Set-off of deferred tax liabilities pursuant to set-off provisions	**(10)**	-
	Net deferred tax liabilities	**945**	-

	Movements	**Convertible note CU'000**
	At 1 January 2022 and 31 December 2021	-
	Charged / (credited)	
IAS12(81) (g)(ii)	to profit or loss	(95)
	directly to equity	1,050
	At 31 December 2022	955

4. Equity

IAS1(106) (d)

4(a) Share capital and share premium

		2022 Shares	2021 Shares	2022 CU'000	2021 CU'000
	Ordinary shares				
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)
		58,098,156	53,543,075	**83,054**	62,453
IAS1(79) (a)(ii)	7% non-redeemable participating preference shares fully paid	-	500,000	1,023	1,523
	Total share capital and share premium	**58,098,156**	55,293,075	**84,077**	63,976

Full details of the ordinary shares and the 7% non-redeemable participating preference shares, including movements during the current and prior years, are included in note 9(a) to the consolidated financial statements.

IAS1(106) (d)

4(b) Other equity

		2022 Shares	2021 Shares	2022 CU'000	2021 CU'000
IAS32(28)	Value of conversion rights – convertible notes			**3,500**	-
IAS12(81) (a)	Deferred tax liability component			**(1,050)**	-
IAS1(79) (a)(vi) IAS32(34)	Treasury shares	**(120,641)**	(99,280)	**(676)**	(550)
				1,774	(550)

Full details of the other equity balances, including movements during the current and prior years, are included in note 9(b) to the consolidated financial statements.

IAS1(106)(d)

4(c) Other reserves

IAS1 (106A)

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

IAS16(77)(f)
IAS21(52)(b)

	Share- based payments CU'000	Capital redemption reserve CU'000	Total other reserves CU'000
At 1 January 2021	1,289	-	1,289
Transactions with owners in their capacity as owners			
Share-based payment expenses	555	-	55
At 31 December 2021	**1,844**	**-**	**1,844**
Transactions with owners in their capacity as owners		-	
Share-based payment expenses	2,018	-	2,018
Issue of treasury shares to employees	(1,091)	-	(1,091)
Buy-back of preference shares	-	500	500
At 31 December 2022	**2,771**	**500**	**3,271**

IAS1(106)(d)

4(c) Other reserves

IAS1(79)(b)

(i) Nature and purpose of other reserves

Share-based payments

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.

Capital redemption reserve

On the buy-back and cancellation of preference shares, an amount equal to the par value was transferred from retained earnings to the capital redemption reserve for capital maintenance purposes.

4(d) Retained earnings

IAS1(106) (d)

Movements in retained earnings were as follows:

	2022 CU'000	2021 CU'000
Balance 1 January	**9,956**	16,005
Net profit for the period	**16,578**	4,980
Dividends	**(22,837)**	(11,029)
Transfer from share capital on buy-back of preference shares	**(880)**	-
Transfer to capital redemption reserve on buy-back of preference shares	**(500)**	-
Balance 31 December	**2,317**	9,956

Given brought forward retained earnings were less than the dividend paid during the year and in accordance with sections 836 and 838 of the Companies Act 2006, the directors prepared and filed interim accounts at Companies House on 13 April 2022, demonstrating the company had sufficient distributable reserves at that date, prior to paying the dividend shown above.

For details of transfers on buy-back of preference shares, refer to note 9(a)(vii) to the consolidated financial statements.

5. Cash flow information

5(a) Cash generated from operations

	Note	2022 CU'000	2021 CU'000
Profit before income tax		**16,542**	4,979
Adjustments for:			
Non-cash employee benefits expense – share based payments	10	**431**	270
Gain on disposal of investment in subsidiary	2	**(669)**	-
Gain on derecognition of contingent consideration payable	2	**(135)**	-
Gain on remeasurement of contingent consideration receivable	2	**(90)**	-
Impairment of loan to subsidiary	7(a)	**8**	13
Dividend income	9(a)	**(25,838)**	(12,894)
Finance costs - net		**(558)**	(1,750)
Change in operating assets and liabilities:			
Increase in trade and other payables		**1,404**	(264)
Cash used in operations		**(8,905)**	(9,646)

6(b) Net debt reconciliation

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

Net debt	2022 CU'000	2021 CU'000
Cash and cash equivalents	**36,858**	10,115
Borrowings – repayable after one year	**(16,815)**	-
Net debt	**20,043**	10,115

IAS7R (44A)-(44E)

	Other assets	Liabilities from financing activities	
	Cash CU'000	Borrowings due after 1 year CU'000	Total CU'000
Net debt as at 1 January 2021	10,886	-	10,886
Cash flows	(771)	-	(771)
Net debt as at 31 December 2021	10,115	-	10,115
Cash flows	26,743	(15,973)	10,770
Other changes (i)	-	(842)	(842)
Net debt as at 31 December 2022	**36,858**	**(16,815)**	**20,043**

(i) Other changes are accrued interest.

6. Employee information

6(a) Employee benefits expenses

		2022 CU'000	2021 CU'000
CA06 s411(5)	Wages and salaries	**7,675**	7,351
CA06 s411(5)	Social security costs	**2,525**	2,255
	Share-based payment expenses	**431**	270
CA06 s411(5)	Pension costs – defined contribution plans	**574**	511
	Other post-employment benefit expense	**300**	199
		11,505	10,586

6(b) Average number of people employed

		2022	2021
CA06 s411(1)	Monthly average number of people (including executive directors) employed:		
	Manufacturing	**12**	9
	Retail	**5**	5
	Consultancy	**11**	8
	Administration	**55**	46
		83	68

7. Financial risk management

The company's exposure to financial risks is managed as part of the group. Full details about the group's exposure to financial risks and how these risks could affect the group's future financial performance are given in note 12 to the consolidated financial statements. Information specific to the company is given below.

7(a) Credit risk

IFRS7(33) (a),(b)

Credit risk arises from cash balances and contractual cash flows of debt investments carried at amortised cost and at fair value through profit or loss (FVPL).

(i) Risk management

IFRS7 (35B)

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.

(ii) Impairment of loan to subsidiary

IFRS7(35F)(a)(i)

The loan to subsidiary is 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' to be when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Movements on the loss allowance for the loan to subsidiary are as follows:

IFRS7(20) (a)(vi), (35H)(a)

	Loan to subsidiary CU'000
Loss allowance as at 1 January 2021	39
Increase in the allowance recognised in profit or loss during the period	13
Loss allowance as at 31 December 2021 and 1 January 2022	52
Increase in the allowance recognised in profit or loss during the period	8
Loss allowance as at 31 December 2022	**60**

7(b) Liquidity risk

IFRS7(34) (a)

Management monitors rolling forecasts of the company's cash balance on the basis of expected cash flows.

(i) Maturities of financial liabilities

IFRS7(39) (a),(b), (B11B)

The tables below analyse the company's financial liabilities into relevant maturity groupings based on their contractual maturities.

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.

IFRS7(39)(a),(b)(B11)

Contractual maturities of financial liabilities At 31 December 2022	Less than 6 months CU'000	6–12 months CU'000	Between 1 and 2 years CU'000	Between2 and 5 years CU'000	Total contractual cash flows CU'000	Carrying amount CU'000
Non-derivatives						
Trade and other payables	3,154	-	-	-	3,154	3,154
Borrowings	288	288	575	18,840	19,991	16,815
Total non-derivatives	**3,442**	**288**	**575**	**18,840**	**23,145**	**19,969**

Contractual maturities of financial liabilities At 31 December 2021	Less than 6 months CU'000	6–12 months CU'000	Betwee 1 and 2 years CU'000	Between2 and 5 years CU'000	Total contractual cash flows CU'000	Carrying amount CU'000
Non-derivatives						
Trade and other payables	1,770	-	-	-	1,770	1,770
Total non-derivatives	**1,770**	**-**	**-**	**-**	**1,770**	**1,770**

8. Capital management

IAS1(134),(135),(136)

The capital of the company is managed as part of the capital of the group as a whole. Full details, including details of dividends paid during the year, are contained in note 13 to the consolidated financial statements.

9. Related party transactions

IAS24(18)

9(a) Transactions with related parties

IAS24(18) (a)

The following transactions occurred with related parties:

		2022 CU'000	2021 CU'000
	Dividend revenue		
IAS24(19) (g)	Dividends received from subsidiary undertakings	**25,838**	12,894
	Sales and purchases of services		
IAS24(19) (c)	Provision of management services to subsidiary undertakings	**2,809**	2,743
IAS24(19) (c)	Purchase of services from subsidiary undertakings	**2,044**	1,809
	Other transactions		
IAS24(19) (a)	Dividends paid to UK parent entity	**13,313**	6,553
IAS24(19) (a)	Final call on partly paid ordinary shares paid by UK parent entity	**840**	-
IAS24(19) (a)	Subscriptions for new ordinary shares by UK parent entity	**4,626**	-
IAS24(19) (f)	Subscription for new ordinary shares by key management personnel as a result of the rights issue	**118**	-

9(b) Outstanding balances arising from sales / purchases of services

IAS24(18) (b)

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

		2022 CU'000	2021 CU'000
	Current payables (purchases of services)		
IAS24(19) (c)	Subsidiary undertakings	**3,016**	1,645

9(c) Loans to subsidiary undertaking

		2022 CU'000	2021 CU'000
IAS24(19) (c)	**Loan to VALUE IFRS Retail Limited**		
IAS24(18) (b)	Beginning of the year	**20,000**	25,000
IAS24(18) (a)	Loan repayments received	**(5,000)**	(5,000)
IAS24(18) (a)	Interest charged	**1,400**	1,750
IAS24(18) (a)	Interest received	**(1,400)**	(1,750)
IAS24(18) (b)	End of year	**15,000**	20,000

IAS24(18)(c),(d)

A loss allowance of CU8,000 (2021: CU13,000) was recognised in relation to the loan to VALUE IFRS Retail limited during the year, see note 7(a) for further information.

9(d) Terms and conditions

IAS24(18) (b)(i)

Transactions relating to dividends, calls on partly paid ordinary shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

Management services provided by the company and received from subsidiary undertakings were made on normal commercial terms and conditions and at market rates.

The loan to VALUE IFRS Retail Limited matures during 2024 and accrues interest at 7% (2019: 7%).

IAS24(18) (b)(i)

The amounts due to subsidiary undertakings are unsecured and are repayable in cash.

10. Information included in the notes to the consolidated financial statements

Some of the information included in the notes to the consolidated financial statements is directly relevant to the financial statements of the company. Please refer to the following:

Note 16(a) – Subsidiaries

Note 19(a) – Events occurring after the period end: Acquisition of better office furnishings limited

Note 20(a) – Parent entities

Note 20(c) – Key management personnel

Note 20(d) – Directors

Note 21 – Share-based payments

Note 25 – Auditors’ remuneration

11. Summary of significant accounting policies

IAS1(112)(a),(b) (51)(b), (117)

This note provides a list of the significant accounting policies adopted in the preparation of these company 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.

IAS1(112)(a), (117)

11(a) Basis of preparation

(i) Compliance with IFRS

Revised disclosure IAS1(16)

The financial statements of VALUE IFRS UK Plc have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

(ii) Historical cost convention

IAS1(117) (a)

The financial statements have been prepared on a historical cost basis, except for contingent consideration receivable which is measured at fair value

(iii) New and amended standards adopted by the company

IAS8(28)

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipement: Proceeds before Intended Use – Amendments to IAS 16
- Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020; and
- Reference to the Conceptual Framework – Amendments to IFRS 3

The group also elected to adopt the following amendments early:9

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12; and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

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.

(iv) New standards and interpretations not yet adopted

IAS8(30)

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the company. None of these are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

(v) Going concern

IAS1(125)
UKCGC Provision 30

The ability of the company to continue as a going concern is contingent on the ongoing viability of the group. The group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty, particularly over (a) the level of demand for the group’s products, and (b) the availability of bank finance for the foreseeable future. The group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. Having assessed the principal risks and the other matters discussed in connection with the viability statement, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the group’s borrowings is given in note 7(g) to the consolidated financial statements.

IAS1(119)

11(b) Investment in subsidiaries

IAS27(38)

Investments in subsidiaries are held at cost less accumulated impairment losses.

IAS1(119)

11(c) Functional and presentation currency

IAS21(9), (17),(18)
IAS1(51) (d)

The financial statements are presented in Currency Units (CU), which is the company's functional and presentation currency. All transactions undertaken by the company are denominated in CU.

IAS1(119)

11(d) Revenue recognition

IFRS15 (119),(a), (c), (124),
IFRS15 (B18)

The company provides management services to subsidiary undertakings for a fixed monthly fee. Revenue from providing services is recognised in the accounting period in which the services are rendered. Efforts to satisfy the performance obligation are expended evenly throughout the performance period and so the performance obligation is considered to be satisfied evenly over time.

IAS1(119),(120)

11(e) Income tax

IAS12(46)

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

IAS12(12),(46)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the UK. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

IAS12(15),(24),(47)

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

IAS12(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(71),(74)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

IAS12 (61A)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

IAS1(119)

11(f) Cash and cash equivalents

IAS7(6), (8),(46)

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

11(g) Financial assets

(i) Classification

IFRS9 (4.1.1)

The company 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).
- 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.

IFRS9 (4.4.1)

The company 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, 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 company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

IFRS9 (5.1.1)

At initial recognition, the company 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.

(iv) Debt instruments

IFRS9(4.1.2),(5.1.1)

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. The company only has debt instruments which are held for collection of cash flows where those cash flow represent solely payments of principal and interest. These are subsequently 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). Impairment losses are presented as separate line item in the statement of profit or loss.

(v) Impairment

The company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

IAS1(119)

11(h) Trade and other payables

IFRS7(21)
IFRS9 (5.1.1)

These amounts represent liabilities for services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

IAS1(119)

11(i) Borrowings

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.

IFRS9(3.3.1),(3.3.3)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

IAS1(69)

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

IAS1(119)

11(j) Employee benefits

(i) Short-term obligations

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 balance sheet.

IAS1(119)

(ii) Share-based payments

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 to the consolidated financial statements.

Employee options

IFRS2(15) (b),(19)
IFRS2(21)
IFRS2(20)
IFRS2 (21A)
IFRS2(19)

The fair value of options granted under the VALUE IFRS Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (such as the entity's share price).
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).
- including the impact of any non-vesting conditions (such as the requirement for employees to save or holdings shares for a specific period of time).

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.

The Employee Option Plan is administered by the VALUE IFRS Employee Share Trust, which is consolidated in accordance with the principles in note 26(b)(i) to the consolidated financial statements. When the options are exercised, the trust transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

Employee share scheme

Under the employee share scheme, shares issued by the VALUE IFRS Employee Share Trust to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

Deferred shares

IFRS2(15),(16),(19)
IFRS2(19)

The fair value of deferred shares granted to employees for nil consideration under the short-term incentive scheme is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.
The deferred shares are acquired by the VALUE IFRS Employee Share Trust on market at the grant date and are held as treasury shares until such time as they are vested.

IAS1(119)

11(k) Contributed equity

IAS32(18) (a)

Ordinary shares are classified as equity.

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 the company purchases any of 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 the company 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 the company.

IAS1(119)

11(l) 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)

11(m) Rounding of amounts

IAS1(51) (e)

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Currency Units unless otherwise stated.

Independent auditor's report to the members of VALUE IFRS UK Plc [1]

Notes on independent auditor's report

1. The audit report has not been provided for these illustrative financial statements, as many items will be specific to the group and entity being audited as well as the audit approach and procedures used in performing the work. The report should be created to incorporate the information appropriate to the group being audited.

VALUE IFRS UK Plc
Illustrative IFRS consolidated financial statements December 2022 – Appendices

Appendix	Page
Appendix A: FRC – Guidance on the strategic report – Overview and Principles	284
Appendix B: Alternative presentation of primary statements • Consolidated statement of profit or loss and other comprehensive income – single statement, showing expenses by nature • Consolidated statement of cash flows – direct method	287
Appendix C: Areas not illustrated in the financial statements of VALUE IFRS UK Plc • Biological assets • Oil and gas exploration assets	291
Appendix D: New standards and amendments	302
Appendix E: Impact of climate change on financial statements	306
Appendix F: Abbreviations	313

Appendix A: FRC – Guidance on the strategic report – Overview and principals

Updated guidance

In June 2022 the FRC published its revised guidance on the strategic report. The revisions from June 2018 particularly relate to:

- The changes introduced by the companies (strategic report) (Climate-related financial disclosure) regulations 2022 (SI 2022 / 31) and the limited liability partnerships (climate-related financial disclosure) regulations 2022 (SI 2022 / 46) which require certain entities to make climate-related financial disclosures.
- Amendments to the limited liability partnerships (Accounts and audit) (Application of companies act 2006) regulations 2008 (SI 2008 / 1911) introduced by the statutory auditors regulations 2017 (SI 2017 / 1164), which requires a traded LLP or banking LLP to prepare a strategic report.
- Amendments to the large and medium-sized companies and groups (accounts and reports) regulations 2008 (SI 2008 / 410) and the limited liability partnerships (Accounts and audit) (Application of companies Act 2006) Regulations 2008 (SI 2008 / 1911), which implement the government's policy on streamlined energy and carbon reporting (SECR). The SECR amendments were made to the appendices that relate to the directors' report disclosure requirements.
- Amendments to the definition of a public interest entity (PIE) to align it with the existing legislation.

The discussion below is not comprehensive and should be read in conjunction with the guidance itself.

Section 1 Objectives

GSR 1.1

The objectives of the guidance on the strategic report (the guidance) are to:

- Ensure that relevant information that meets the needs of shareholders is presented in the strategic report.
- Encourage entities to experiment and be innovative in the drafting of their annual reports, presenting narrative information in a way that enables them to best 'tell their story' while remaining within the regulatory framework.
- Promote greater cohesiveness in the annual report through improved linkage between information within the strategic report and in the rest of the annual report.

Section 2 Scope

GSR 2.1

The guidance is non-mandatory and encourages best practice for all entities preparing a strategic report.

GSR 2.3

The guidance encourages disclosure of material financial and non-financial information that is necessary for an understanding of the development, performance or future prospects of the entity irrespective of whether there is a statutory requirement to do so.

Section 3 The annual report

The purpose of the annual report

GSR 3.2

The purpose of the annual report is to provide shareholders with relevant information that is useful for making resource allocation decisions and assessing the directors' stewardship.

GSR 3.5
UKCGC Provision 27

The annual report as a whole should be fair, balanced and understandable and should provide the information necessary for shareholders to assess the entity's position and performance, business model and strategy.

Placement of information in the annual report

GSR 3.12

The placement of information within the annual report or elsewhere should facilitate the effective communication of that information.

GSR 3.17

Where information satisfying a disclosure requirement that applies to the strategic report is presented outside of that component, cross-referencing must be used in order for the disclosure requirement to be met. Cross-references should be clear and specific.

Section 4 The strategic report: purpose

GSR 4.1
CA06 s414C(1)

The strategic report should provide shareholders of the company with information that will enable them to assess how the directors have performed their duty to promote the success of the company for the benefit of shareholders as a whole, while having regard to the matters set out in section 172.

Section 5 The strategic report: materiality

GSR 5.1

Information is material if its omission or misrepresentation could influence the economic decisions that shareholders take on the basis of the annual report as a whole. Only information that is material in the context of the strategic report should be included in it.

Conversely, the inclusion of immaterial information can obscure key messages and impair the understandability of information provided in the strategic report. Immaterial information should be excluded from the strategic report.

GSR 5.12

The strategic report should focus on those matters that are material to an understanding of the development, performance, position or future prospects of the business. In the annual report of a parent company, for example, the strategic report should be a consolidated report and should include only those matters that are material in the context of the consolidated group.

GSR 5.13

The concept of materiality cannot, however, be applied to disclosures that are required by company law or its associated regulations unless explicitly allowed (for example, through the use of the terms 'to the extent necessary for an understanding of' or 'principal').

Section 6 The strategic report – communication principles

GSR 6.3
CA06
s414C(2)(a),s414C(3)
UKCGC Provision 27

The strategic report should be fair, balanced and understandable.

GSR 6.8

CA06 s414C(3)

The strategic report should be comprehensive but concise.

GSR 6.11

Where appropriate, information in the strategic report should have a forward-looking orientation.

GSR 6.15

The strategic report should provide information that is entity-specific.

GSR 6.17

The strategic report should highlight and explain linkages between pieces of information presented within the strategic report and in the annual report more broadly.

GSR 6.25

The structure and presentation of the strategic report should be reviewed annually to ensure that it continues to meet its purpose and only contains information that
is relevant.

GSR 6.27

Content that has been brought forward from previous years should be reviewed to ensure that it has continuing relevance. Any information that is no longer necessary in meeting the objectives of the strategic report should be removed.

Section 7 The strategic report: content elements

Section 7A provides disclosures for entities that are not PIEs or are PIEs with fewer than 500 employees. However for the purposes of VALUE IFRS UK Plc, this summary of the FRC guidance focuses on the disclosures a Large Public Interest Entity per Section 7B.

GSR 7B.11 CA06
s414C(8)(a) UKCGC
Provision 1

The strategic report should include a description of the entity's strategy.

GSR 7B.12

A description of the strategy for achieving an entity's objectives provides insight into its future development, performance, position and future prospects. The disclosure of the entity's objectives places the strategy in context and allows shareholders to make an assessment of its appropriateness.

GSR 7B.13

Where relevant, linkage to and discussion of key performance indicators (KPIs) should be included in any descriptions to allow an assessment of the entity's progress against its strategy and objectives. Similarly, emphasising the relationship between an entity's principal risks and its ability to meet its objectives may provide relevant information.

GSR 7B.14 CA06
s414CB2(a) UKCGB
Provision 1

The strategic report should include a description of the entity's business model.

GSR 7B.16

A critical part of understanding an entity's business model is understanding its sources of value, being the key resources and relationships that support the generation and preservation of value. In identifying its key sources of value, an entity should consider both its tangible and intangible assets and also identify those resources and relationships that have not been reflected in the financial statements because they do not meet the accounting definitions of assets or the criteria for recognition as assets. This information may provide insight into how the board manages, sustains and develops these unrecognised assets.

GSR 7B.27 CA06 s414C(2)(d) UKCGC Provision 28	The strategic report must include a description of the principal risks arising in connection with the entity's operations and, where relevant and proportionate – a description of its business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and a description of how it manages and mitigates the principal risks.
GSR 7B.32	The descriptions of the principal risks and uncertainties should be specific so that a shareholder can understand why they are material to the entity. This might include a description of the likelihood of the risk, an indication of the circumstances under which the risk might be most relevant to the entity and its possible effects. An explanation of how the principal risks and uncertainties are managed or mitigated should also be included to enable shareholders to assess the impact on the future prospects of the entity.
GSR 7B.33	Significant changes in principal risks such as a change in likelihood, probable timing or possible effect, or the inclusion of new risks, should be highlighted and explained.
GSR 7B.35 CA06 s414CB(1) CA06 s414C(7)(b)(iii)	To the extent necessary for an understanding of the development, performance or position and impact of an entity's activity, the strategic report must include information relating to, as a minimum: • environmental matters (including the impact of the entity's business on the environment). • the entity's employees. • social matters. • respect for human rights. • anti-corruption and anti-bribery matters. To the extent necessary for an understanding of the development, performance or position of the entity's business, the strategic report must include information about community issues.
GSR 7B.38	Section 414CA(1) of the Act requires an entity to include a non-financial information statement as part of its strategic report that includes the disclosures set out in section 414CB. Where entities include these disclosures as part of their strategic report, this requirement can be met by cross-referencing to where the relevant information is included in the strategic report.
GSR 7B.48 CA06 s414CB(2)(b), (c),(4)	The strategic report must include a description of the policies pursued by the entity in relation to the matters and any due diligence processes implemented by the entity in pursuance of those policies. It must also include a description of the outcome of those policies. If the entity does not pursue policies in relation to one or more of these matters, the strategic report must contain a clear and reasoned explanation for the entity not doing so.
GSR 7B.59 CA06 s414C(2)(a),(3)	The strategic report must provide a fair, balanced and comprehensive analysis of the development and performance of the business in the financial year and of its position at the end of that year.
GSR 7B.66 CA06 s414C(12) CA06 s414CB(5)	The strategic report must, where appropriate, include references to, and additional explanations of, amounts included in the financial statements.
GSR 7B.68 CA06 s414C(4) CA06 s414CB(2)(e)	The analysis in the strategic report must include financial and non-financial key performance indicators (KPIs).
GSR 7B.70	Non-financial KPIs provide insight into future financial prospects and progress in managing risks and opportunities. They may include, for example, measures related to product quality, customer complaints, environmental matters or employee metrics. Non-financial KPIs may be a mixture of indicators which provide information about what the entity has done in the past and what may happen in the future. They should include matters potentially affecting the long-term sustainability of the entity. Entities should also consider disclosing KPIs which measure the impact of the entity's activities.
GSR 7B.77 CA06 s414C(8)(c)	The strategic report should provide a breakdown showing, as at the end of the financial year: • The number of persons of each sex who are directors of the company. • The number of persons of each sex who were senior managers of the entity (other than persons falling within sub-paragraph (a)). • The number of persons of each sex who were employees of the entity.
GSR 7B.85 CA06 s414C(11)	To the extent that matters are considered to be of strategic importance to the entity, the strategic report should include information that would otherwise be disclosed in the directors' report.

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

Consolidated statement of profit or loss and other comprehensive income – single statement, showing expenses by nature

Reference		Notes	2022 CU'000	2021 Restated * CU'000
IAS1(51)(c),(e) IAS1(113)				
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)**	(3,363)
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

Reference		Notes	2022 CU'000	2021 Restated * CU'000
IAS1(51)(c),(e) IAS1(113)				
	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)
	Hedging gains transferred to inventory purchased during the year	12(a)	**-**	642
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 UK 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 UK 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 UK 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	**57.1**	47.5
	Diluted earnings per share	22	**56.0**	47.3
IAS33(66)	**Earnings per share for profit attributable to the ordinary equity holders of the company:**			
	Basic earnings per share	22	**58.4**	48.2
	Diluted earnings per share	22	**57.3**	48.0

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

Not mandatory The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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

Consolidated statement of cash flows – direct method

IAS1(113)

Reference		Notes	2022 CU'000	2021 CU'000
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(b)	**(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(c)	**(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)	**45,053**	26,746
IAS7(17)(c)	Proceeds received under a supplier financing 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 financing 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)

		Notes		
	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 UK Plc

Biological assets

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

Consolidated statement of profit or loss (extract)

		Notes	2022 CU'000	2021 CU'000
	Revenue	3	**26,240**	27,548
IAS41(40)	Change in fair value of biological assets	8(b)	**22,500**	18,028
	Cost of sales of livestock and palm oil		**(23,180)**	(24,348)

IAS1(10) (a)

Consolidated balance sheet (extract)

		Notes	31 Dec 2022 CU'000	31 Dec 2021 CU'000	1 January 2021 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, since they have the same economic characteristics.

3. Revenue

IFRS8 (23)(a)

The group derives the following types of revenue by operating segment:

		2022 CU'000	2021 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	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 2021						
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 2021						
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 2021						
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 2022						
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 2022						
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.

Reference		**2022**			2021		
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 2022 the group had 6,500 sheep (2021: 5,397 sheep) and 3,123 sheep were sold during the year (2021: 4,098 sheep sold).

As at 31 December 2022 there were 2,600,000 hectares of palm oil plantations (2021: 2,170,000 hectares). During the year the group sold 550,000 kg of palm oil (2021: 545,000 kg).

ii. Accounting for biological assets

Biological assets are measured at fair value less cost to sell, see (iii) below for further information on determining the fair value.

IAS1(117)

Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers, and estimated costs of transport to the market, but 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]

IAS1 (117)

iii. Measuring biological assets at fair value

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

Sheep are measured at fair value less cost to sell, based on market prices at auction of livestock of similar age, breed and genetic merit, with adjustments, where necessary, to reflect the differences. Market prices are obtained from the weekly auctions at the local market, which is considered the principal market for the purpose of the valuation.

IFRS13(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.

Significant estimates and judgements

IAS1 (122), (125)
IFRS13 (93) (d)

In measuring the fair value of sheep and oil palm FFB, various management estimates and judgements are required:

Sheep

Estimates and judgements in determining the fair value of sheep relate to market prices, average weight and quality of animals, and mortality rates.

The sheep grow at different rates and there can be a considerable spread in the quality and weight of animals that affects the price achieved. An average weight is assumed for the slaughter sheep livestock that are not yet at marketable weight.

Oil palm FFB on oil palm trees

Estimates and judgements in determining the fair value of the FFB growing on palm trees include the volume and stages of maturity of FFB at balance date, palm oil yield, the long-term crude palm oil price, palm kernel oil price and the discount rates. See below for key assumptions about unobservable inputs and their relationship to fair value.

iv. Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the biological assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial 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 2022	**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 2021	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.

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:

		2022	2021
		CU'000	CU'000
IFRS13 (93) (e)(i)	Total gains for the period recognised in profit or loss under 'Change in fair valule of biological assets'	**18,356**	15,860
IFRS13 (93) (f)	Change in unrealised gains or losses for the period recognised in profit or loss attributable to palm fruit bunches held at the end of the reporting period	**9,300**	5,900

v. Valuation inputs and relationships to fair value

IFRS13 (93) (d), (99)

The following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurements of the palm fruit bunches on trees. The fair values are determined based on discounted cash flows.

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

Description	**Fair value at**		**Unobservable inputs***	**Range of inputs (probability- weighted average)**		**Relationship of unobservable inputs to fair value**
	31 Dec 2022 CU'000	31 Dec 2021 CU'000		**2022**	**2021**	
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

IFRS 13(93)(g)

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

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 that 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 2022 for CU1,250,000 (2021: nil).

26. Summary of significant accounting policies (extracts)

IAS1(117)

IAS1(112) (a),(117)

26(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.
- defined benefit pension plans – plan assets measured at fair value.

Notes to biological assets

IFRS IC September 2019

- The IFRS IC 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

- The following disclosure requirements of IAS 41 are not illustrated above:

Reference	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.

8. Non-financial assets and liabilities

8(a) Property, plant and equipment (extracts)

IAS16(73)
IFRS6(24)(b),(25)

Reference		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 2022						
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)
		185	12,450	12,635	53,620	3,874	70,129
	Year ended 31 December 2022						
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)
IAS16(73)(e)	**Closing net book amount**	219	12,027	12,246	61,194	4,253	77,693
	At 31 December 2022						
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

IFRS6(24)(a)
IAS1(117)

Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Capitalisation is made within property, plant and equipment or intangible assets, according to the nature of the expenditure.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and / or amortisation is charged during the exploration and evaluation phase.

Development tangible and intangible assets

Expenditure on the construction, installation or completion of infrastructure facilities, such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific field, it is transferred to production or intangible assets.

Oil and gas production assets

Oil and gas production properties are aggregated exploration and evaluation tangible assets, and development expenditures associated with the production of proved reserves.

Depreciation / amortisation

No depreciation or amortisation is charged during the exploration and evaluation phase.

Oil and gas properties intangible assets are depreciated or amortised using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods.

Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

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' cost of disposal and their value in use.

Impairment – proven 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 might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

ii. Other exploration and evaluation assets and liabilities

IFRS6(24)(b)

In addition to the exploration and evaluation assets disclosed above, the group also has the following assets and liabilities relating to exploration:

	2022 CU'000	2021 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 (2021: CU5,700,000), of which CU5,200,000 (2021: CU4,300,000) are impairment charges to write off costs of unsuccessful exploration activities.

In 2022, 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 (2021: nil).

Cash payments of CU41,500,000 (2021: 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 (2021: nil).

8(c) Intangible assets (extracts)

Reference		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
IAS38 (118) IFRS6(24)(b),(25)								
IFRS3(B67)(d)(i) IAS38 (118(c)	**At 1 January 2022**							
	Cost	5,192	750	5,942	3,412	9,475	545	19,374
	Accumulated amortisation and impairment	(924)	-	(924)	(852)	(75)	(19)	(1,870)
		4,268	750	5,018	2,560	9,400	526	17,504
	Year ended 31 December 2022							
	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) IFRS 3(B67)(d) (v)	Amortisation charge	-	-	-	(98)	-	(42)	(140)
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 2022**							
	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

Notes to 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 2022 (that is, years ending 31 December 2022), (b) IFRIC agenda decisions in the last 12 months and (c) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2023.

(a) New standards and amendments – applicable 1 January 2022

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022:

Title	Key requirements	Effective Date*
Property, plant and equipment: proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, plant and equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the conceptual framework – amendments to IFRS 3	Minor amendments were made to IFRS 3 business combinations to update the references to the conceptual framework for financial reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 provisions, contingent liabilities and contingent assets and interpretation 21 levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous contracts – cost of fulfilling a contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022

* applicable to reporting periods commencing on or after the given date

Further information can be found at our Viewpoint website.

(b) IFRS IC agenda decisions issued in the last 12 months

As at December 2022, the following agenda decisions were issued that may be relevant for the preparation of annual reports in 2022. The date issued refers to the date of the relevant IFRIC update. For more recent information refer to our website at viewpoint.pwc.com. We have also provided guidance in note 27 on how to account for the agenda decisions and how to develop appropriate disclosures.

Date issued	Topic
February 2022	• Third programme of targeted longer-term refinancing operations (TLTRO III) Transactions (IFRS 9)
March 2022	• Demand deposits with restrictions on use arising from a contract with a third party (IAS 7)
April 2022	• Principal versus agent: Software reseller (IFRS 15)
June 2022	• Negative low emission vehicle credits (IAS 37) • Special purpose acquisition companies (SPAC): Classification of public shares as financial liabilities or equity (IAS 32) • Transfer of insurance coverage under a group of annuity contracts (IFRS 17)
September 2022	• Multi-currency groups of insurance contracts (IFRS 17 and IAS 21) • Special purpose acquisition companies (SPAC): Accounting for warrants at acquisition • Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)

(c) Forthcoming requirements

As at 31 December 2022, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2022. For further and more recent information refer to our web site at www.pwc.com / ifrs.

Title	Key requirements	Effective date *
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 re-measured 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 short duration 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 classifed in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on intial application of IFRS 9. The classifcation can be applied on an instrument-by-instrument basis.	1 January 2023 (deferred from 1 January 2021)

Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify 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 expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. **Since approving these amendments, the IASB has issued an exposure draft proposing further changes and the deferral of the amendments until at least 1 January 2024.	1 January 2023 (deferred from 1 January 2022)**
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB 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 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
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
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. They will typically apply to transactions such as leases of lessees and decommissioning obligations, 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 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
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 its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 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**

Lease Liability in a Sale and Leaseback Amendments to IFRS 16	In September 2022 the IASB amended IFRS 16 to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.	1 January 2024
Non-current Liabilities with Covenants Amendments to IAS 1	In October 2022, the IASB issued Non-current liabilities with covenants. The IASB made the amendments to: a) improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement (liabilities with covenants). b) respond to stakeholders' concerns about the outcomes of applying the amendments in Classification of Liabilities as Current or Non-current issued in 2020. The 2020 amendments were criticised by stakeholders because: i. they could result in an entity classifying a liability as current even if, at the end of the reporting period (reporting date), the entity has no contractual obligation to settle the liability at that date or within twelve months. ii. they took no account of the design of covenants negotiated to reflect an entity's required financial position or performance at specified dates, such as when a loan arrangement specifies different covenants at different dates to reflect the expected effects of seasonality or the entity's future performance. iii. they were unclear about how an entity would assess, at the reporting date, whether it would have complied with covenants that are not based on an entity's financial position or performance (non-financial covenants) and covenants based on cumulative financial performance or cash flows for a period extending beyond the reporting period (financial performance covenants).	1 January 2024

* 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 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. Entities will have to consider how climate change affects their business and operations as it will not be the same for all entities and industries.

4. For further information see our In Depth Impact of ESG matters on IFRS financial statements.

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 April 2022

6. The IASB has also decided to add a project on climate-related risks to its agenda. Feedback received in response to the IASB's Third agenda consultation 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 IASB's Third agenda consultation considered various areas that might be improved including:

   (a) considering lowering the threshold for disclosing information uncertainty required by IAS 1 Presentation of financial statements;
   (b) broadening requirements for value in use when testing assets for impairment; and
   (c) developing additional guidance on the accounting for pollutant pricing mechanisms.

8. In April 2022, the IASB staff recommended that the IASB add a maintenance and consistent application project to its work plan. This project aims to further investigate the concerns raised by respondents and the underlying causes of those matters and to consider what narrow-scope actions may be needed. 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.

ISSB exposure drafts

ISSB ED / 2022 / S1 ISSB ED / 2022 / S2

9. Also in March 2022, the international sustainability standards board (ISSB) released their first two exposure drafts (EDs). The two EDs that have been released are:

   (a) Proposed IFRS S1 General requirements for disclosure of sustainability-related Financial information (General Requirements ED); and
   (b) Proposed IFRS S2 Climate-related disclosures (Climate ED).

10. It is not clear when the requirements proposed in the EDs will apply, because the effective date will only be determined when the standards are issued and adopted by jurisdictional authorities. However, the EDs propose permitting early adoption and also provide relief from disclosing comparative information in the year of adoption.

11. The EDs require that:

    a. the disclosures are prepared

        (i) at the same time as annual financial statements
        (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.

12. Currently many entities use voluntary frameworks such as the task force on climate-related financial disclosures (TCFD) and similar disclosure frameworks. However, regardless of the framework used, entities need to ensure consistency between financial and non-financial reporting on key assumptions where such consistency is necessary for compliance with IFRS. For example, where entities publicly discuss 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, the entity should ensure consistency between the estimates used for financial reporting and those disclosed in the sustainability reporting.

13. Where there are comments in the sustainability report that haven't been reflected in financial reporting (for example, because the entity is relying on market participants assumptions which differ) the entity should consider explaining why such items have been reflected on a different basis in their financial report.

Impact of climate-related risk on the financial statements

Note 1 – Going concern

IAS1(25)
ISA570(19)

14. 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 Significant changes in the current reporting period for further guidance on going concern disclosures.

IAS1(122)
IFRS7(39)

15. 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)

16. 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)

17. 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)

18. 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)

19. 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.

20. 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.

21. 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.

22. 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.

23. Inputs and assumptions which might be impacted by climate-related risk include, but are not limited to:

   – discount rates
   – 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.)
   – the highest and best use for certain assets measured at fair value
   – inflation rates; and
   – 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

24. 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.

25. 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)

26. 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.

27. Many companies discuss climate scenarios as part of their narrative reporting. These scenarios might stem 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)

28. 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.

29. 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

30. 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)

31. 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.

32. 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 below).

Note 8(e) – Deferred tax assets

IAS12(24),(34)

IAS1(122),(125)

33. 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) – Inventories

IAS2(28)

IAS1(122),(125)

34. 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.

35. 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.

36. 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 below).

Note 8(i) – Provisions and contingent liabilities

IAS37(14)

37. 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.

38. 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)

39. 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)

40. 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.

Note 11(a) – Critical estimates and judgements

IAS1(125)(a)- (b)

41. 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.

42. 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.

43. 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)

44. 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.

45. 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.

46. 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.

47. 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.

48. 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

49. 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:

IFRS7(40)

    a) factors specific to the individual financial statement or its issuer; or
    b) factors affecting all similar financial instruments traded in a market.

    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)

50. 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)(b),(B8)

51. IFRS 7 requires that entities disclose concentrations of risk including:

    – how management determines such concentrations
    – a description of the shared characteristic that identifies each concentration; and
    – the amount of the risk exposure associated with all financial instruments sharing that characteristic.

52. 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

53. 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)

54. 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)

55. 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.

56. 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)

57. 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 26 – Significant accounting policies

IAS8(8)
IAS1(117)-(121)

58. 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)

59. 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)

60. 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 (see Appendix D).

61. Entities should therefore not underestimate the importance of disclosing climate-related accounting policies in the notes to the financial statements.

Emissions trading schemes

62. 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)

63. 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:

   – recognition
   – initial measurement
   – subsequent measurement; and
   – presentation of the balances.

   See the discussion about disclosure of accounting policies above.

64. 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 balance sheet and the income statement. Disclosure of the accounting policy for these programs is key to understanding the impact of these programs on the financial statements.

65. 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.

66. For a detailed discussion on accounting for emissions trading schemes refer to our publication Emissions trading schemes: The opportunities ahead.

Appendix F: Abbreviations

Abbreviations used in this publication are set out below:

ACG	FRC Guidance on audit committees
AGM	Annual general meeting
APB	Auditing practices board bulletin
APM	Alternative profit measure
bps	basis points
CA06	Companies act 2006
CGU	Cash-Generating unit
CMA	Competition and markets authority
CODM	Chief operating decision maker
DP	Discussion paper
DTR	Disclosure guidance and transparency rules
ED	Exposure draft
ESEF	European single electronic format
ESG	Environmental, social and governance
ESMA	European securities and markets authority
ESMA APMs	ESMA Guidelines on alternative performance measures
FCA	Financial conduct authority
FRC	Financial reporting council
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
GRM	FRC Guidance on risk management, internal control and related financial and business reporting
GSR	FRC Guidance on the strategic report
IAS	International accounting standards ('R' indicates revised standard before its mandatory application date)
IASB	International accounting standards board
IBOR	Interbank offered rates
IFRIC	Interpretations issued by the IFRS Interpretations committee of the IASB
IFRS IC	IFRS interpretations committee of the IASB
ISA (UK)	International standards on auditing (UK)
LR	The Listing rules of the FCA
NCI	Non-controlling interest
OCI	Other comprehensive income
SI	Statutory instrument
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
UKCGC	2018 UK Corporate governance code

© 2022 PricewaterhouseCoopers LLP. All rights reserved. 'PwC' refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com / structure for further details.

RITM10372357.