Illustrative IFRS corporate consolidated financial statements – 2008

PricewaterhouseCoopers

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Disclosure Checklist 2007

Outlines the disclosures required by all IFRSs published up to September 2006.

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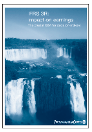
High-level summary of the revised financial instruments standards issued in December 2003, updated to reflect IFRS 7 in September 2006. For existing IFRS preparers and first-time adopters.

Financial Reporting in Hyperinflationary Economies – Understanding IAS 29

2006 update (reflecting impact of IFRIC 7) of a guide for entities applying IAS 29. Provides an overview of the standard's concepts, descriptions of the procedures and an illustrative example of its application.



IFRS 3R: Impact on earnings – the crucial Q&A for decision-makers

Guide aimed at finance directors, financial controllers and deal-makers, providing background to the standard, impact on the financial statements and controls, and summary differences with US GAAP.

IFRS for SMEs (proposals) – Pocket Guide 2007

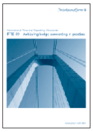
Provides a summary of the recognition and measurement requirements in the proposed 'IFRS for Small and Medium-Sized Entities' published by the International Accounting Standards Board in February 2007.

IFRS Pocket Guide 2008

Provides a summary of the IFRS recognition and measurement requirements. Including currencies, assets, liabilities, equity, income, expenses, business combinations and interim financial statements.

IFRS News

Monthly newsletter focusing on the business implications of the IASB's proposals and new standards.

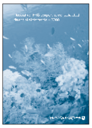


IAS 39 – Achieving hedge accounting in practice

Covers in detail the practical issues in achieving hedge accounting under IAS 39. It provides answers to frequently asked questions and step-by-step illustrations of how to apply common hedging strategies.

Illustrative interim financial information for existing preparers

Illustrative information, prepared in accordance with IAS 34, for a fictional existing IFRS preparer. Includes a disclosure checklist and IAS 34 application guidance. Reflects standards issued up to 31 March 2008.



Illustrative Consolidated Financial Statements

- Banking, 2006
- Corporate, 2008
- Insurance, 2006
- Investment funds, 2006
- Investment property, 2006

Realistic sets of financial statements – for existing IFRS preparers in the above sectors – illustrating the required disclosure and presentation.

Share-based Payment – a practical guide to applying IFRS 2

Assesses the impact of the new standard, looking at the requirements and providing a step-by-step illustration of how to account for share-based payment transactions.

SIC-12 and FIN 46R – The Substance of Control

Helps those working with special purpose entities to identify the differences between US GAAP and IFRS in this area, including examples of transactions and structures that may be impacted by the guidance.

Similarities and Differences – a comparison of IFRS and US GAAP

Presents the key similarities and differences between IFRS and US GAAP, focusing on the differences commonly found in practice. It takes into account all standards published up to August 2007.

Understanding financial instruments – A guide to IAS 32, IAS 39 and IFRS 7

Comprehensive guidance on all aspects of the requirements for financial instruments accounting. Detailed explanations illustrated through worked examples and extracts from company reports.

PricewaterhouseCoopers

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Introduction

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

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

For an illustrative set of financial statements for first-time adopters of IFRS, refer to the PricewaterhouseCoopers' publication 'Adopting IFRS: IFRS 1 – First time adoption of International Financial Reporting Standards'.

This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2008. IFRS 8, 'Operating segments' has been early adopted.

We have attempted to create a realistic set of financial statements for a corporate entity. Certain items may not apply to a particular entity. For example, if the reporting entity does not have material operating leases, disclosure of the accounting policy for operating leases does not need to be included (IAS1p108, 110). Certain types of transaction have been excluded, as they are not relevant to the group's operations. The example disclosures for some of these additional items have been included in Appendices III and IV.

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

These illustrative financial statements are not a substitute for reading the standards and interpretations themselves or for professional judgement as to fairness of presentation. They do not cover all possible disclosures that IFRS requires. Further specific information may be required in order to ensure fair presentation under IFRS. We recommend that readers refer to our publication *IFRS Disclosure Checklist 2008*.

Format

The references in the left-hand margin of the financial statements represent the paragraph of the standard in which the disclosure appears – for example, '8p40' indicates IAS 8 paragraph 40. The reference to IFRS appears in full, for example, 'IFRS2p6' indicates IFRS 2 paragraph 6. The designation 'DV' (disclosure voluntary) indicates that the relevant IAS or IFRS encourages, but does not require, the disclosure. Additional notes and explanations are shown in footnotes.

Contents

(All amounts in C thousands unless otherwise stated)

Consolidated balance sheet

			As at 31 December	
		Note	**2008**	2007
1p68, 1p104, 1p36	**Assets**			
1p51	**Non-current assets**			
1p68(a)	Property, plant and equipment	6	**155,341**	100,233
1p68(c)	Intangible assets	7	**26,272**	20,700
1p68(e)	Investments in associates	8	**13,373**	13,244
1p68(n), 1p70	Deferred income tax assets	22	**3,520**	3,321
1p68(d), IFRS7p8(d)	Available-for-sale financial assets	10	**17,420**	14,910
1p68(d), IFRS7p8(a)	Derivative financial instruments	11	**395**	245
1p68(h), IFRS7p8(c)	Trade and other receivables	12	**2,322**	1,352
			218,643	154,005
1p51, 1p57	**Current assets**			
1p68(g)	Inventories	13	**24,700**	18,182
1p68(h), IFRS7p8(c)	Trade and other receivables	12	**19,765**	18,330
1p68(d), IFRS7p8(d)	Available-for-sale financial assets	10	**1,950**	–
1p68(d), IFRS7p8(a)	Derivative financial instruments	11	**1,069**	951
1p68(d), IFRS7p8(a)	Financial assets at fair value through profit or loss	14	**11,820**	7,972
1p68(i), IFRS7p8	Cash and cash equivalents	15	**17,928**	34,062
			77,232	79,497
IFRS5p38	Assets of disposal group classified as held-for-sale	16	**3,333**	–
			80,565	79,497
	Total assets		**299,208**	233,502

(All amounts in C thousands unless otherwise stated)

			As at 31 December	
		Note	**2008**	2007
	Equity			
1p68(p)	**Capital and reserves attributable to equity holders of the company**			
1p75(e)	Ordinary shares	17	**25,300**	21,000
1p75(e)	Share premium	17	**17,144**	10,494
1p75(e)	Other reserves	19	**15,549**	7,005
1p75(e)	Retained earnings	18	**66,592**	48,681
			124,585	87,180
1p68(o)	**Minority interest in equity**		**7,188**	1,766
	Total equity		**131,773**	88,946
1p51	**Liabilities**			
	Non-current liabilities			
1p68(l), IFRS7p8(f)	Borrowings	21	**115,121**	96,346
1p68(l), IFRS7p8(e)	Derivative financial instruments	11	**135**	129
1p68(n), 1p70	Deferred income tax liabilities	22	**12,370**	9,053
1p68(k), 1p75(d)	Retirement benefit obligations	23	**4,635**	2,233
1p68(k), 1p75(d)	Provisions for other liabilities and charges	24	**1,320**	274
			133,581	108,035
1p51, 1p60	**Current liabilities**			
1p68(j), IFRS7p8(f)	Trade and other payables	20	**16,670**	12,478
1p68(m)	Current income tax liabilities		**2,566**	2,771
1p68(l), IFRS7p8(f)	Borrowings	21	**11,716**	18,258
1p68(l), IFRS7p8(e)	Derivative financial instruments	11	**460**	618
1p68(k)	Provisions for other liabilities and charges	24	**2,222**	2,396
			33,634	36,521
IFRS5p38	Liabilities of disposal group classified as held-for-sale	16	**220**	–
			33,854	36,521
	Total liabilities		**167,435**	144,556
	Total equity and liabilities		**299,208**	233,502

The notes on pages 6 to 82 are an integral part of these consolidated financial statements.

(All amounts in C thousands unless otherwise stated)

Consolidated income statement – by function of expense

1p81-83, 1p92,1p36			**Year ended 31 December**	
1p104		**Note**	**2008**	2007
	Continuing operations			
1p81(a)	Revenue	5	**211,034**	112,360
1p92	Cost of sales		**(77,366)**	(46,682)
1p92	**Gross profit**		**133,668**	65,678
1p81(a), 92	Distribution costs		**(52,140)**	(21,213)
1p92	Administrative expenses		**(28,778)**	(10,426)
1p92	Other income	26	**1,900**	1,259
1p83	Other (losses)/gains – net	25	**(90)**	63
1p83	Loss on expropriated land	27	**(1,117)**	–
1p83	**Operating profit**[1]		**53,443**	35,361
1p83	Finance income	30	**1,730**	1,609
1p81(b)	Finance costs	30	**(8,173)**	(12,197)
1p83	Finance costs – net	30	**(6,443)**	(10,588)
1p81(c)	Share of (loss)/profit of associates	8	**(174)**	145
1p92	**Profit before income tax**		**46,826**	24,918
1p81(d), 12p77	Income tax expense	31	**(14,611)**	(8,670)
1p81(f)	**Profit for the year from continuing operations**		**32,215**	16,248
IFRS5p33 (a)	**Discontinued operations**			
	Profit for the year from discontinued operations	16	**100**	120
1p81(f)	**Profit for the year**		**32,315**	16,368
1p82	**Attributable to:**			
1p82(b)	Equity holders of the company		**29,767**	15,512
1p82(a)	Minority interest		**2,548**	856
			32,315	16,368
	Earnings per share for profit and profit from discontinued operations attributable to the equity holders of the company during the year (expressed in C per share)			
	Basic earnings per share			
33p66	From continuing operations	33	**1.26**	0.75
33p68	From discontinuing operations		**0.01**	0.01
			1.27	0.76
	Diluted earnings per share[2]			
33p66	From continuing operations	33	**1.15**	0.71
33p68	From discontinuing operations		**0.01**	0.01
			1.16	0.72

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[1] The disclosure of operating profit on the face of the income statement is not prescribed by IAS 1. There is, however, no prohibition from disclosing this or a similar line item.

[2] EPS for discontinued operations may be given in the notes to the accounts instead of the face of the income statement.

The notes on pages 6 to 82 are an integral part of these consolidated financial statements.

(All amounts in C thousands unless otherwise stated)

Consolidated statement of recognised income and expense

			Year ended 31 December	
		Note	**2008**	2007
1p96(b)	**Items net of tax**			
16p77(f)	Gains on revaluation of land and buildings	19	–	759
IFRS7p20 (a)(ii)	Available-for-sale financial assets	19	**362**	62
IAS28p39	Share of available-for-sale financial asset reserve of associates	19	**(12)**	(14)
19p93A	Actuarial loss on post employment benefit obligations	23	–	(494)
12p80(d)	Impact of change in Euravian tax rate on deferred tax	22	**(10)**	–
1p96(b), IFRS7 p23(c)	Cash flow hedges	19	**64**	(3)
1p96(b)	Net investment hedge	19	**(45)**	40
1p96(b)	Currency translation differences	19	**2,244**	(156)
IFRS3p59	Increase in fair values of proportionate holding of Your Shoes Group (note 38)	19	**850**	–
1p96(b)	**Net income recognised directly in equity**		**3,453**	194
1p96(a)	Profit for the year		**32,315**	16,368
1p96(c)	**Total recognised income for the year**		**35,768**	16,562
	Attributable to:			
1p96(c)	– Equity holders of the company		**32,968**	15,746
1p96(c)	– Minority interest		**2,800**	816
			35,768	16,562

The notes on pages 6 to 82 are an integral part of these consolidated financial statements.

(All amounts in C thousands unless otherwise stated)

Consolidated cash flow statement

7p10, 18(b), 1p36 1p104		Note	Year ended 31 December **2008**	 2007
	Cash flows from operating activities			
	Cash generated from operations	35	**56,234**	41,776
7p31	Interest paid		**(7,835)**	(14,773)
7p35	Income tax paid		**(14,317)**	(10,526)
	Net cash generated from operating activities		**34,082**	16,477
7p21, 7p10	**Cash flows from investing activities**			
7p39	Acquisition of subsidiary, net of cash acquired	38	**(3,950)**	–
7p16(a)	Purchases of property, plant and equipment (PPE)	6	**(9,755)**	(6,042)
7p16(b)	Proceeds from sale of PPE	35	**6,354**	2,979
7p16(a)	Purchases of intangible assets	7	**(3,050)**	(700)
‘7p16(c)	Purchases of available-for-sale financial assets	10	**(2,781)**	(1,126)
7p16(e)	Loans granted to associates	39	**(1,000)**	(50)
7p16(f)	Loan repayments received from associates	39	**14**	64
7p31	Interest received		**1,254**	1,193
7p31	Dividends received		**1,180**	1,120
	Net cash used in investing activities		**(11,734)**	(2,562)
7p21, 7p10	**Cash flows from financing activities**			
7p17(a)	Proceeds from issuance of ordinary shares	17	**950**	1,070
7p17(b)	Purchase of treasury shares	18	**(2,564)**	–
7p17(c)	Proceeds from issuance of convertible bonds	21	**50,000**	–
7p17(c)	Proceeds from issuance of redeemable preference shares	21	**–**	30,000
7p17(c)	Proceeds from borrowings		**8,500**	18,000
7p17(d)	Repayments of borrowings		**(78,117)**	(34,674)
7p31	Dividends paid to company’s shareholders		**(10,102)**	(15,736)
7p31	Dividends paid to holders of redeemable preferences shares		**(1,950)**	(1,950)
7p31	Dividends paid to minority interests		**(1,920)**	(550)
	Net cash used in financing activities		**(35,203)**	(3,840)
	Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(12,855)**	10,075
	Cash, cash equivalents and bank overdrafts at beginning of year	15	**27,598**	17,587
	Exchange gains/(losses) on cash and bank overdrafts		**535**	(64)
	Cash, cash equivalents and bank overdrafts at end of year	15	**15,278**	27,598

The notes on pages 6 to 82 are an integral part of these consolidated financial statements.

(All amounts in C thousands unless otherwise stated)

Notes to the consolidated financial statements

1 General information

1p126(b), (c) 1p46(a)(b) IFRS GAAP plc ('the company') and its subsidiaries (together 'the group') manufacture, distribute and sell shoes through a network of independent retailers. The group has manufacturing plants around the world and sells mainly in countries within the Currency-zone, the US and UK. During the year, the group acquired control of 'Your Shoes Group', a shoe and leather goods retailer operating in the US and most western European countries.

1p126(a) The company is a limited liability company incorporated and domiciled in Euravia. The address of its registered office is Nice Walk Way, Runningbourg.

The Company has its primary listing on the EuroMoney stock exchange.

10p17 These group consolidated financial statements were authorised for issue by the board of directors on 28 March 2009.

2 Summary of significant accounting policies

1p103(a) 1p108(b) 1p110 The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

1p14 1p108(a) The consolidated financial statements of IFRS GAAP plc have been prepared in accordance with International Financial Reporting Standards. They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(a) Interpretations effective in 2008

8p28 IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the group's financial statements, as the group has a pension deficit and is not subject to any minimum funding requirements.

8p28 IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements.

(b) Standards and amendments early adopted by the group

8p28 IFRS 8, 'Operating segments', was early adopted in 2008. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated by management to groups of cash-generating units on a segment level, the change in reportable segments has required a reallocation of goodwill of C146 and C4,750 from the 'other countries' operating segment to the newly identified operating segments, China and Russia respectively. The reallocation has not resulted in any additional impairment of goodwill. Comparatives for 2007 have been restated.

(c) Interpretations effective in 2008 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the group's operations:

- IFRIC 12, 'Service concession arrangements'; and
- IFRIC 13, 'Customer loyalty programmes'.

8p30 *(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group*

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amendment) retrospectively from 1 January 2009 but is currently not applicable to the group as there are no qualifying assets.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income

statement and statement of comprehensive income will be presented as performance statements.

- IFRS 2 (Amendment), ‘Share-based payment’ (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the group’s financial statements.
- IAS 32 (Amendment), ‘Financial instruments: Presentation’, and IAS 1 (Amendment), ‘Presentation of financial statements’ – ‘Puttable financial instruments and obligations arising on liquidation’ (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The group will apply the IAS 32 and IAS 1(Amendment) from 1 January 2009. It is not expected to have any impact on the group’s financial statements.
- IFRS 1 (Amendment) ‘First time adoption of IFRS’, and IAS 27 ‘Consolidated and separate financial statements’(effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The group will apply IFRS 1 (Amendment) from 1 January 2009, as all subsidiaries of the group will transition to IFRS. The amendment will not have any impact on the group’s financial statements.
- IAS 27 (Revised), ‘Consolidated and separate financial statements’, (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IFRS 3 (Revised), ‘Business combinations’ (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The group will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 January 2009.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognised for shoe mail order catalogues when the group has access to the catalogues and not when the catalogues are distributed to customers, as is the group's current accounting policy. The group will apply the IAS 38 (Amendment) from 1 January 2009 with an expected write-off of prepayments of C500 to retained earnings.
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

  The group will apply the IAS 19 (Amendment) from 1 January 2009.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
  - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
  - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.
  - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates contracts with group treasury as fair value or cash flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. See note 3.1 for further details. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the group will not formally document and test this relationship.
  - When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

  The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's income statement.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's financial statements.

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the group's accounts and have therefore not been analysed in detail.
- IFRIC 16, 'Heges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The group will apply IFRIC 16 from 1 January 2009. It is not expected to have a material impact on the group's financial statements.

DV *(e) Interpretations and amendments to existing standards that are not yet effective and not relevant for the group's operations*

The following interpretations and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the group's operations:

- IFRIC 13, 'Customer loyalty programmes' (effective from1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the group's operations because none of the group's companies operate any loyalty programmes.
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have an impact on the group's operations because none of the group's companies ordinary activities comprise renting and subsequently selling assets.
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have an impact on the group's operations because it is the group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

- IAS 28 (Amendment), ‘Investments in associates’ (and consequential amendments to IAS 32, ‘Financial Instruments: Presentation’ and IFRS 7, ‘Financial instruments: Disclosures’) (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39 ‘Financial instruments: recognition and measurement’, only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, ‘Financial Instruments: Presentation’ and IFRS 7 ‘Financial Instruments: Disclosures’. The amendment will not have an impact on the group’s operations because it is the group’s policy for an investment in an associate to be equity accounted in the group’s consolidated accounts.
- IAS 29 (Amendment), ‘Financial reporting in hyperinflationary economies’ (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the group’s operations, as none of the group’s subsidiaries or associates operate in hyperinflationary economies.
- IAS 31 (Amendment), ‘Interests in joint ventures’ (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, ‘Financial instruments: Presentation’, and IFRS 7 ‘Financial instruments: Disclosures’. The amendment will not have an impact on the group’s operations as there are no interests held in joint ventures.
- IAS 38 (Amendment), ‘Intangible assets’ (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. The amendment deletes the wording that states that there is ‘rarely, if ever’ support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment will not have an impact on the group’s operations, as all intangible assets are amortised using the straight-line method.
- IAS 40 (Amendment), ‘Investment property’ (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the group’s operations, as there are no investment properties are held by the group.
- IAS 41 (Amendment), ‘Agriculture’ (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the group’s operations as no agricultural activities are undertaken.
- IAS 20 (Amendment), ‘Accounting for government grants and disclosure of government assistance’ (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying

amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have an impact on the group's operations as there are no loans received or other grants from the government.

- The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 29, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', and IAS 41, 'Agriculture', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments will not have an impact on the group's operations as described above.
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009). The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

1p110

2.2 Consolidation

27p12

(a) Subsidiaries

27p14 27p30 Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

IFRS3p14 IFRS3p24 IFRS3p28 IFRS3p36, 37 IFRS3p51 IFRS3p56 The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (note 2.6).

27p24 27p28 Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions and minority interests

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary[1].

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[1] These consolidated financial statements are prepared on the basis of 'parent company model'. See Appendix III for accounting policy if the economic entity model is adopted.

1p110 *(c) Associates*

28p13 28p11 Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2.7 for the impairment of non-financial assets including goodwill.

28p29 28p30 The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

28p22 28p26 Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement[1].

1p110

2.3 Segment reporting

IFRS8p5 (b) Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

1p110

2.4 Foreign currency translation

1p110 *(a) Functional and presentation currency*

21p17 21p9, 18 1p46(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' (C), which is the company's functional and the group's presentation currency.

1p110 *(b) Transactions and balances*

21p21, 28 21p32 39p95(a) 39p102(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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[1] The company may alternatively adopt an accounting policy to recognise dilution gains or losses in equity.

(All amounts in C thousands unless otherwise stated)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net.

39AG83 Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

21p30 Translation differences on non-monetary financial 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. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

1p110 *(c) Group companies*

21p39 The results and financial position of all the group entities (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:

21p39(a) (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

21p39(b) **21p39** (b) income and expenses for each income statement are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and

1p76(b) (c) all resulting exchange differences are recognised as a separate component of equity.

1p76(b) **21p39(c)** **1p76(b)** **39p102** On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

21p47 Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1p110

2.5 Property, plant and equipment

16p73(a) **16p35(b)** **16p15** **16p17** Land and buildings comprise mainly factories, retail outlets and offices. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment[1].

[1] Management may choose to keep these gains/(losses) in equity until the acquired asset affects profit or loss. At this time, management should reclassify the gains/(losses) into profit or loss.

16p12 39p98(b) 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 the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

16p39, 1p76(b) 1p76(b) 16p40 16p41 Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

16p73(b), 50 16p73(c) Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

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

16p51 The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

36p59 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 2.7).

16p68, 71 Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

16p41, 1p76(b) When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

1p110

2.6 Intangible assets

1p110

(a) Goodwill

IFRS3p51 38p118(a) IFRS3p54 36p124 Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

36p80 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 identified according to operating segment.

(All amounts in C thousands unless otherwise stated)

1p110 *(b) Trademarks and licences*

38p74 38p97 38p118 (a)(b) Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 to 20 years.

38p4 38p118 (a)(b) Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

1p110 *(d) Computer software*

38p57 Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

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

38p66 Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. 38p68,71 Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period

38p97 38p118 (a)(b) Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

1p110 **2.7 Impairment of non-financial assets**

36p9 36p10 Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1p110

2.8 Non-current assets (or disposal groups) held for sale

IFRS5p6, 15 Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

1p110

2.9 Financial assets

2.9.1 Classification

IFRS7p21 39p9 The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

39p9 Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling
41p57, 59 in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

39p9 1p57, 59 Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (notes 2.11 and 2.12).

(c) Available-for-sale financial assets

39p9 1p57, 59 IFRS7 AppxB5(b) Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(All amounts in C thousands unless otherwise stated)

2.9.2 Recognition and measurement

39p38 IFRS7 Appx Bp5(c) 39p43 Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. **39p16** Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. **39p46** Loans and receivables are carried at amortised cost using the effective interest method.

39p55(a) IFRS7 Appx Bp5(e) Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

39p55(b) IFRS7 Appx Bp5(e) 39AG83 1p76(b) Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

39p67 Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

IFRS7 p27(a) 39AG72, 73 39AG74 The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

39p58 39p67 39p68 IFRS7 Appx Bp5(f) 39p69 The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.12.

1p110

2.10 Derivative financial instruments and hedging activities

IFRS7p21 IFRS7p22 Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss 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:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(c) hedges of a net investment in a foreign operation (net investment hedge).

39p88 The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

IFRS7p23, 24 The fair values of various derivative instruments used for hedging purposes are disclosed in note 11. Movements on the hedging reserve in shareholders' equity are shown in note 19. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and 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.

39p89 *(a) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

39p92 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.

39p95 *(b) Cash flow hedge*

1p76(b) The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

39p99, 100 Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. However, when the forecast transaction that **39p98(b)** is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

39p101 When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.

39p102 (a)(b) *(c) Net investment hedge*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

1p76(b) Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

39p55(a) *(d) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the income statement within 'other gains/(losses) – net'.

1p110

2.11 Inventories

2p36(a), 9
2p10, 25
23p6, 7
2p28, 30
39p98(b)

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials[1].

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[1] Management may choose to keep these gains in equity until the acquired asset affects profit or loss. At this time, management should re-classify the gains to profit or loss.

1p110
IFRS7p21

2.12 Trade receivables

39p43
39p46(a)
39p59
IFRS7 Appx Bp5(f)
IFRS7 Appx Bp5(d)

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

1p110
IFRS7p21

2.13 Cash and cash equivalents

7p45

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1p110
IFRS7p21

2.14 Share capital

32p18(a)

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 2.16).

32p37

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.

32p33

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such 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 company's equity holders.

1p110

2.15 Trade payables

IFRS7p21
39p43,
39p47

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1p110
IFRS7p21

2.16 Borrowings

39p43
39p47

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

32p18(a)
32p33 Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

IFRS7
p27(a)
32p18, 28
32AG31 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.

1p60 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 balance sheet date.

1p110

2.17 Current and deferred income tax

12p58
12p61 The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

12p12
12p46 The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

12p24
12p15
12p47 Deferred income tax is recognised, 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, the deferred income tax is 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 balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

12p24, 34 Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

12p39, 44 Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

1p110 **2.18 Employee benefits**

1p110 *(a) Pension obligations*

19p27 19p25 19p7 19p120A(b) Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

19p79, 19p80, 19p64 The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. 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 to maturity approximating to the terms of the related pension liability.

19p93-93D 19p120A(a) Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of recognised income and expense (SORIE) in the period in which they arise.

19p96 Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

19p44 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.

1p110 *(b) Other post-employment obligations*

19p120A(a) 19p120A(b) 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the SORIE in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(All amounts in C thousands unless otherwise stated)

1p110 *(c) Share-based compensation*

IFRS2 p15(b)
IFRS2p19

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

1p110 *(d) Termination benefits*

19p133
19p134
19p139

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

1p110 *(e) Profit-sharing and bonus plans*

19p17

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.

1p110

2.19 Provisions

37p14
37p72
37p63

Provisions for environmental restoration, restructuring costs and legal claims 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 has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

37p24

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

37p45 Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1p110 2.20 Revenue recognition

18p35(a) Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group’s activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

18p14 *(a) Sales of goods – wholesale*

The group manufactures and sells a range of footwear products in the wholesale market. Sales of goods are recognised when a group entity has delivered products 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 does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The footwear products are often sold with volume discounts; customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with the market practice.

18p14 *(b) Sales of goods – retail*

The group operates a chain of retail outlets for selling shoes and other leather products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

It is the group’s policy to sell its products to the retail customer with a right to return within 28 days. Accumulated experience is used to estimate and provide for such returns at the time of sale. The group does not operate any loyalty programmes.

18p20 *(c) Sales of services*

The group sells design services and transportation services to other shoe manufacturers. These services are provided on a time and material basis or as a fixed-price contract, with contract terms generally ranging from less than one year to three years.

Revenue from time and material contracts, typically from delivering design services, is recognised under the percentage-of-completion method. Revenue is generally recognised at the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours delivered as a percentage of total hours to be delivered. For material contracts, the stage of completion is measured on the basis of direct expenses incurred as a percentage of the total expenses to be incurred.

Revenue from fixed-price contracts for delivering design services is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

Revenue from fixed-price contracts for delivering transportation services is generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

18p30(a) *(d) Interest income*

39p93 Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

18p30(b) *(e) Royalty income*

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

18p30(c) *(f) Dividend income*

Dividend income is recognised when the right to receive payment is established.

1p110 **2.21 Leases**

17p33
SIC-15p5 Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1p110 The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

17p20
17p27 Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

1p110

2.22 Dividend distribution

10p12 Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

3 Financial risk management

3.1 Financial risk factors

IFRS7p31 The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written 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.

(a) Market risk

(i) Foreign exchange risk

IFRS7 p33(a) The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

IFRS7 p33(b), 22(c) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group use forward contracts, transacted with group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

(All amounts in C thousands unless otherwise stated)

IFRS7 p22(c) The group treasury's risk management policy is to hedge between 75% and 100% of anticipated cash flows (mainly export sales and purchase of inventory) in each major foreign currency for the subsequent 12 months. Approximately 90% (2007: 95%) of projected sales in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

39p73 For segment reporting purposes, each subsidiary designates contracts with group treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

IFRS7 p33(a)(b) IFRS7 p22(c) The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

IFRS7p40 IFRS7IG36 At 31 December 2008, if the Currency had weakened/strengthened by 11% against the US dollar with all other variables held constant, post-tax profit for the year would have been C362 (2007: C51) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables, financial assets at fair value through profit or loss, debt securities classified as available for sale and foreign exchange losses/gains on translation of US dollar-denominated borrowings. Profit is more sensitive to movement in currency/US dollar exchange rates in 2008 than 2007 because of the increased amount of US dollar-denominated borrowings.

At 31 December 2008, if the Currency had weakened/strengthened by 4% against the UK pound with all other variables held constant, post-tax profit for the year would have been C135 (2007: C172) lower/higher, mainly as a result of foreign exchange gains/losses on translation of UK pound-denominated trade receivables, financial assets at fair value through profit or loss, debt securities classified as available for sale and foreign exchange losses/gains on translation of UK pound-denominated borrowings.

(ii) Price risk

IFRS7 p33(a)(b) The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The group is not exposed to commodity price risk. 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 group's investments in equity of other entities that are publicly traded are included in one of the following three equity indexes: DAX equity index, Dow Jones equity index and FTSE 100 UK equity index.

IFRS7p40 IFRS7IG36 The table below summarises the impact of increases/decreases of the FTSE 100 on the group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the group's equity instruments moved according to the historical correlation with the index:

(All amounts in C thousands unless otherwise stated)

	Impact on post-tax profit in C		Impact on other components of equity in C	
Index	**2008**	2007	**2008**	2007
DAX	**200**	120	**290**	290
Dow Jones	**150**	120	**200**	70
FTSE 100 UK	**60**	30	**160**	150

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

(iii) Cash flow and fair value interest rate risk

IFRS7 p33(a) As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

IFRS7 p33(a)(b), IFRS7 p22(c) The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2008 and 2007, the group's borrowings at variable rate were denominated in the Currency and the UK pound.

IFRS7 p22(b)(c) The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post tax profit of a 0.1% shift would be a maximum increase of C41 (2007: C37) or decrease of C34 (2007: C29), respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

IFRS7 p22(b)(c) Based on the various scenarios, the group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

IFRS7 p22(b)(c) Occasionally the group also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the 60% target.

IFRS7p40 IFRS7IG36 At 31 December 2008, if interest rates on Currency-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been C22 (2007: C21) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been C5 (2007: C3) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale. At 31 December 2008, if interest rates on UK pound-denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been C57 (2007: C38) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been C6 (2007: C4) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale.

(b) Credit risk

IFRS7 p33(a)(b) IFRS7 p34(a) Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. 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. 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 utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. See note 9 for further disclosure on credit risk.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

IFRS7p33, 39(b) Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

IFRS7 p34(a) Management monitors rolling forecasts of the group's liquidity reserve (comprises undrawn borrowing facility (note 21) and cash and cash equivalents (note 15)) on the basis of expected cash flow. 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 cashflows 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.

(All amounts in C thousands unless otherwise stated)

IFRS7 p39(a) The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows[1]. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2008	**Less than 1 year[2]**	**Between 1 and 2 years[2]**	**Between 2 and 5 years[2]**	**Over 5 years[2]**
Borrowings (excluding finance lease liabilities)	**20,496**	**22,002**	**67,457**	**38,050**
Finance lease liabilities	**2,749**	**1,573**	**4,719**	**2,063**
Derivative financial instruments	**12**	**10**	**116**	**41**
Trade and other payables	**15,668[3]**	–	–	–

At 31 December 2007	**Less than 1 year[2]**	**Between 1 and 2 years[2]**	**Between 2 and 5 years[2]**	**Over 5 years[2]**
Borrowings (excluding finance lease liabilities)	16,258	11,575	58,679	38,103
Finance lease liabilities	3,203	1,790	5,370	2,891
Derivative financial instruments	19	15	81	50
Trade and other payables	11,518[3]	–	–	–

IFRS7 p39(a) [1] As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings, derivative financial instruments and trade and other payables. Entities can choose to add a reconciling column and a final total which ties into the balance sheet if they so wish.

IFRS7 p39(a) [2] The specific time buckets presented are not mandated by the standard but are based on a choice by management.

[3] The maturity analysis applies to financial instruments only and therefore statutory liabilities are not included.

IFRS7 p39(a) IFRS7 AppxB15 The table below analyses the group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. 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.

(All amounts in C thousands unless otherwise stated)

	At 31 December 2008	Less than 1 year[1]	Between 1 and 2 years[1]	Between 2 and 5 years[1]	Over 5 years[1]
	Forward foreign exchange contracts – cash flow hedges[2]				
IFRS7 p39(a) IFRS7 AppxB15 DV	Outflow	78,241	–	–	–
	Inflow	78,756	–	–	–
	Forward foreign exchange contracts – held for trading[2]				
IFRS7 p39(a) IFRS7 AppxB15 DV	Outflow	14,129	–	–	–
	Inflow	14,222	–	–	–

	At 31 December 2007	Less than 1 year[1]	Between 1 and 2 years[1]	Between 2 and 5 years[1]	Over 5 years[1]
	Forward foreign exchange contracts – cash flow hedges[2]				
IFRS7 p39(a) IFRS7 AppxB15 DV	Outflow	83,077	–	–	–
	Inflow	83,366	–	–	–
	Forward foreign exchange contracts – held for trading[2]				
IFRS7 p39(a) IFRS7 AppxB15 DV	Outflow	6,612	–	–	–
	Inflow	6,635			

IFRS7 p39(a)

[1] The specific time buckets presented are not mandated by the standard but are based on a choice by management.

[2] IFRS 7 requires a maturity analysis only for financial liabilities [IFRS 7 para 39(a)]. In addition, IFRS 7 appendix B paragraph 14 (d) specifies that contractual gross cash flows to be exchanged in a derivative contract should be presented in that analysis. In our view, as a minimum, for financial instruments that are liabilities at the balance sheet date, the cash outflows should be included in the maturity analysis. This will include the pay legs of gross-settled derivatives and commodity contracts that are liabilities at the balance sheet date. While the standard only requires the gross cash outflows (that is, the pay leg) to be included in the maturity analysis, separate disclosure of the corresponding inflows (that is, the receive leg) might make the information more meaningful.

1p124A, 124B, IG5

3.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(All amounts in C thousands unless otherwise stated)

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During 2008, the group's strategy, which was unchanged from 2007, was to maintain the gearing ratio within 45% to 50% and a BB credit rating. The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008	2007
Total borrowings (note 21)	**126,837**	114,604
Less: cash and cash equivalents (note 15)	**(17,928)**	(34,062)
Net debt	**108,909**	80,542
Total equity	**131,773**	88,946
Total capital	**240,682**	169,488
Gearing ratio	**45%**	48%

The decrease in the gearing ratio during 2008 resulted primarily from the issue of share capital as part of the consideration for the acquisition of a subsidiary (notes 17 and 38).

3.3 Fair value estimation

IFRS7p27 The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

IFRS7 p29(a) IFRS7 p27(a) The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

(All amounts in C thousands unless otherwise stated)

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1p116 4.1 Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 7).

1p120, 36p134 (f)(i)-(iii) An impairment charge of C4,650 arose in the wholesale CGU in Step-land (included in the Russian operating segment) during the course of the 2008 year, resulting in the carrying amount of the CGU being written down to its recoverable amount. If the budgeted gross margin used in the value-in-use calculation for the wholesale CGU in Step-land (included in 'Other countries') had been 10% lower than management's estimates at 31 December 2008 (for example, 46% instead of 56%), the group would have recognised a further impairment of goodwill by C100 and would need to reduce the carrying value of property, plant and equipment by C300.

If the estimated pre-tax discount rate applied to the discounted cash flows for the wholesale CGU in Step-land had been 1% higher than management's estimates (for example, 13.8% instead of 12.8%), the group would have recognised a further impairment against goodwill by C300.

(b) Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Were the actual final outcome (on the judgement areas) to differ by 10% from management's estimates, the group would need to:

- increase the income tax liability by C120 and the deferred tax liability by C230, if unfavourable; or
- decrease the income tax liability by C110 and the deferred tax liability by C215, if favourable.

(c) Fair value of derivatives and other financial instruments

IFRS7 p27(a) The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by 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 each balance sheet date. The group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

The carrying amount of available-for-sale financial assets would be an estimated C12 lower or C15 higher were the discount rate used in the discount cash flow analysis to differ by 10% from management's estimates.

(d) Revenue recognition

The group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver design services. Use of the percentage-of-completion method requires the group to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from management's estimates, the amount of revenue recognised in the year would be increased by C175 if the proportion performed were increased, or would be decreased by C160 if the proportion performed were decreased.

(e) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 23.

Were the discount rate used to differ by 10% from management's estimates, the carrying amount of pension obligations would be an estimated C425 lower or C450 higher.

1p113 4.2 Critical judgements in applying the entity's accounting policies

(a) Revenue recognition

The group has recognised revenue amounting to C950 for sales of goods to L&Co in Euravia during 2008. The buyer has the right to return the goods if their customers are dissatisfied. The group believes that, based on past experience with similar sales, the dissatisfaction rate will not exceed 3%. The group has, therefore, recognised revenue on this transaction with a corresponding provision against revenue for estimated returns. If the estimate changes by 1%, revenue will be reduced/increased by C10.

(All amounts in C thousands unless otherwise stated)

(b) Impairment of available-for-sale financial assets

The group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the group would suffer an additional loss of C1,300 in its 2008 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the income statement.

5 Segment information

IFRS8 p22(a) Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

IFRS8 p22(a) The committee considers the business from both a geographic and product perspective. Geographically, management considers the performance of wholesale in the Currency-zone, US, China, Russia and the UK. The Currency-zone and US are further segregated into retail and wholesale, as all of the retail business is located in these two geographic areas.

IFRS 8p22(a) Although the China segment does not meet the quantitative thresholds required by IFRS 8, management has concluded that this segment should be reported, as it is closely monitored by the strategic steering committee as a potential growth region and is expected to materially contribute to group revenue in the future.

IFRS8 p22(b) The reportable operating segments derive their revenue primarily from the manufacture and sale of shoes on a wholesale basis, with the exception of the Currency-zone and US, which are further segregated into retail shoe and leather goods sales.

IFRS8p16 Other services included within the UK and Currency-zone segments include the sale of design services and goods transportation services to other shoe manufacturers. These are not included within the reportable operating segments, as they are not included in the reports provided to the strategic steering committee. The wholesale shoe revenue from the Central American region, mainly Mexico, is also not included, as this information is not reviewed by the strategic steering committee. The results of these operations are included in the ‘all other segments’ column.

(All amounts in C thousands unless otherwise stated)

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 December 2008 is as follows:

		Currency-zone		US		Russia	China	UK	All other segments	Total
		Wholesale	Retail	Wholesale	Retail					
	Total segment revenue	46,638	43,257	28,820	42,672	26,273	5,818	40,273	13,155	246,906
IFRS8 p23(b)	Inter-segment revenue	(11,403)	–	(7,364)	–	(5,255)	(1,164)	(8,055)	(2,631)	(35,872)
IFRS8p23, p33(a)	Revenue from external customers	35,235	43,257	21,456	42,672	21,018	4,654	32,218	10,524	211,034
IFRS8p23	Adjusted EBITDA	17,298	9,550	9,146	9,686	12,322	2,323	16,003	3,504	79,832
IFRS 8p23(e)	Depreciation and amortisation	(3,226)	(3,830)	(1,894)	(3,789)	(2,454)	(386)	(2,706)	(269)	(18,554)
IFRS 8 p23(i) **IAS 36p 129(a)**	Goodwill impairment	–	–	–	–	(4,650)	–	–	–	(4,650)
IFRS 8 p23(i)	Restructuring costs	–	–	–	–	(1,986)	–	–	–	(1,986)
IFRS 8p23(h)	Income tax expense	(2,550)	(2,840)	(1,395)	(3,100)	(1,591)	(365)	(2,551)	(400)	(14,792)
IFRS8 p23(g)	Share of profit/(loss) from associates	200	–	–	–	–	–	(389)	15	(174)
IFRS8p23	**Total assets**	**45,201**	**24,495**	**41,195**	**13,988**	**15,067**	**24,899**	**33,571**	**61,285**	**259,701**
	Total assets includes:									
IFRS 8p24(a)	Investments in associates	7,207	–	–	–	–	–	–	6,166	13,373
IFRS 8p24(b)	Additions to non-current assets (other than financial instruments and deferred tax assets)	–	35,543	–	39,817	–	11,380	–	1,500	88,204
IFRS 8p23	**Total liabilities**[1]	**3,207**	**6,700**	**5,900**	**3,500**	**700**	**1,200**	**1,500**	**2,140**	**24,847**

[1] The measure of liabilities has been disclosed for each reportable segment as is regularly provided to the chief operating decision-maker.

The segment information for the year ended 31 December 2007 is as follows:

		Currency-zone		US		Russia	China	UK	All other segments	Total
		Wholesale	**Retail**	**Wholesale**	**Retail**					
	Total segment revenue	57,284	1,682	33,990	2,390	8,778	3,209	26,223	5,724	139,280
IFRS8 p23(b)	Inter-segment revenue	(11,457)	–	(6,798)	–	(1,756)	(642)	(5,245)	(1,022)	(26,920)
IFRS8 p23(a), 33(a)	Revenue from external customers	45,827	1,682	27,192	2,390	7,022	2,567	20,978	4,702	112,360
IFRS 8p23	Adjusted EBITDA	17,183	800	10,369	1,298	3,471	1,506	10,755	1,682	47,064
IFRS8 p23(e)	Depreciation and amortisation	(3,801)	(201)	(2,448)	(199)	(453)	(286)	(2,701)	(138)	(10,227)
IFRS8p23(h)	Income tax expense	(2,772)	(650)	(1,407)	(489)	(509)	(150)	(2,201)	(687)	(8,865)
IFRS8p23(g)	Share of profit/(loss) from associates	155	–	–	–	–	–	–	(10)	145
IFRS8p23	**Total assets**	**43,320**	**9,580**	**32,967**	**8,550**	**5,067**	**20,899**	**36,450**	**49,270**	**206,103**
	Total assets includes:									
IFRS8 p24(a)	Investments in associates	7,050	–	–	–	–	–	–	6,194	13,244
IFRS8 p24(b)	Additions to non-current assets (other than financial instruments and deferred tax assets)	–	47	–	46	–	2,971	–	3,678	6,742
IFRS 8p23	**Total liabilities**[1]	**4,221**	**55**	**6,054**	–	**250**	**800**	**2,537**	**3,464**	**17,381**

[1] The measure of liabilities has been disclosed for each reportable segment as is regularly provided to the chief operating decision-maker.

During 2007, retail did not qualify as a reportable operating segment. However, with the acquisition in 2008, of Your Shoes Group (note 38), retail qualifies as a reportable operating segment and, therefore, the comparatives are consistent in this regard.

IFRS 8 p23(i) See note 7 for details of the impairment of goodwill of C4,650 in the Russian operating segment in 2008 relating to the decision to reduce manufacturing output. There has been no further impact on the measurement of the company's assets and liabilities. There was no impairment charge or restructuring costs recognised in 2007.

IFRS 8p27(a) Sales between segments are carried out at arm's length. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

IFRS8 p27(b), 28 The strategic steering committee assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group. Since the strategic steering committee reviews adjusted EBITDA, the results of discontinued operations are not included in the measure of adjusted EBITDA.

IFRS 8p28(b) A reconciliation of adjusted EBITDA to profit before tax and discontinued operations is provided as follows:

	2008	2007
Adjusted EBITDA for reportable segments	**76,328**	45,382
Other segments EBITDA	**3,504**	1,682
Depreciation	**(17,754)**	(9,662)
Amortisation	**(800)**	(565)
Restructuring costs	**(1,986)**	-
Legal expenses	**(737)**	(855)
Goodwill impairment	**(4,650)**	-
Unrealised financial instrument gains	**102**	101
Share options granted to directors and employees	**(690)**	(820)
Finance costs – net	**(6,443)**	(10,588)
Other	**(48)**	243
Profit before tax and discontinued operations	**46,826**	24,918

The amounts provided to the strategic steering committee with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

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

IFRS8 p27(c) Reportable segments' assets are reconciled to total assets as follows:

	2008	2007
Segment assets for reportable segments	**198,416**	156,833
Other segments assets	**61,285**	49,270
Unallocated:		
Deferred tax	**3,520**	3,321
Available-for-sale financial assets	**19,370**	14,910
Financial assets at fair value through the profit and loss	**11,820**	7,972
Derivatives	**1,464**	1,196
Assets of disposal group classified as held for resale	**3,333**	-
Total assets per the balance sheet	**299,208**	233,502

The amounts provided to the strategic steering committee with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

(All amounts in C thousands unless otherwise stated)

IFRS8 p27(d) Reportable segments' liabilities are reconciled to total liabilities as follows:

	2008	2007
Segment liabilities for reportable segments	**22,707**	13,917
Other segments liabilities	**2,140**	3,464
Unallocated:		
Deferred tax	**12,370**	9,053
Current tax	**2,566**	2,771
Current borrowings	**11,716**	18,258
Non-current borrowings	**115,121**	96,346
Derivatives	**595**	747
Liabilities of disposal group classified as held for resale	**220**	–
Total liabilities per the balance sheet	**167,435**	144,556

IFRS8 p27(f) Due to the Currency-zone operations utilising excess capacity in certain Russian assets that are geographically close to the Currency-zone region, a portion of the depreciation charge of C197 (2007: C50) relating to the Russian assets has been allocated to the Currency-zone segment to take account of this.

IFRS8p32 Revenues from external customers are derived from the sales of shoes on a wholesale and retail basis. The breakdown of retail and wholesale results are provided above. The wholesale of shoes relates only to the group's own brand, Footsy Tootsy. The retail sales comprise not only the group's own brand, but other major retail shoe brands.

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category	**2008**	2007
Sales of goods	**202,884**	104,495
Revenue from services	**8,000**	7,800
Royalty income	**150**	65

IFRS8 p33(a) The entity is domiciled in Euravia. The result of its revenue from external customers in Euravia is C50,697 (2007: C48,951), and the total of revenue from external customers from other countries is C160,337 (2007: C63,409). The breakdown of the major component of the total of revenue from external customers from other countries is disclosed above.

IFRS8 p33(b) The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Euravia is C49,696 (2007: C39,567), and the total of these non-current assets located in other countries is C146,762 (2007: C93,299).

IFRS8p34 Revenues of approximately C32,023 (2007: C28,034) are derived from a single external customer. These revenues are attributable to the US retail and wholesale segments.

(All amounts in C thousands unless otherwise stated)

6 Property, plant and equipment

1p75(a)		Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Total
16p73(d)	**At 1 January 2007**				
	Cost or valuation	39,664	71,072	20,025	130,761
	Accumulated depreciation	(2,333)	(17,524)	(3,690)	(23,547)
	Net book amount	37,331	53,548	16,335	107,214
16p73(e)	**Year ended 31 December 2007**				
	Opening net book amount	37,331	53,548	16,335	107,214
16p73 (e)(viii)	Exchange differences	(381)	(703)	(423)	(1,507)
16p73(e)(iv)	Revaluation surplus (note 19)	1,133	–	–	1,133
16p73(e)(i)	Additions	1,588	2,970	1,484	6,042
16p73(e)(ix)	Disposals (note 35)	–	(2,607)	(380)	(2,987)
16p73(e)(vii)	Depreciation charge (note 28)	(636)	(4,186)	(4,840)	(9,662)
	Closing net book amount	39,035	49,022	12,176	100,233
16p73(d)	**At 31 December 2007**				
	Cost or valuation	40,232	68,125	20,026	128,383
	Accumulated depreciation	(1,197)	(19,103)	(7,850)	(28,150)
	Net book amount	39,035	49,022	12,176	100,233
	Year ended 31 December 2008				
16p73(e)	Opening net book amount	39,035	49,022	12,176	100,233
16p73(e) (viii)	Exchange differences	1,601	1,280	342	3,223
16p73(e)(iv)	Acquisition of subsidiary (note 38)	49,072	5,513	13,199	67,784
16p73(e)(i)	Additions	7,126	427	2,202	9,755
16p73(e)(ix)	Disposals (note 35)	(2,000)	(3,729)	(608)	(6,337)
16p73(e)(vii)	Depreciation charge (note 28)	(3,545)	(4,768)	(9,441)	(17,754)
IFRS5p38	Transferred to disposal group classified as held for sale	(341)	(1,222)	–	(1,563)
16p73(d)	**Closing net book amount**	**90,948**	**46,523**	**17,870**	**155,341**
16p73(d)	**At 31 December 2008**				
	Cost or valuation	95,129	58,268	26,927	180,324
	Accumulated depreciation	(4,181)	(11,745)	(9,057)	(24,983)
	Net book amount	**90,948**	**46,523**	**17,870**	**155,341**

DV Property, plant and equipment transferred to the disposal group classified as held for sale amounts to C1,563 and relates to assets which are used by Shoes Limited (part of the wholesale segment). See note 16 for further details regarding the disposal group held for sale.

16p77(a-d), 1p76(b) The group's land and buildings were last revalued on 1 January 2007 by independent valuers. Valuations were made on the basis of recent market transactions on arm's length terms. The revaluation surplus net of applicable deferred income taxes was credited to 'other reserves in shareholders' equity (note 19).

(All amounts in C thousands unless otherwise stated)

DV1p93 Depreciation expense of C8,054 (2007: C5,252) has been charged in 'cost of goods sold', C5,568 (2007: C2,410) in 'selling and marketing costs' and C4,132 (2007: C2,000) in 'administrative expenses'.

17p35(c) Lease rentals amounting to C1,172 (2007: C895) and C9,432 (2007: C7,605) relating to the lease of machinery and property, respectively, are included in the income statement (note 28).

16p77(e) If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2008	2007
Cost	**93,079**	37,684
Accumulated depreciation	**(6,131)**	(2,197)
Net book amount	**86,948**	35,487

16p74(a) Bank borrowings are secured on land and buildings for the value of C37,680 (2007: C51,306) (note 21).

Vehicles and machinery includes the following amounts where the group is a lessee under a finance lease:

	2008	2007
Cost – capitalised finance leases	**13,996**	14,074
Accumulated depreciation	**(5,150)**	(3,926)
Net book amount	**8,846**	10,148

17p35(d) The group leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between three and 15 years, and ownership of the assets lie within the group.

(All amounts in C thousands unless otherwise stated)

7 Intangible assets

		Goodwill	Trademarks and licences	Contractual customer Relationships	Internally generated software development costs	Total
38p118(c)	**At 1 January 2007**					
IFRS3p75(a)	Cost	12,546	8,301	–	1,455	22,302
IFRS3p75(a)	Accumulated amortisation and impairment	–	(330)	–	(510)	(840)
	Net book amount	12,546	7,971	–	945	21,462
38p118(e)	**Year ended 31 December 2007**					
IFRS3p74	Opening net book amount	12,546	7,971	–	945	21,462
IFRS3p75(f)	Exchange differences	(546)	(306)	–	(45)	(897)
38p118(e)(i)	Additions	–	700	–	–	700
IFRS3 p75(a)	Amortisation charge (note 28)	–	(365)	–	(200)	(565)
	Closing net book amount	12,000	8,000	–	700	20,700
	At 31 December 2007					
38p118(c)	Cost	12,000	8,710	–	1,400	22,110
IFRS3p75(a)	Accumulated amortisation and impairment	–	(710)	–	(700)	(1,410)
IFRS3p75(a)	**Net book amount**	12,000	8,000	–	700	20,700
38p118(e)	**Year ended 31 December 2008**					
IFRS3p74	Opening net book amount	12,000	8,000	–	700	20,700
IFRS3p75(f)	Exchange differences	341	96	–	134	571
38p118(e)(i)	Additions	–	684	–	2,366	3,050
IFRS3p75(b)	Acquisition of subsidiary (note 38)	4,501	3,000	1,000	–	8,501
IFRS3p75(e)	Impairment charge (note 28)	(4,650)	–	–	–	(4,650)
IFRS3 p75(a)	Amortisation charge (note 28)	–	(402)	(278)	(120)	(800)
IFRS5p38	Transferred to disposal group classified as held for sale		(1,000)	–	(100)	(1,100)
	Closing net book amount	**12,192**	**10,378**	**722**	**2,980**	**26,272**
38p118(c)	**At 31 December 2008**					
IFRS3p75(a)	Cost	16,842	11,480	1,000	3,800	33,122
IFRS3p75(a)	Accumulated amortisation and impairment	(4,650)	(1,102)	(278)	(820)	(6,850)
	Net book amount	**12,192**	**10,378**	**722**	**2,980**	**26,272**

36p126(a) The carrying amount of the segment has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss has been included in 'cost of goods sold' in the income statement.

38p118(d) Amortisation of C40 (2007: C100) is included in the 'cost of goods sold' the income statement; C680 (2007: C365) in 'selling, and marketing costs'; and C80 (2007: C100) in 'administrative expenses'.

DV The trademark transferred to the disposal group classified as held for sale relates to the Shoes Limited trademark (part of the wholesale segment), which was previously recognised by the group on the acquisition of the entity in 2005. A further net book amount of C100 transferred to the disposal group relates to software that was specifically developed for Shoes Limited. See note 16 for further details regarding the disposal group held-for-sale

Impairment tests for goodwill

36p134(d) Goodwill is allocated to the group's cash-generating units (CGUs) identified according to operating segment.

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

36p134(a)

	2008			2007		
	Wholesale	**Retail**	**Total**	**Wholesale**	**Retail**	**Total**
Currency-zone	**6,250**	**1,051**	**7,301**	5,970	120	6,090
US	**325**	**2,501**	**2,826**	125	30	155
UK	**1,609**	**–**	**1,609**	705	–	705
Russia	**100**	**–**	**100**	4,750	–	4,750
China	**146**	**–**	**146**	100	–	100
All other segments	**210**	**–**	**210**	200	–	200
	8,640	**3,552**	**12,192**	11,850	150	12,000

During 2007, retail did not qualify as a reportable operating segment. However, with the acquisition in 2008 of Your Shoes Group (note 38), retail qualifies as a separate reportable operating segment, and therefore the comparatives are consistent.

36p130(e)
36p134(c)
36p134(d)
(iii)
The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax 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. The growth rate does not exceed the long-term average growth rate for the shoe business in which the CGU operates.

36p134(d)(i) The key assumptions used for value-in-use calculations are as follows:

		Wholesale						**Retail**	
		Currency-zone	**US**	**UK**	**Russia**	**China**	**All Other Segments**	**Currency-zone**	**US**
36p134(d)	Gross margin[1]	60.0%	59.0%	60.0%	55.5%	57.0%	56.0%	58.0%	56.0%
36p134 (d)(iv)	Growth rate[2]	1.8%	1.8%	1.8%	2.0%	2.0%	1.9%	1.1%	1.3%
36p134 (d)(v) **36p130(g)**	Discount rate[3]	10.5%	10.0%	10.7%	12.8%	12.0%	12.8%	11.5%	11.0%

[1] Budgeted gross margin.

[2] Weighted average growth rate used to extrapolate cash flows beyond the budget period.

[3] Pre-tax discount rate applied to the cash flow projections.

36p134
(d)(ii)
These assumptions have been used for the analysis of each CGU within the operating segment.

36p134 (d)(ii) Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

36p130(a) The impairment charge arose in a wholesale CGU in Step-land (included in the Russian operating segment) following a decision in early 2008 to reduce the manufacturing output allocated to these operations (note 24). 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. No other class of asset than goodwill was impaired. The pre-tax discount rate used in the previous years for the wholesale CGU in Step-land was 12.0%.

8 Investments in associates

		2008	2007
	At 1 January	**13,244**	13,008
	Acquisition of subsidiary (note 38)	**389**	–
28p38	Share of (loss)/profit[1]	**(174)**	145
	Exchange differences (note 19)	**(74)**	105
	Other equity movements: available-for-sale reserve (note 19)	**(12)**	(14)
28p38	**At 31 December**	**13,373**	13,244

IFRS3p29, 28p23 Investments in associates at 31 December 2008 include goodwill of C1,020 (2007: C1,020).

[1] Share of profit/(loss) is after tax and minority interest in associates (IG14).

28p37(b) The group's share of the results of its principal associates, all of which are unlisted, and its aggregated assets (including goodwill) and liabilities, are as follows[2]:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit/(Loss)	% interest held
2007						
Alfa Limited	Cyprus	27,345	20,295	35,012	155	25
Beta SA	Greece	9,573	3,379	10,001	(10)	30
		36,918	23,674	45,013	145	
2008						
Alfa Limited	Cyprus	32,381	25,174	31,123	200	25
Beta SA	Greece	12,115	5,949	9,001	15	30
Delta Limited	UK	15,278	15,278	25,741	(389)	42
		59,774	**46,401**	**65,865**	**(174)**	

[2] An alternative method of presentation is to give the gross amounts of assets and liabilities (excluding goodwill) of associates and not of the group's share.

28p37(g) The group has not recognised losses amounting to C20 (2007: nil) for Delta Limited. The accumulated losses not recognised were C20 (2007: nil).

(All amounts in C thousands unless otherwise stated)

9a Financial instruments by category

IFRS7p6

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for sale	Total
31 December 2008					
Assets as per balance sheet					
Available-for-sale financial assets	–	–	–	19,370	19,370
Derivative financial instruments	–	361	1,103	–	1,464
Trade and other receivables excluding prepayments[1]	20,787	–	–	–	20,787
Financial assets at fair value through profit or loss	–	11,820	–	–	11,820
Cash and cash equivalents	22,228	–	–	–	22,228
Total	**43,015**	**12,181**	**1,103**	**19,370**	**75,669**

[1] Prepayments are excluded from the trade and other receivables balance as this analysis is required only for financial instruments.

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)[2]	–	–	117,839	117,839
Finance lease liabilities[2]			8,998	8,998
Derivative financial instruments	268	327	–	595
Trade and other payables excluding statutory liabilities[3]	–	–	15,668	15,668
Total	**268**	**327**	**142,505**	**143,100**

[2] The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.

[3] Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments.

(All amounts in C thousands unless otherwise stated)

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for sale	Total
31 December 2007					
Assets as per balance sheet					
Available-for-sale financial assets	–	–	–	14,910	14,910
Derivative financial instruments	–	321	875	–	1,196
Trade and other receivables excluding prepayments[1]	18,536	–	–	–	18,536
Financial assets at fair value through profit or loss	–	7,972	–	–	7,972
Cash and cash equivalents	36,212	–	–	–	36,212
Total	**54,748**	**8,293**	**875**	**14,910**	**78,826**

[1] Prepayments are excluded from the trade and other receivables balance as this analysis is required only for financial instruments.

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)[2]	–	–	104,006	104,006
Finance lease liabilities[2]			10,598	10,598
Derivative financial instruments	298	449	–	747
Trade and other payables excluding statutory liabilities[3]	–	–	11,518	11,518
Total	**298**	**449**	**126,122**	**126,869**

[2] The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.

[3] Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments.

(All amounts in C thousands unless otherwise stated)

9b Credit quality of financial assets

IFRS7 p36(c) The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2008	2007
Trade receivables		
Counterparties with external credit rating (Moody's)		
A	**5,895**	5,757
BB	**3,200**	3,980
BBB	**1,500**	1,830
	10,595	11,567
Counterparties without external credit rating		
Group 1	**750**	555
Group 2	**4,950**	3,668
Group 3	**1,770**	1,312
	7,470	5,535
Total trade receivables	**18,065**	17,102
Cash at bank and short-term bank deposits[1]		
AAA	**8,790**	15,890
AA	**5,300**	7,840
A	**6,789**	11,257
	20,879	34,987

[1] The rest of the balance sheet item 'cash and cash equivalents' is cash on hand.

Available-for-sale debt securities		
AA	**347**	264
	347	264
Derivative financial assets		
AAA	**1,046**	826
AA	**418**	370
	1,464	1,196
Loans to related parties		
Group 2	**2,501**	1,301
Group 3	**167**	87
	2,668	1,388

- Group 1 – new customers/related parties (less than 6 months).
- Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.
- Group 3 – existing customers/related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

IFRS7 p36(d) None of the financial assets that are fully performing has been renegotiated in the last year. None of the loans to related parties is past due but not impaired.

10 Available-for-sale financial assets

		2008	2007
	At 1 January	**14,910**	14,096
	Exchange differences	**646**	(435)
	Acquisition of subsidiary (note 38)	**473**	–
	Additions	**2,781**	1,126
	Net gains/(losses) transfer from equity (note 19)	**(130)**	(152)
1p76(b)	Net gains/(losses) transfer to equity (note 19)	**690**	275
	At 31 December	**19,370**	14,910
1p57	Less: non-current portion	**(17,420)**	(14,910)
1p57	**Current portion**	**1,950**	–

IFRS7 p20(a)(ii) The group removed profits of C217 (2007: C187) and losses C87 (2007: C35) from equity into the income statement. Losses in the amount of C55 (2007: C20) were due to impairments.

IFRS7 p27(b), 31, 34 Available-for-sale financial assets include the following:

	2008	2007
Listed securities:		
– Equity securities – Currency-zone	**8,335**	8,300
– Equity securities – US	**5,850**	2,086
– Equity securities – UK	**4,550**	4,260
– Debentures with fixed interest of 6.5% and maturity date of 27 August 2012	**210**	–
– Non-cumulative 9.0% non-redeemable preference shares	**78**	–
Unlisted securities:		
– Debt securities with fixed interest ranging from 6.3% to 6.5% and maturity dates between July 2011 and May 2013	**347**	264
	19,370	14,910

IFRS7 p34(c) Available-for-sale financial assets are denominated in the following currencies:

	2008	2007
Currency	**7,897**	8,121
US dollar	**5,850**	2,086
UK pound	**4,550**	4,260
Other currencies	**1,073**	443
	19,370	14,910

IFRS7 p27(a), (b), 1p76(b) The fair values of unlisted securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities (2008: 6%; 2007: 5.8%).

IFRS7 p36(a) The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available for sale.

IFRS7 p36(c) None of these financial assets is either past due or impaired.

11 Derivative financial instruments

		2008		2007	
		Assets	**Liabilities**	**Assets**	**Liabilities**
IFRS7 p22(a)(b)	Interest rate swaps – cash flow hedges	**351**	**110**	220	121
IFRS7 p22(a)(b)	Interest rate swaps – fair value hedges	**57**	**37**	49	11
IFRS7 p22(a)(b)	Forward foreign exchange contracts – cash flow hedges	**695**	**180**	606	317
	Forward foreign exchange contracts – held-for-trading	**361**	**268**	321	298
	Total	**1,464**	**595**	1,196	747
1p57	Less non-current portion:				
	Interest rate swaps – cash flow hedges	**345**	**100**	200	120
	Interest rate swaps – fair value hedges	**50**	**35**	45	9
		395	**135**	245	129
1p57	**Current portion**	**1,069**	**460**	951	618

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

IFRS7p24 The ineffective portion recognised in the profit or loss that arises from fair value hedges amounts to a loss of C1 (2007: loss of C1) (note 25). The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to a gain of C17 (2007: a gain of C14) (note 25). There was no ineffectiveness to be recorded from net investment in foreign entity hedges.

(a) Forward foreign exchange contracts

IFRS7p31 The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2008 were C92,370 (2007: C89,689).

IFRS7 p23(a) 39p100, 1p76(b) The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity (note 19) on forward foreign exchange contracts as of 31 December 2008 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months from the balance sheet date unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets, in which case recognition is over the lifetime of the asset (five to 10 years).

(b) Interest rate swaps

IFRS7p31 The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2008 were C4,314 (2007: C3,839).

IFRS7 p23(a) At 31 December 2008, the fixed interest rates vary from 6.9% to 7.4% (2007: 6.7% to 7.2%), and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity (note 19) on interest rate swap contracts as of

31 December 2008 will be continuously released to the income statement until the repayment of the bank borrowings (note 21).

(c) Hedge of net investment in foreign entity

IFRS7p22, 1p76(b) A proportion of the group's US dollar-denominated borrowing amounting to C321 (2007: C321) is designated as a hedge of the net investment in the group's US subsidiary. The fair value of the borrowing at 31 December 2008 was C370 (2007: C279). The foreign exchange loss of C45 (2007: gain of C40) on translation of the borrowing to currency at the balance sheet date is recognised in other reserves, in shareholders' equity (note 19).

IFRS7 p36(a) The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

12 Trade and other receivables

		2008	2007
IFRS7p36, 1p74	Trade receivables	**18,174**	17,172
	Less: provision for impairment of trade receivables	**(109)**	(70)
1p75(b)	Trade receivables – net	**18,065**	17,102
1p75(b)	Prepayments	**1,300**	1,146
1p75(b), 24p17(b)	Receivables from related parties (note 39)	**54**	46
1p75(b), 24p17(b)	Loans to related parties (note 39)	**2,668**	1,388
		22,087	19,682
1p75(b), 1p57	Less non-current portion: loans to related parties	**(2,322)**	(1,352)
1p57	**Current portion**	**19,765**	18,330

All non-current receivables are due within five years from the balance sheet date.

IFRS7p25 The fair values of trade and other receivables are as follows:

	2008	2007
Trade receivables	**18,065**	17,172
Receivables from related parties	**54**	46
Loans to related parties	**2,722**	1,398
	20,841	18,616

IFRS7 p27(a) The fair values of loans to related parties are based on cash flows discounted using a rate based on the borrowings rate of 7.5% (2007: 7.2%). The discount rate equals to LIBOR plus appropriate credit rating.

24p17(b)(i) The effective interest rates on non-current receivables were as follows:

	2008	2007
Loans to related parties (note 39)	6.5-7.0%	6.5-7.0%

IFRS7p14 Certain European subsidiaries of the group transferred receivable balances amounting to C1,014 to a bank in exchange for cash during the year ended 31 December 2008. The transaction has been accounted for as a collateralised borrowing (note 21). In case the entities default under the loan agreement, the bank has the right to receive the cash flows from the receivables transferred. Without default, the entities will collect the receivables and allocate new receivables as collateral.

DV As of 31 December 2008, trade receivables of C17,670 (2007:C16,595) were fully performing.

IFRS7 p37(a) As of 31 December 2008, trade receivables of C277 (2007: C207) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008	2007
Up to 3 months	**177**	108
3 to 6 months	**100**	99
	277	207

IFRS7 p37(b) As of 31 December 2008, trade receivables of C227 (2007: C142) were impaired and provided for. The amount of the provision was C109 as of 31 December 2008 (2007: C70). The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2008	2007
3 to 6 months	**177**	108
Over 6 months	**50**	34
	227	142

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2008	2007
Currency	**9,846**	8,669
US dollar	**5,987**	6,365
UK pound	**6,098**	4,500
Other currencies	**156**	148
	22,087	19,682

IFRS7p16 Movements on the group provision for impairment of trade receivables are as follows:

		2008	2007
	At 1 January	**70**	38
IFRS7 p20(e)	Provision for receivables impairment	**74**	61
	Receivables written off during the year as uncollectible	**(28)**	(23)
	Unused amounts reversed	**(10)**	(8)
	Unwind of discount (note 30)	**3**	2
	At 31 December	**109**	70

The creation and release of provision for impaired receivables have been included in ‘other expenses’ in the income statement (note 28). Unwind of discount is included in ‘finance costs’ in the income statement (note 30). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

IFRS7p16 The other classes within trade and other receivables do not contain impaired assets.

IFRS7 p36(a) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

13 Inventories

2p36(b), 1p75(c)

	2008	2007
Raw materials	**7,622**	7,612
Work in progress	**1,810**	1,796
Finished goods[1]	**15,268**	8,774
	24,700	18,182

[1] Separate disclosure of finished goods at fair value less cost to sell is required, where applicable.

2p36(d), 38 The cost of inventories recognised as expense and included in ‘cost of sales’ amounted to C60,252 (2007: C29,545).

2p36 (f)(g) 36p126(b) 36p130(a) The group reversed C603 of a previous inventory write-down in July 2007. The group has sold all the goods that were written down to an independent retailer in Australia at original cost. The amount reversed has been included in ‘cost of sales’ in the income statement.

14 Financial assets at fair value through profit or loss

IFRS7p8(a), 27(b), 31, 34(c)

	2008	2007
Listed securities – held-for-trading		
– Equity securities – Currency-zone	**5,850**	3,560
– Equity securities – US	**4,250**	3,540
– Equity securities – UK	**1,720**	872
	11,820	7,972

7p15 Financial assets at fair value through profit or loss are presented within ‘operating activities’ as part of changes in working capital in the cash flow statement (note 35).

Changes in fair values of financial assets at fair value through profit or loss are recorded in ‘other (losses)/gains – net’ in the income statement (note 25).

IFRS7 p27(b) The fair value of all equity securities is based on their current bid prices in an active market.

(All amounts in C thousands unless otherwise stated)

15 Cash and cash equivalents

	2008	2007
Cash at bank and on hand	**8,398**	28,648
Short-term bank deposits	**9,530**	5,414
	17,928	34,062

7p45 Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

		2008	2007
	Cash and cash equivalents	**17,928**	34,062
7p8	Bank overdrafts (note 21)	**(2,650)**	(6,464)
		15,278	27,598

16 Assets of disposal group classified as held-for-sale and discontinued operations

IFRS5p41 (a)(b)(d) The assets and liabilities related to company Shoes Limited (part of the wholesale segment) have been presented as held for sale following the approval of the group's management and shareholders on 23 September 2008 to sell company Shoes Limited in Euravia. The completion date for the transaction is expected by May 2009.

		2008	2007
IFRS5p33(c)	Operating cash flows[1]	**300**	190
IFRS5p33(c)	Investing cash flows[1]	**(103)**	(20)
IFRS5p33(c)	Financing cash flows[1]	**(295)**	(66)
	Total cash flows	**(98)**	104

[1] Under this approach, the entity presents the cash flow statement as if no discontinued operation has occurred and makes the required IFRS 5 para 33 disclosures in the notes. It would also be acceptable to present the three categories separately on the face of the cash flow statement and present the line-by-line breakdown of the categories, either in the notes or on the face of the cash flow statement. It would not be acceptable to present all cash flows from discontinued operations in one line either as investing or operating activity.

IFRS5p38 *(a) Assets of disposal group classified as held for sale*

	2008	2007
Property, plant and equipment	**1,563**	–
Intangible assets	**1,100**	–
Inventory	**442**	–
Other current assets	**228**	–
Total	**3,333**	–

IFRS5p38 *(b) Liabilities of disposal group classified as held for sale*

	2008	2007
Trade and other payables	**104**	–
Other current liabilities	**20**	–
Provisions	**96**	–
Total	**220**	–

(All amounts in C thousands unless otherwise stated)

IFRS5p38 *(c) Cumulative income or expense recognised directly in equity relating to disposal group classified as held for sale*

	2008	2007
Foreign exchange translation adjustments[1]	–	–
	–	–

[1] IFRS 5 requires the separate presentation of any cumulative income or expense recognised directly in equity relating to a non-current asset (or disposal group) classified as held for sale. There are no items recognised directly in equity relating to the disposal group classified as held for sale, but the line items are shown for illustrative purposes.

IFRS5p33 (b) Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group, is as follows[1]:

		2008	2007
	Revenue	**1,200**	1,150
	Expenses	**(960)**	(950)
	Profit before tax of discontinued operations	**240**	200
12p81(h)(ii)	Tax	**(96)**	(80)
	Profit after tax of discontinued operations	**144**	120
	Pre-tax gain/(loss) recognised on the remeasurement of assets of disposal group	**(73)**	–
12p81(h)(ii)	Tax	**29**	–
	After tax gain/(loss) recognised on the remeasurement of assets of disposal group	**(44)**	–
	Profit for the year from discontinued operations	**100**	120

[1] These disclosures can also be given on the face of the primary financial statements.

17 Share capital and premium

1p76		**Number of shares (thousands)**	**Ordinary shares**	**Share premium**	**Total**
	At 1 January 2007	20,000	20,000	10,424	30,424
	Employee share option scheme:				
1p97(a), (c)	– Proceeds from shares issued	1,000	1,000	70	1,070
	At 31 December 2007	21,000	21,000	10,494	31,494
	Employee share option scheme:				
1p97(a), (c)	– Proceeds from shares issued	750	750	200	950
IFRS3 p67(d)(ii)	Acquisition of subsidiary (note 38)	3,550	3,550	6,450	10,000
1p76(a)	**At 31 December 2008**	**25,300**	**25,300**	**17,144**	**42,444**

1p76(a) The total authorised number of ordinary shares is 50 million shares (2007: 50 million shares) with a par value of C1 per share (2007: C1 per share). All issued shares are fully paid.

(All amounts in C thousands unless otherwise stated)

1p76(a) The company acquired 875,000 of its own shares through purchases on the EuroMoney stock exchange on 18 April 2008. The total amount paid to acquire the shares, net of income tax, was C2,564 and has been deducted from retained earnings[1] within shareholders' equity (note 18). The shares are held as 'treasury shares'. The company has the right to re-issue[2] these shares at a later date. All shares issued by the company were fully paid.

[1] The accounting treatment of treasury shares should be recorded in accordance with local company law and practice. Treasury shares may be disclosed separately on the balance sheet or deducted from retained earnings or a specific reserve.

[2] Depending on the company law, the company could have the right to resell the treasury shares.

10p21 The company reissued 500,000 treasury shares for a total consideration of C1,500 on 15 January 2008.

Share options

IFRS2 p45(a) Share options are granted to directors and to selected employees. The exercise price of the granted options is equal to the market price of the shares less 15% on the date of the grant. Options are conditional on the employee completing three year's service (the vesting period). The options are exercisable starting three years from the grant date, subject to the group achieving its target growth in earnings per share over the period of inflation plus 4%; the options have a contractual option term of five years. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

		2008		2007	
		Average exercise price in C per share	**Options (thousands)**	Average exercise price in C per share	Options (thousands)
IFRS2p45 (b)(i)	At 1 January	**1.73**	**4,744**	1.29	4,150
IFRS2p45 (b)(ii)	Granted	**2.95**	**964**	2.38	1,827
IFRS2p45 (b)(iii)	Forfeited	–	–	2.00	(200)
IFRS2p45 (b)(iv)	Exercised	**1.28**	**(750)**	1.08	(1,000)
IFRS2p2 (b)(v)	Expired	**2.30**	**(125)**	0.80	(33)
IFRS2p2 (b)(vi)	**At 31 December**	**2.03**	**4,833**	1.73	4,744

IFRS2p45 (b)(vii), IFRS2 p45(c) Out of the 4,833 thousand outstanding options (2007: 4,744 thousand options), 400 thousand options (2007: 600 thousand) were exercisable. Options exercised in 2008 resulted in 750 thousand shares (2007: 1,000 thousand shares) being issued at a weighted average price of C1.28 each (2007: C1.08 each). The related weighted average share price at the time of exercise was C2.85 (2007: C2.65) per share. The related transaction costs amounting to C10 (2007: C10) have been netted off with the proceeds received.

IFRS2 p45(d) Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date – 1 July	**Exercise price in C per share**	**Shares**	
		2008	2007
2008	1.10	–	500
2009	1.20	**800**	900
2010	1.35	**1,200**	1,250
2011	2.00	**217**	267
2012	2.38	**1,777**	1,827
2013	2.95	**964**	–
		4,958	4,744

IFRS2 p47(a) The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was C0.86 per option (2007: C0.66). The significant inputs into the model were weighted average share price of C3.47 (2007: C2.80) at the grant date, exercise price shown above, volatility of 30% (2007: 27%), dividend yield of 4.3% (2007: 3.5%), an expected option life of three years, and an annual risk-free interest rate of 5% (2007: 4%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 29 for the total expense recognised in the income statement for share options granted to directors and employees.

33p71(c) 10p21, 22(f) On 1 January 2009, 1,200 thousand share options were granted to directors and employees with an exercise price set at the market share prices less 15% on that date of C3.20 per share (share price: C3.68) (expiry date: 31 December 2014).

The group issued 3,550 thousand shares on 1 March 2008 (14.5% of the total ordinary share capital issued) to the shareholders of Your Shoes Group as part of the purchase consideration for 70% of its ordinary share capital. The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to C10.05 million (C2.82 per share). The related transaction costs amounting to C50 each have been netted off with the deemed proceeds.

18 Retained earnings

1p97(b)	At 1 January 2007	**48,470**
	Profit for the year	**15,512**
1p97(a)	Dividends paid relating to 2006	**(15,736)**
IFRS2p50	Value of employee services[1]	**822**
16p41	Depreciation transfer on land and buildings net of tax	**87**
12p68C	Tax credit relating to share option scheme	**20**
19p93A	Actuarial loss on post employment benefit obligations net of tax	**(494)**
	At 31 December 2007	**48,681**
1p97(b)	At 1 January 2008	**48,681**
	Profit for the year	**29,767**
1p97(a)	Dividends relating to 2007	**(10,102)**
IFRS2p50	Value of employee services[1]	**690**
16p41	Depreciation transfer on land and buildings net of tax	**100**
12p68C	Tax credit relating to share option scheme	**30**
1p97(a)	Purchase of treasury shares[2]	**(2,564)**
19p93A	Actuarial loss on post employment benefit obligations net of tax	–
12p80(d)	Impact of change in Euravian tax rate on deferred tax	**(10)**
	At 31 December 2008	**66,592**

[1] The credit entry to equity in respect of the IFRS 2 charge should be recorded in accordance with local company law and practice. This may be a specific reserve, retained earnings or share capital.

[2] The accounting treatment of treasury shares should be recorded in accordance with local company law and practice. Treasury shares may be disclosed separately on the balance sheet or deducted from retained earnings or a specific reserve.

(All amounts in C thousands unless otherwise stated)

19 Other reserves

		Convertible bond	**Land and buildings revaluation**[1]	**Hedging reserve**	**Available-for-sale Investments**	**Translation**	**Asset revaluation surplus**	**Total**
	At 1 January 2007	–	1,152	65	1,320	3,827	–	6,364
16p39, IFRS7 p20(a)(ii)	Revaluation – gross (notes 6 and 10)	–	1,133	–	275	–		1,408
	Revaluation transfer – gross				(152)		–	(152)
12p61, 81(a)	Revaluation – tax (note 31)	–	(374)	–	(61)	–	–	(435)
28p39	Revaluation – associates (note 8)	–	–	–	(14)	–	–	(14)
16p41	Depreciation transfer – gross	–	(130)	–	–	–	–	(130)
16p41	Depreciation transfer – tax	–	43	–	–	–	–	43
1p96(b)	Cash flow hedges:							
IFRS7p23(c)	– Fair value gains in year	–	–	300	–	–	–	300
12p61, 81(a)	– Tax on fair value gains (note 31)	–	–	(101)	–	–	–	(101)
IFRS7p23(d)	– Transfers to sales	–	–	(236)	–	–	–	(236)
12p61, 81(a)	– Tax on transfers to sales (note 31)	–	–	79	–	–	–	79
IFRS7p23(e)	– Transfers to inventory	–	–	(67)	–	–	–	(67)
12p61, 81(a)	– Tax on transfers to inventory (note 31)	–	–	22	–	–	–	22
39p102(a)	Net investment hedge (note 11)	–	–	–	–	40	–	40
1p96(b)	Currency translation differences:							
21p52(b)	– Group	–	(50)	–	–	(171)	–	(221)
28p39	– Associates	–	–	–	–	105	–	105
	At 31 December 2007	–	1,774	62	1,368	3,801	–	7,005

(All amounts in C thousands unless otherwise stated)

		Convertible bond	Land and buildings revaluation[1]	Hedging reserve	Available-for-sale Investments	Translation	Asset revaluation surplus	Total
16p39, IFRS7 p20(a)(ii)	Revaluation – gross (note 10)	–	–	–	690	–	–	690
	Revaluation transfer – gross				(130)		–	(130)
12p61, 81(a)	Revaluation – tax (note 31)	–	–	–	(198)	–	–	(198)
28p39	Revaluation – associates (note 8)	–	–	–	(12)	–	–	(12)
16p41	Depreciation transfer – gross	–	(149)	–	–	–	–	(149)
16p41	Depreciation transfer – tax	–	49	–	–	–	–	49
1p96(b)	Cash flow hedges:							
IFRS7p23(c)	– Fair value gains in year	–	–	368	–	–	–	368
12p61, 81(a)	– Tax on fair value gains (note 31)	–	–	(123)	–	–	–	(123)
IFRS7p23(d)	– Transfers sales	–	–	(120)	–	–	–	(120)
12p61, 81(a)	– Tax on transfers to sales (note 31)	–	–	40	–	–	–	40
IFRS7p23(e)	– Transfers to inventory	–	–	(151)	–	–	–	(151)
12p61, 81(a)	– Tax on transfers to inventory (note 31)	–	–	50	–	–	–	50
39p102(a)	Net investment hedge (note 11)	–	–	–	–	(45)	–	(45)
1p96(b),	Currency translation differences:							
21p52(b)	– Group	–	15	–	–	2,051	–	2,066
28p39	– Associates	–	–	–	–	(74)	–	(74)
	Convertible bond – equity component (note 21)	7,761	–	–	–	–	–	7,761
12p61, 81(a)	Tax on equity component on convertible bond (note 31)	(2,328)	–	–	–	–	–	(2,328)
	Increase in fair values of proportionate holding of Your Shoes Group (note 38)	–	–	–	–	–	850	850
	At 31 December 2008	**5,433**	**1,689**	**126**	**1,718**	**5,733**	**850**	**15,549**

[1] An entity should disclose in its financial statements whether there are any restrictions on the distribution of the 'land and buildings' fair value reserve to the equity holders of the company (IAS16p77(f)).

[2] It is assumed that the tax base on the convertible bond is not split between the debt and equity elements. If the tax base were split, this would impact the deferred tax position.

20 Trade and other payables

		2008	2007
1p74	Trade payables	**10,983**	9,495
24p17	Amounts due to related parties (note 39)	**2,202**	1,195
	Social security and other taxes	**2,002**	960
	Accrued expenses	**1,483**	828
		16,670	12,478

(All amounts in C thousands unless otherwise stated)

21 Borrowings

	2008	2007
Non-current		
Bank borrowings	**32,193**	40,244
Convertible bond	**42,822**	-
Debentures and other loans	**3,300**	18,092
Redeemable preference shares	**30,000**	30,000
Finance lease liabilities	**6,806**	8,010
	115,121	96,346
Current		
Bank overdrafts (note 15)	**2,650**	6,464
Collateralised borrowings (note 12)	**1,014**	-
Bank borrowings	**3,368**	4,598
Debentures and other loans	**2,492**	4,608
Finance lease liabilities	**2,192**	2,588
	11,716	18,258
Total borrowings	**126,837**	114,604

(a) Bank borrowings

IFRS7p31 Bank borrowings mature until 2014 and bear average coupons of 7.5% annually (2007: 7.4% annually).

IFRS7p14 Total borrowings include secured liabilities (bank and collateralised borrowings) of C37,680 (2007: C51,306). Bank borrowings are secured by the land and buildings of the group (note 6). Collateralised borrowings are secured by trade receivables (note 12).

IFRS7p31 The exposure of the group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2008	2007
6 months or less	**10,496**	16,748
6-12 months	**36,713**	29,100
1-5 years	**47,722**	38,555
Over 5 years	**31,906**	30,201
	126,837	114,604

IFRS7p25 The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		**Fair value**	
	2008	2007	**2008**	2007
Bank borrowings	**32,193**	40,244	**32,590**	39,960
Redeemable preference shares	**30,000**	30,000	**28,450**	28,850
Debentures and other loans	**3,300**	18,092	**3,240**	17,730
Convertible bond	**42,822**	–	**42,752**	-
Finance lease liabilities	**6,806**	8,010	**6,205**	7,990
	115,121	96,346	**113,237**	94,530

IFRS7 p29(a) The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 7.5% (2007: 7.2%).

IFRS7p25 The carrying amounts of short-term borrowings approximate their fair value.

IFRS7p31, 34(c) The carrying amounts of the group's borrowings are denominated in the following currencies:

	2008	2007
Currency	**80,100**	80,200
UK pound	**28,353**	16,142
US dollar	**17,998**	17,898
Other currencies	**386**	364
	126,837	114,604

DV7p50(a) The group has the following undrawn borrowing facilities:

	2008	2007
Floating rate:		
– Expiring within one year	**6,150**	4,100
– Expiring beyond one year	**14,000**	8,400
Fixed rate:		
– Expiring within one year	**18,750**	12,500
	38,900	25,000

The facilities expiring within one year are annual facilities subject to review at various dates during 2008. The other facilities have been arranged to help finance the proposed expansion of the group's activities in Europe.

(b) Convertible bond

IFRS7p17, 1p76(b) The company issued 500,000 5.0% convertible bonds at a par value of C50 million[1] on 2 January 2008. The bonds mature five years from the issue date at their nominal value of C50 million[1] or can be converted into shares at the holder's option at the maturity date at the rate of 33 shares per C500[1]. The values of the liability component and the equity conversion component were determined at issuance of the bond.

The bonds mature five years from the issue date at their nominal value of C50 million[1] or can be converted into shares at the holder's option at the rate of 33 shares per C500.

[1] These amounts are not in C thousands.

32p28, 32p31, 1p76(b) The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves (note 19), net of income taxes.

The convertible bond recognised in the balance sheet is calculated as follows:

		2008	2007
	Face value of convertible bond issued on 2 January 2008	**50,000**	–
12AppxB Ex4	Equity component (note 19)	**(7,761)**	–
	Liability component on initial recognition at 2 January 2008	**42,239**	–
	Interest expense (note 30)	**3,083**	–
	Interest paid	**(2,500)**	–
	Liability component at 31 December 2008	**42,822**	–

(All amounts in C thousands unless otherwise stated)

IFRS7 p27(a) The fair value of the liability component of the convertible bond at 31 December 2008 amounted to C42,617. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 7.5%.

(c) Redeemable preference shares

32p15, 32p18(a) The group issued 30 million cumulative redeemable preference shares with a par value of C1 per share on 4 January 2007. The shares are mandatorily redeemable at their par value on 4 January 2013, and pay dividends at 6.5% annually.

10p21 On 1 February 2008, the group issued C6,777 6.5% US dollar bonds to finance its expansion programme and working capital requirements in the US. The bonds are repayable on 31 December 2013.

(d) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default

		2008	2007
17p31(b)	Gross finance lease liabilities – minimum lease payments		
	No later than 1 year	**2,749**	3,203
	Later than 1 year and no later than 5 years	**6,292**	7,160
	Later than 5 years	**2,063**	2,891
		11,104	13,254
	Future finance charges on finance leases	**(2,106)**	(2,656)
	Present value of finance lease liabilities	**8,998**	10,598

17p31(b)	The present value of finance lease liabilities is as follows:		
	No later than 1 year	**2,192**	2,588
	Later than 1 year and no later than 5 years	**4,900**	5,287
	Later than 5 years	**1,906**	2,723
		8,998	10,598

(All amounts in C thousands unless otherwise stated)

22 Deferred income tax

12p74 Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

		2008	2007
	Deferred tax assets:		
1p52	– Deferred tax asset to be recovered after more than 12 months	**(2,873)**	(3,257)
	– Deferred tax asset to be recovered within 12 months	**(647)**	(64)
		(3,520)	(3,321)
	Deferred tax liabilities:		
	– Deferred tax liability to be recovered after more than 12 months	**10,743**	8,016
	– Deferred tax liability to be recovered within 12 months	**1,627**	1,037
		12,370	9,053
	Deferred tax liabilities (net)	**8,850**	5,732

The gross movement on the deferred income tax account is as follows:

	2008	2007
At 1 January	**5,732**	3,047
Exchange differences	**(1,753)**	(154)
Acquisition of subsidiary (note 38)	**1,953**	–
Income statement charge (note 31)	**379**	2,635
Tax charged directly to equity (note 19)	**2,539**	204
At 31 December	**8,850**	5,732

12p81(g)(i)
12p81(g)(ii) The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax liabilities	**Accelerated tax depreciation**	**Fair value gains**	**Convertible bond**	**Other**	**Total**
	At 1 January 2007	6,058	272	–	284	6,614
12p81(g)(ii)	Charged/(credited) to the income statement	1,786	–	–	799	2,585
12p81(a)	Charged directly to equity	–	435	–	–	435
	Exchange differences	241	100	–	–	341
12p81(g)(i)	At 31 December 2007	8,085	807	–	1,083	9,975
12p81(g)(ii)	Charged/(credited) to the income statement	425	–	(193)	138	370
12p81(a)	Charged directly to equity	–	231	2,328	–	2,559
	Acquisition of subsidiary	553	1,375	–	275	2,203
	Exchange differences	(571)	(263)	–	(123)	(957)
12p81(g)(i)	**At 31 December 2008**	**8,492**	**2,150**	**2,135**	**1,373**	**14,150**

(All amounts in C thousands unless otherwise stated)

	Deferred tax assets	**Retirement benefit obligation**	**Provisions**	**Impairment losses**	**Tax losses**	**Other**	**Total**
	At 1 January 2007	(428)	(962)	(732)	(1,072)	(373)	(3,567)
12p81(g)(ii)	Charged/(credited) to the income statement	–	181	–	–	(131)	50
12p81(a)	Charged/(credited) directly to equity	(211)	–	–	–	(20)	(231)
	Exchange differences	–	(35)	–	(460)	–	(495)
12p81(g)(i)	At 31 December 2007	(639)	(816)	(732)	(1,532)	(524)	(4,243)
	(Credited)/charged to the income statement	–	(538)	(322)	1,000	(131)	9
12p81(a)	Charged/(credited) directly to equity	10	–	–	–	(30)	(20)
	Acquisition of subsidiary (note 38)	(250)	–	–	–	–	(250)
	Exchange differences	–	(125)	(85)	(350)	(236)	(796)
12p81(g)(i)	**At 31 December 2008**	**(879)**	**(1,479)**	**(1,139)**	**(882)**	**(921)**	**(5,300)**

12p81(e) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of C333 (2007: C1,588) in respect of losses amounting to C1,000 (2007: C5,294) that can be carried forward against future taxable income. Losses amounting to C900 (2007: C5,294) and C100 (2007: nil) expire in 2011 and 2012 respectively.

12p81(f) Deferred income tax liabilities of C3,141 (2007: C2,016) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled C30,671 at 31 December 2008 (2007: C23,294).

23 Retirement benefit obligations

		2008	2007
	Balance sheet obligations for:		
	Pension benefits	**3,225**	1,532
	Post-employment medical benefits	**1,410**	701
		4,635	2,233
	Income statement charge for (note 29):		
	Pension benefits	**755**	488
	Post-employment medical benefits	**149**	107
		904	595
19p120A(h)	Actuarial losses recognised in the SORIE in the period (before tax)	–	705
19p120A(i)	Cumulative actuarial losses recognised in the SORIE (before tax)	**203**	203

(a) Pension benefits

DV The group operates defined benefit pension plans in Euravia and the US based on employee pensionable remuneration and length of service. The majority of plans are externally funded. Plan assets are held in trusts, foundations or similar entities, 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.

19p120A (d)(f) The amounts recognised in the balance sheet are determined as follows:

	2008	2007
Present value of funded obligations	**6,155**	2,943
Fair value of plan assets	**(5,991)**	(2,797)
	164	146
Present value of unfunded obligations	**3,206**	1,549
Unrecognised past service cost	**(145)**	(163)
Liability in the balance sheet	**3,225**	1,532

19p120A(c) The movement in the defined benefit obligation over the year is as follows:

	2008	2007
At 1 January	**4,492**	3,479
Current service cost	**751**	498
Interest cost	**431**	214
Contributions by plan participants	**55**	30
Actuarial losses/(gains)	**(15)**	495
Exchange differences	**(43)**	(103)
Benefits paid	**(66)**	(121)
Liabilities acquired in a business combination (note 38)	**3,691**	—
Curtailments	**65**	—
Settlements[1]	**—**	—
At 31 December	**9,361**	4,492

[1] IAS 19 requires the disclosure of settlements as part of the reconciliation of the opening and closing balances of the present value of the defined benefit obligation. There is no such movement on the defined benefit obligation relating to pension plans in these financial statements, but the line item has been shown for illustrative purposes.

19p120A(e) The movement in the fair value of plan assets of the year is as follows:

	2008	2007
At 1 January	**2,797**	2,264
Expected return on plan assets	**510**	240
Actuarial (losses)/gains	**(15)**	(5)
Exchange differences	**25**	(22)
Employer contributions	**908**	411
Employee contributions	**55**	30
Benefits paid	**(66)**	(121)
Business combinations (note 38)	**1,777**	—
At 31 December	**5,991**	2,797

19p120A(g) The amounts recognised in the income statement are as follows:

	2008	2007
Current service cost	**751**	498
Interest cost	**431**	214
Expected return on plan assets	**(510)**	(240)
Past service cost	**18**	16
Losses on curtailment	**65**	–
Total, included in staff costs (note 29)	**755**	488

(All amounts in C thousands unless otherwise stated)

19p120A(g) Of the total charge, C516 (2007: C319) and C239 (2007: C169) were included in 'cost of goods sold' and 'administrative expenses' respectively.

19p120A(m) The actual return on plan assets was C495 (2007: C235).

The principal actuarial assumptions used were as follows:

19p120A(n)

	2008		2007	
	Euravia	**US**	Euravia	US
Discount rate	**6.0%**	**6.1%**	5.5%	5.6%
Inflation rate	**3.6%**	**3.0%**	3.3%	2.7%
Expected return on plan assets	**8.5%**	**8.3%**	8.7%	8.7%
Future salary increases	**5.0%**	**4.5%**	4.5%	4.0%
Future pension increases	**3.6%**	**2.8%**	3.1%	2.7%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following post-retirement mortality tables: (i) Euravia: PNMA 00 and PNFA 00 with medium cohort adjustment subject to a minimum annual improvement of 1% and scaling factors of 110% for current male pensioners, 125% for current female pensioners and 105% for future male and female pensioners; and (ii) US: RP2000 with a projection period of 10-15 years.

These tables translate into an average life expectancy in years of a pensioner retiring at age 65:

	2008		2007	
	Euravia	**US**	Euravia	US
Retiring at the balance sheet date:				
– Male	**22**	**20**	22	20
– Female	**25**	**24**	25	24
Retiring 20 years after the balance sheet date:				
– Male	**24**	**23**	24	23
– Female	**27**	**26**	27	26

DV The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Change in assumption	**Impact on overall liability**
Discount rate	Increase/decrease by 0.5%	Increase/decrease by 7.2%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 5.1%
Salary growth rate	Increase/decrease by 0.5%	Increase/decrease by 3.3%
Rate of mortality	Increase by 1 year	Increase by 5.2%

19p122(b) *(b) Post-employment medical benefits*

The group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. The majority of these plans are unfunded.

19p120A(n) In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of 8.0% a year (2007: 7.6%).

19p120A (d)(f) The amounts recognised in the balance sheet were determined as follows:

	2008	2007
Present value of funded obligations	**705**	340
Fair value of plan assets	**(620)**	(302)
	85	38
Present value of unfunded obligations	**1,325**	663
Liability in the balance sheet	**1,410**	701

19p120A(c) Movement in the defined benefit obligation is as follows:

	2008	2007
At 1 January	**1,003**	708
Current service cost	**153**	107
Interest cost	**49**	25
Contributions by plan participants[1]	**—**	—
Actuarial losses/(gains)	**(2)**	204
Exchange differences	**25**	(41)
Benefits paid[1]	**—**	—
Liabilities acquired in a business combination (note 38)	**802**	—
Curtailments[1]	**—**	—
Settlements[1]	**—**	—
At 31 December	**2,030**	1,003

[1] IAS 19 requires the disclosure of contributions by plan participants, benefits paid, curtailments and settlements as part of the reconciliation of the opening and closing balances of the present value of the defined benefit obligation. There is no such movement on the defined benefit obligation relating to post-employment medical benefits in these financial statements, but the line items have been shown for illustrative purposes.

19p120A(e) The movement in the fair value of plan assets of the year is as follows:

	2008	2007
At 1 January	**302**	207
Expected return on plan assets	**53**	25
Actuarial gains/(losses)	**(2)**	(1)
Exchange differences	**5**	(2)
Employer contributions	**185**	73
Employee contributions[2]	**—**	—
Benefits paid[2]	**—**	—
Business combinations (note 38)	**77**	—
At 31 December	**620**	302

19p120A(g) The amounts recognised in the income statement were as follows[2]:

	2008	2007
Current service cost	**153**	107
Interest cost	**49**	25
Expected return on plan assets	**(53)**	(25)
Total, included in staff costs (note 29)	**149**	107

[2] IAS 19 requires the disclosure of employee contributions and employee contributions as part of the reconciliation of the opening and closing balances of plan assets. There is no such movement on the plan assets relating to post-employment medical benefits in these financial statements, but the line items have been shown for illustrative purposes.

19p120A(g) Of the total charge, C102 (2007: C71) and C47 (2007: C36) respectively were included in cost of goods sold and administrative expenses.

19p120A(m) The actual return on plan assets was C51 (2007: C24).

19p120A(o) The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	**Decrease**
Effect on the aggregate of the current service cost and interest cost	**24**	(20)
Effect on the defined benefit obligation	**366**	(313)

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

19p120A(j) Plan assets are comprised as follows:

	2008		2007	
Equity instruments	**3,256**	**49%**	1,224	40%
Debt instruments	**1,524**	**23%**	571	18%
Property	**1,047**	**16%**	943	30%
Other	**784**	**12%**	361	12%
	6,611	**100%**	3,099	100%

DV Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities, although the group also invests in property, bonds, hedge funds and cash. 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 euro-zone and Europe, 30% in the US and the remainder in emerging markets.

19p120A(k) Pension plan assets include the company's ordinary shares with a fair value of C136 (2007: C126) and a building occupied by the group with a fair value of C612 (2007: C609).

19p120A(l) The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

19p120(q) Expected contributions to post-employment benefit plans for the year ending 31 December 2008 are C1,150.

DV The group has agreed that it will aim to eliminate the deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed regular contribution rate is 14% of pensionable salaries in Euravia and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2009. 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.

DV An alternative method of valuation to the projected unit credit method is a buy-out valuation. This assumes that the entire post-employment benefit liability will be settled by transferring all obligations to a suitable insurer. The group estimates the amount required to settle the post-employment benefit liabilities at the balance sheet date would be C15,500.

19p120A(p)		**2008**	2007	2006	2005[1]
	At 31 December				
	Present value of defined benefit obligation	**11,391**	5,495	4,187	3,937
	Fair value of plan assets	**6,611**	3,099	2,471	2,222
	Deficit/(surplus) in the plan	**4,780**	2,396	1,716	1,715
	Experience adjustments on plan liabilities	**(326)**	125	55	—
	Experience adjustments on plan assets	**(17)**	(6)	(197)	—

[1] IAS 19 requires a five-year record, but this does not have to be applied retrospectively (IAS 19p160).

24 Provisions for other liabilities and charges

1p75(d)		**Environmental restoration**	**Restructuring**	**Legal claims**	**Profit-sharing and bonuses**	**Contingent liability arising on a business combination**	**Total**
37p84(a)	At 1 January 2008	842	–	828	1,000	–	2,670
	Charged/(credited) to the income statement:						
37p84(b)	– Additional provisions fair value adjustment on acquisition on Your Shoes Group	316	1,986	2,405	500	1,000	6,207
37p84(d)	– Unused amounts reversed	(15)	–	(15)	(10)	–	(40)
37p84(e)	– Unwinding of discount	40	–	–	–	4	44
37p84(c)	Used during year	(233)	(886)	(3,059)	(990)	–	(5,168)
	Exchange differences	(7)	–	(68)	–	–	(75)
IFRS5p38	Transferred to disposal group/classified as held for sale	(96)	–	–	–	–	(96)
37p84(a)	**At 31 December 2008**	847	1,100	91	500	1,004	3,542

Analysis of total provisions:

		2008	2007
1p60	Non-current (environmental restoration)	**1,320**	274
1p60	Current	**2,222**	2,396
		3,542	2,670

(a) Environmental restoration

37p85 (a)-(c) The group uses various chemicals in working with leather. A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that C531 will be used during 2009 and C320 during 2010. Total expected costs to be incurred are C880 (2007: C760).

DV The provision transferred to the disposal group classified as held for sale amounts to C96 and relates to an environmental restoration provision for Shoes Limited (part of the wholesale segment). See note 16 for further details regarding the disposal group held for sale.

(b) Restructuring

37p85 (a)-(c) The reduction of the volumes assigned to manufacturing operations in Step-land (a subsidiary) will result in the reduction of a total of 155 jobs at two factories. An agreement was reached with the local union representatives that 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, before the financial year-end. The estimated staff restructuring costs to be incurred are C799 at 31 December 2008 (note 29). Other direct costs attributable to the restructuring, including lease termination, are C1,187. These costs were fully provided for in 2008. The provision of C1,100 at 31 December 2008 is expected to be fully utilised during the first half of 2009.

36p130 A goodwill impairment charge of C4,650 was recognised in the cash-generating unit relating to Step-land as a result of this restructuring (note 7).

(c) Legal claims

37p85(a)-(c) The amounts represent a provision for certain legal claims brought against the group by customers of the wholesale segment. The provision charge is recognised in profit or loss within ‘administrative expenses’. The balance at 31 December 2008 is expected to be utilised in the first half of 2009. In the directors’ opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2008.

(d) Profit-sharing and bonuses

19p8(c),10 DV, 37p859(a) The provision for profit-sharing and bonuses is payable within three month of finalisation of the audited financial statements.

(e) Contingent liability

A contingent liability of C1,000 has been recognised on the acquisition of Your Shoes 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 the end of 2010. 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 C500 and C1,500. As of 31 December 2008, there has been no change in the amount recognised (except for unwinding of the discount of C4) for the liability at 31 March 2008, as there has been no change in the probability of the outcome of the lawsuit.

The selling shareholders of Your Shoes Group have contractually agreed to indemnify IFRS GAAP plc for the claim that may become payable in respect of the above-mentioned lawsuit. This possible compensation will not be recognised until virtually certain and will be adjusted against goodwill once received from the vendor.

25 Other (losses)/gains – net

		2008	2007
IFRS7 p20(a)(i)	Financial assets at fair value through profit or loss (note 14):		
	– Fair value losses	**(508)**	(238)
	– Fair value gains	**593**	–
IFRS7 p20(a)(i)	Foreign exchange forward contracts:		
	– Held for trading	**86**	88
21p52(a)	– Net foreign exchange gains/(losses) (note 32)	**(277)**	200
IFRS7 p24(a)	Ineffectiveness on fair value hedges (note 11)	**(1)**	(1)
IFRS7 p24(b)	Ineffectiveness on cash flow hedges (note 11)	**17**	14
		(90)	63

26 Other income

		2008	2007
18p35(b)(v)	Dividend income on available-for-sale financial assets	**1,100**	883
18p35(b)(v)	Dividend income on financial assets at fair value through profit or loss	**800**	310
	Investment income	**1,900**	1,193
	Insurance reimbursement	–	66
		1,900	1,259

The insurance reimbursement relates to the excess of insurance proceeds over the carrying values of goods damaged.

27 Loss on expropriated land

During 2008 undeveloped land owned by the group in Euravia was expropriated following works for the enlargement of a motorway adjacent to the group's manufacturing facilities. Losses relating to the expropriation are C1,117 as of 31 December 2008 (2007: nil).

28 Expenses by nature

		2008	2007
1p93	Changes in inventories of finished goods and work in progress	**6,950**	(2,300)
1p93	Raw materials and consumables used	**53,302**	31,845
1p93	Employee benefit expense (note 29)	**40,082**	15,492
1p93	Depreciation, amortisation and impairment charges (notes 6 and 7)	**23,204**	10,227
1p93	Transportation expenses	**8,584**	6,236
1p93	Advertising costs	**12,759**	6,662
1p93	Operating lease payments (note 6)	**10,604**	8,500
1p93	Other expenses	**2,799**	1,659
	Total cost of sales, distribution costs and administrative expenses	**158,284**	78,321

(All amounts in C thousands unless otherwise stated)

29 Employee benefit expense

		2008	2007
19p142	Wages and salaries, including restructuring costs C799 (2007: nil) (note 24) and other termination benefits C1,600 (2007: nil)	**28,363**	10,041
	Social security costs	**9,369**	3,802
IFRS2 p51(a)	Share options granted to directors and employees	**690**	822
19p46	Pension costs – defined contribution plans	**756**	232
19p120A(g)	Pension costs – defined benefit plans (note 23)	**755**	488
19p120A(g)	Other post-employment benefits (note 23)	**149**	107
DV		**40,082**	15,492
	Number of employees	**535**	210

30 Finance income and costs

		2008	2007
IFRS7 p20(b)	Interest expense:		
	– Bank borrowings	**(5,242)**	(10,646)
	– Dividend on redeemable preference shares (note 21)	**(1,950)**	(1,950)
	– Convertible bond (note 21)	**(3,083)**	-
	– Finance lease liabilities	**(550)**	(648)
37p84(e)	– Provisions: unwinding of discount (note 24)	**(44)**	(37)
21p52(a)	Net foreign exchange gains on financing activities (note 32)	**2,594**	996
	Fair value gains on financial instruments:		
IFRS7 p23(d)	– Interest rate swaps: cash flow hedges, transfer from equity	**102**	88
IFRS7 p24(a)(i)	– Interest rate swaps: fair value hedges	**16**	31
IFRS7 p24(a)(ii)	Fair value adjustment of bank borrowings attributable to interest rate risk	**(16)**	(31)
	Finance costs	**(8,173)**	(12,197)
	Finance income:		
21p52(a)	– Interest income on short-term bank deposits	**550**	489
IFRS7 p20(b)	– Interest income on available-for-sale financial assets	**963**	984
IFRS7 p20(b)	– Interest income on loans to related parties (note 39)	**217**	136
	Finance income	**1,730**	1,609
	Net finance costs	**(6,443)**	(10,588)

31 Income tax expense

		2008	2007
	Current tax:		
12p80(a)	Current tax on profits for the year	**14,082**	6,035
12p80(b)	Adjustments in respect of prior years	**150**	–
	Total current tax	**14,232**	6,035
	Deferred tax (note 22)		
12p80(c)	Origination and reversal of temporary differences	**476**	2,635
12p80(d)	Impact of change in Euravian tax rate	**(97)**	–
	Total deferred tax	**379**	2,635
	Income tax expense	**14,611**	8,670

12p81(c) The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2008	2007
Profit before tax	**46,826**	24,918
Tax calculated at domestic tax rates applicable to profits in the respective countries	**15,453**	7,475
Tax effects of:		
– Associates' results reported net of tax	**57**	(44)
– Income not subject to tax	**(1,072)**	(212)
– Expenses not deductible for tax purposes	**1,540**	1,104
– Utilisation of previously unrecognised tax losses	**(1,450)**	–
– Tax losses for which no deferred income tax asset was recognised	**30**	347
Remeasurement of deferred tax – change in Euravian tax rate	**(97)**	-
Adjustment in respect of prior years	**150**	-
Tax charge	**14,611**	8,670

12p81(d) During the year, as a result of the change in the Euravian Corporation Tax rate from 30% to 28% that was substantively enacted on 26 June 2008 and that will be effective from 1 April 2009, deferred tax balances have been remeasured. Deferred tax expected to reverse in the year to 31 December 2009 has been measured using the effective rate that will apply in Euravia for the period (28.5%).

12p81(d) The weighted average applicable tax rate was 33% (2007: 30%). The increase is caused by a change in the profitability of the group's subsidiaries in the respective countries net against the impact of the reduction in the Euravian tax rate.

(All amounts in C thousands unless otherwise stated)

12p81(a) The income tax charged/(credited) to equity during the year is as follows:

		2008	2007
	Current tax[1]:		
	Share option scheme	–	–
	Retirement benefit scheme	–	–
	Deferred tax:		
	Fair value reserves in shareholders' equity:		
	– Land and buildings (note 19)	–	374
	– Hedging reserve (note 19)	**33**	–
	– Available-for-sale financial assets (note 19)	**198**	61
	Share option scheme	**(30)**	(20)
	Convertible bond – equity component[2] (note 19)	**2,328**	–
	Tax on actuarial loss on retirement benefits scheme	–	(211)
12p80(d)	Impact of change in Euravian tax rate on deferred tax	**10**	–
		2,539	204

[1] IAS 12 requires disclosure of current tax charged/credited to equity, in addition to deferred tax. There are no current tax items shown in equity in these financial statements, but the line items are shown for illustrative purposes.

[2] It is assumed that the tax base on the convertible bond is not split between the debt and equity elements. If the tax base were split, this would impact the deferred tax position.

In addition, deferred income tax of C49 (2007: C43) was transferred from other reserves (note 19) to retained earnings (note 18). This represents deferred tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

32 Net foreign exchange gains/(losses)

21p52(a) The exchange differences (charged)/credited to the income statement are included as follows:

	2008	2007
Other (losses)/gains – net (note 25)	**(277)**	200
Net finance costs (note 30)	**2,594**	996
	2,317	1,196

33 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares (note 17).

		2008	2007
33p70(a)	Profit attributable to equity holders of the company	**29,767**	15,512
	Profit from discontinued operation attributable to equity holders of the company	**100**	120
		29,867	15,632
33p70(b)	Weighted average number of ordinary shares in issue (thousands)	**23,454**	20,500

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

		2008	2007
	Earnings		
	Profit attributable to equity holders of the company	**29,767**	15,512
	Interest expense on convertible debt (net of tax)	**2,158**	–
33p70(a)	Profit used to determine diluted earnings per share	**31,925**	15,512
	Profit from discontinued operations attributable to equity holders of the company	**100**	120
		32,025	15,632
	Weighted average number of ordinary shares in issue (thousands)	**23,454**	20,500
	Adjustments for:		
	– Assumed conversion of convertible debt (thousands)	**3,030**	–
	– Share options (thousands)	**1,213**	1,329
33p70(b)	Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,697**	21,829

34 Dividends per share

1p95, 1p125(a) 10p12 The dividends paid in 2008 and 2007 were C10,102 (C0.48 per share) and C15,736 (C0.78 per share) respectively. A dividend in respect of the year ended 31 December 2008 of C0.51 per share, amounting to a total dividend of C12,945, is to be proposed at the annual general meeting on 30 April 2008. These financial statements do not reflect this dividend payable.

(All amounts in C thousands unless otherwise stated)

35 Cash generated from operations

		2008	2007
7p18(b), 20	Profit before income tax including discontinued operations	**47,066**	25,118
	Adjustments for:		
	– Depreciation (note 6)	**17,754**	9,662
	– Amortisation (note 7)	**800**	565
	– Goodwill impairment charge (note 7)	**4,650**	-
	– (Profit)/loss on disposal of property, plant and equipment (see below)	**(17)**	8
	– Share-based payment and increase in retirement benefit obligations	**509**	1,470
	– Fair value gains on derivative financial instruments (note 25)	**(86)**	(88)
	– Fair value (gains)/losses on financial assets at fair value through profit or loss (note 25)	**(85)**	238
	– Dividend income on available-for-sale financial assets (note 26)	**(1,100)**	(883)
	– Dividend income on financial assets at fair value through profit or loss (note 26)	**(800)**	(310)
	– Finance costs – net (note 30)	**6,443**	10,588
	– Share of loss/(profit) from associates (note 8)	**174**	(145)
	– Foreign exchange losses/(gains) on operating activities (note 32)	**(277)**	(200)
	Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
	– Inventories	**(6,077)**	(966)
	– Trade and other receivables	**(1,339)**	(2,966)
	– Financial assets at fair value through profit or loss	**(3,747)**	(858)
	– Trade and other payables	**(7,634)**	543
	Cash generated from operations	**56,234**	41,776

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2008	2007
Net book amount (note 6)	**6,337**	2,987
Profit/(loss) on disposal of property, plant and equipment	**17**	(8)
Proceeds from disposal of property, plant and equipment	**6,354**	2,979

Non-cash transactions

7p43 The principal non-cash transaction is the issue of shares as consideration for the acquisition discussed in note 16.

36 Contingencies

37p86 The group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (note 24).

In respect of the acquisition of Your Shoes Group on 1 March 2008 (note 38), additional consideration of 5% of the profit of Your Shoes Group may be payable in cash if the acquired operations achieve sales in excess of C7,500 for 2009, up to a maximum undiscounted amount of C2,500. At the date of acquisition, it was not considered probable that these monies would be payable. They were therefore not included as consideration for the business combination. There is no change in this assessment at the year end.

37p89 The group entered into an 'earn-out' agreement in connection with the disposal on 30 December 2006 of Leather Goods Limited. Additional cash consideration will be payable to the group if the future performance of Leather Goods Limited reaches a certain level. No gain has been recognised in the financial statements, as the amount of the earn-out is dependent on the aggregate result of Leather Goods Limited for the 39-month period ending 31 March 2010.

37 Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

		2008	2007
16p74(c)	Property, plant and equipment	**3,593**	3,667
38p122(e)	Intangible assets	**460**	474
		4,053	4,141

(b) Operating lease commitments – group company as lessee

17p35(d) The group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between five and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

17p35(d) The group also leases various plant and machinery under cancellable operating lease agreements. The group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 28.

17p35(a) The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2008	2007
No later than 1 year	**11,664**	10,604
Later than 1 year and no later than 5 years	**45,651**	45,651
Later than 5 years	**15,710**	27,374
	73,025	83,629

38 Business combinations

IFRS3 p66(a) IFRS3p67 (a-c) IFRS3 p70(a) IFRS3 p67(i) IFRS3 p70(b) On 30 June 2007, the group acquired 15% of the share capital of Your Shoes Group. On 1 March 2008, the group acquired a further 55% of the share capital and obtained the control of Your Shoes Group, a shoe and leather goods retailer operating in the US and most western European countries. The acquired business contributed revenues of C44,709 and net profit of C2,762 to the group for the period from1 March 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, group revenue would have been C220,345, and profit before allocations would have been C33,126. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2008, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

IFRS3 p67(d)	Purchase consideration:	
7p40(b)	– Cash paid	4,050
	– Direct costs relating to the acquisition	200
IFRS3 p67(d)(i)	– Fair value of shares issued (note 17)	10,000
7p40(a)	**Total purchase consideration**	**14,250**

IFRS3 p67(h) The goodwill is attributable to the acquired customer base and economies of scale expected from combining the operations of the group and Your Shoes Group.

IFRS3 p67(d)(ii) The fair value of the shares issued was based on the published share price (1 March 2008).

IFRS3p67(f) The assets and liabilities as of 1 March 2008 arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	300	300
Property, plant and equipment (note 6)	67,784	63,562
Trademarks (included in intangibles) (note 7)	2,000	–
Licences (included in intangibles) (note 7)	1,000	–
Contractual customer relationship (included in intangibles) (note 7)	1,000	–
Investment in associates (note 8)	389	329
Available-for-sale financial assets (note 10)	473	473
Inventories	1,122	672
Trade and other receivables	585	585
Trade and other payables	(12,461)	(12,461)
Retirement benefit obligations:		
– Pensions (note 23)	(1,914)	(1,901)
– Other post-retirement obligations (note 23)	(725)	(725)
Borrowings	(41,459)	(41,459)
Contingent liability	(1,000)	–
Deferred tax liabilities (note 22)	(1,953)	(410)
Fair value of net assets	**15,141**	**8,965**
Minority interests (30%)	(4,542)	
Asset revaluation surplus (note 19)	(850)	
Goodwill (note 7)	4,501	
Total purchase consideration	**14,250**	

	Purchase consideration settled in cash	4,250
7p40(c)	Cash and cash equivalents in subsidiary acquired	(300)
	Cash outflow on acquisition	**3,950**

There were no acquisitions in the year ended 31 December 2007.

See note 40 for disclosures regarding the business combination that took place after the balance sheet date but before the approval of these financial statements.

39 Related-party transactions

1p126(c) 24p12 The group is controlled by M Limited (incorporated in Euravia), which owns 57% of the company's shares. The remaining 43% of the shares are widely held. The ultimate parent of the group is G Limited (incorporated in Euravia). The ultimate controlling party of the group is Mr Power.

24p17, 18, 22 The following transactions were carried out with related parties:

24p17(a) *(a) Sales of goods and services*

Sales of goods:	**2008**	2007
– Associates	**1,123**	291
Sales of services:		
– The ultimate parent (legal and administration services)	**67**	127
– Close family members of the ultimate controlling party (design services)	**100**	104
	1,290	522

Goods are sold based on the price lists in force and terms that would be available to third parties[1]. Sales of services are negotiated with related parties on a cost-plus basis, allowing a margin ranging from 15% to 30% (2007: 10% to 18%).

[1] Management should disclose that related-party transactions were made on an arm's length basis only when such terms can be substantiated (IAS24p21).

24p17(a) *(b) Purchases of goods and services*

	2008	2007
Purchases of goods:		
– Associates	**3,054**	3,058
Purchases of services:		
– An entity controlled by key management personnel	**83**	70
– The immediate parent (management services)	**295**	268
	3,432	3,396

24p21 Goods and services are bought from associates and an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by key management personnel is a firm belonging to Mr Chamois, a non-executive director of the company. Management services are bought from the immediate parent on a cost-plus basis, allowing a margin ranging from 15% to 30% (2007: 10%).

24p16 *(c) Key management compensation*

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is shown below:

(All amounts in C thousands unless otherwise stated)

		2008	2007
24p16(a)	Salaries and other short-term employee benefits	**2,200**	1,890
24p16(d)	Termination benefits	**1,600**	–
24p16(b)	Post-employment benefits	**123**	85
24p16(c)	Other long-term benefits	**26**	22
24p16(e)	Share-based payments	**150**	107
		4,099	2,104

24p17(b), 1p74

(d) Year-end balances arising from sales/purchases of goods/services

	2008	2007
Receivables from related parties (note 12):		
– Ultimate parent	**50**	40
– Close family members of key management personnel	**4**	6
Payables to related parties (note 20):		
– Immediate parent	**200**	190
– Associates	**1,902**	1, 005
– Entity controlled by key management personnel	**100**	–

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties (2007: nil).

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

24p17, 1p74

(e) Loans to related parties

	2008	2007
Loans to key management of the company (and their families)[1]:		
At 1 January	**196**	168
Loans advanced during year	**343**	62
Loan repayments received	**(49)**	(34)
Interest charged	**30**	16
Interest received	**(30)**	(16)
At 31 December	**490**	196
Loans to associates:		
At 1 January	**1,192**	1,206
Loans advanced during year	**1,000**	50
Loan repayments received	**(14)**	(64)
Interest charged	**187**	120
Interest received	**(187)**	(120)
At 31 December	**2,178**	1,192
Total loans to related parties:		
At 1 January	**1,388**	1,374
Loans advanced during year	**1,343**	112
Loan repayments received	**(63)**	(98)
Interest charged	**217**	136
Interest received (note 30)	**(217)**	(136)
At 31 December (note 12)	**2,668**	1,388

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[1] None of the loans made to members of key management has been made to directors.

(All amounts in C thousands unless otherwise stated)

24p17(b)(i) The loans advanced to key management have the following terms and conditions:

Name of key management	Amount of loan	Term	Interest rate
2008			
Mr Brown	C173	Repayable monthly over 2 years	6.3%
Mr White	C170	Repayable monthly over 2 years	6.3%
2007			
Mr Black	C20	Repayable monthly over 2 years	6.5%
Mr White	C42	Repayable monthly over 1 year	6.5%

IFRS7p15 Certain loans advanced to associates during the year amounting to C1,500 (2007: C500) are collateralised by shares in listed companies. The fair value of these shares was C65 at the balance sheet date (2007: C590).

The loans to associates are due on 1 January 2009 and carry interest at 7.0% (2007:8%). The fair values and the effective interest rates of loans to associates are disclosed in note 12.

24p17(c) No provision has been required in 2008 and 2007 for the loans made to key management personnel and associates.

40 Events after the balance sheet date

(a) Business combinations

10p21, IFRS3 p66(b), IFRS3p67 (a-c) The group acquired 100% of the share capital of K&Co, a group of companies specialising in the manufacture of shoes for extreme sports, for a cash consideration of C5,950 on 1 February 2009.

Details of net assets acquired and goodwill are as follows:

IFRS3 p67(d)

Purchase consideration:	
– Cash paid	5,950
– Direct cost relating to the acquisition	150
Total purchase consideration (7p40(a))	6,100
Fair value of assets acquired (see below)	(5,145)
Goodwill	955

IFRS3 p67(h) IFRS3p67(f) The above goodwill is attributable to K&Co's strong position and profitability in trading in the niche market for extreme-sports equipment.

(All amounts in C thousands unless otherwise stated)

The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	195	195
Property, plant and equipment	29,056	28,234
Trademarks	1,000	–
Licences	700	–
Customer relationships	1,850	–
Favourable lease agreements	800	–
Inventories	995	495
Trade and other receivables	855	855
Trade and other payables	(9,646)	(9,646)
Retirement benefit obligations	(1,425)	(1,300)
Borrowings	(19,259)	(19,259)
Deferred tax assets	24	519
Net assets acquired	**5,145**	**93**

(b) Associates

10p21 The group acquired 40% of the share capital of L&Co, a group of companies specialising in the manufacture of leisure shoes, for a cash consideration of C2,050 on 25 January 2009.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
– Cash paid	2,050
– Direct cost relating to the acquisition	70
Total purchase consideration	2,120
Share of fair value of net assets acquired (see below)	(2,000)
Goodwill	**120**

DV The goodwill is attributable to L&Co's strong position and profitability in trading in the market of leisure shoes and to its workforce, which cannot be separately recognised as an intangible asset.

DV The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	Fair value	Acquiree's carrying amount
Contractual customer relationships	380	–
Property, plant and equipment	3,200	2,400
Inventory	500	500
Cash	220	220
Trade creditors	(420)	(350)
Borrowings	(1,880)	(1,420)
Net assets acquired	**2,000**	**1,350**

(All amounts in C thousands unless otherwise stated)

(c) Equity transactions

10p21
33p71(c)
10p21, 22(f)
On 1 January 2009, 1,200 thousand share options were granted to directors and employees with an exercise price set at the market share prices less 15% on that date of C3.13 per share (share price: C3.68) (expiry date: 31 December 2013).

The company re-issued 500,000 treasury shares for a total consideration of C1,500 on 15 January 2009.

(d) Borrowings

10p21 On 1 February 2009, the group issued C6,777 6.5% US dollar bonds to finance its expansion programme and working capital requirements in the US. The bonds are repayable on 31 December 2013 (note 21).

(All amounts in C thousands unless otherwise stated)

Independent Auditor's Report

To the shareholders of IFRS GAAP Plc

Report on the financial statements

We have audited the consolidated financial statements of IFRS GAAP plc which comprise the consolidated balance sheet as of 31 December 2008, and the consolidated income statement, consolidated statement of recognised income and expense and consolidated group cash flow statement for the year then ended, and a summary of significant accounting policies and other related notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view[1] of the financial position of the group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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[1] The term 'give a true and fair view' can be changed to 'present fairly, in all material aspects'.

(All amounts in C thousands unless otherwise stated)

Report on other legal and regulatory requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities, if any.]

Signature
Date
Address

The format of the audit report will need to be tailored to reflect the legal framework of particular countries. In certain countries, the audit report covers both the current year and the comparative year.

(All amounts in C thousands unless otherwise stated)

Appendices

Appendix I – Operating and financial review

International Organization of Securities Commissions

In 1998, the International Organization of Securities Commissions (IOSCO) issued 'International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers', comprising recommended disclosure standards, including an operating and financial review and discussion of future prospects. IOSCO standards for prospectuses are not mandatory, but they are increasingly incorporated in national stock exchange requirements for prospectuses and annual reports. The text of IOSCO's Standard on Operating and Financial Reviews and Prospects is reproduced below. Although the standard refers to a 'company' throughout, we consider that, where a company has subsidiaries, it should be applied to the group.

Standard

Discuss the company's financial condition, changes in financial condition and results of operations for each year and interim period for which financial statements are required, including the causes of material changes from year to year in financial statement line items, to the extent necessary for an understanding of the company's business as a whole. Information provided also shall relate to all separate segments of the group. Provide the information specified below as well as such other information that is necessary for an investor's understanding of the Company's financial condition, changes in financial condition and results of operations.

A Operating Results. Provide information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the company's income from operations, indicating the extent to which income was so affected. Describe any other significant component of revenue or expenses necessary to understand the company's results of operations.

(1) To the extent that the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the extent to which such changes are attributable to changes in prices or to changes in the volume or amount of products or services being sold or to the introduction of new products or services.

(2) Describe the impact of inflation, if material. If the currency in which financial statements are presented is of a country that has experienced hyperinflation, the existence of such inflation, a five-year history of the annual rate of inflation and a discussion of the impact of hyperinflation on the company's business shall be disclosed.

(3) Provide information regarding the impact of foreign currency fluctuations on the company, if material, and the extent to which foreign currency net investments are hedged by currency borrowings and other hedging instruments.

(4) Provide information regarding any governmental economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the company's operations or investments by host country shareholders.

B Liquidity and Capital Resources. The following information shall be provided:

(1) Information regarding the company's liquidity (both short and long term), including:

  (a) a description of the internal and external sources of liquidity and a brief discussion of any material unused sources of liquidity. Include a statement by the company that, in its opinion, the working capital is sufficient for the company's present requirements, or, if not, how it proposes to provide the additional working capital needed.

  (b) an evaluation of the sources and amounts of the company's cash flows, including the nature and extent of any legal or economic restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends, loans or advances and the impact such restrictions have had or are expected to have on the ability of the company to meet its cash obligations.

  (c) information on the level of borrowings at the end of the period under review, the seasonality of borrowing requirements and the maturity profile of borrowings and committed borrowing facilities, with a description of any restrictions on their use.

(2) Information regarding the type of financial instruments used, the maturity profile of debt, currency and interest rate structure. The discussion also should include funding and treasury policies and objectives in terms of the manner in which treasury activities are controlled, the currencies in which cash and cash equivalents are held, the extent to which borrowings are at fixed rates, and the use of financial instruments for hedging purposes.

(3) Information regarding the company's material commitments for capital expenditures as of the end of the latest financial year and any subsequent interim period and an indication of the general purpose of such commitments and the anticipated sources of funds needed to fulfil such commitments.

C Research and Development, Patents and Licenses, etc. Provide a description of the company's research and development policies for the last three years, where it is significant, including the amount spent during each of the last three financial years on group-sponsored research and development activities.

D Trend Information. The group should identify the most significant recent trends in production, sales and inventory, the state of the order book and costs and selling prices since the latest financial year. The group also should discuss, for at least the current financial year, any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the group's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

IASB's discussion paper on management commentary

In October 2005, the IASB published a discussion paper on management commentary (MC). The paper was prepared after a review of the existing requirements and guidance in place relating to contextual and non-financial reporting. The primary focus was on MC requirements and guidance in place in Canada, Germany, the UK and the US and guidance issued by IOSCO.

The discussion paper assesses the role that the IASB could play in improving the quality of the management commentary that accompanies financial statements. MC is defined as: 'information that accompanies financial statements as part of an entity's financial reporting. It explains the main trends and factors underlying the development, performance and position of the entity's business during the period covered by the financial statements. It also explains the main trends and factors that are likely to affect the entity's future development, performance and position'.

An appendix to the discussion paper includes proposals for a draft MC standard. Many of the principles and proposed disclosures in the draft standard are consistent with existing guidance from other national standard setters such as the UK's Accounting Standards Board. For example, MC should 'supplement and complement the information in the financial statements', should 'provide an analysis through the eyes of management' and should 'have an orientation to the future'.

The proposed standard states that information should be provided about:

- The nature of the business
- Objectives and strategies.
- Key resources, risks and relationships.
- Results and prospects.
- Performance measures and indicators.

In December 2007, the MC project was taken onto the IASB's active agenda although, at the time of writing, the timetable for issuing an exposure draft is yet to be determined.

(All amounts in C thousands unless otherwise stated)

Appendix II – Alternative presentation of primary statements

Consolidated income statement – by nature of expense

As an alternative to the presentation of costs by function shown in the above illustrative corporate consolidated financial statements, the group is permitted to present the analysis of costs using the nature of expenditure format. The following disclosures would be made on the face of the income statement:

1p91			**Year ended 31 December**	
		Note	**2008**	2007
	Revenue		**211,034**	112,360
1p83	Other income	26	**1,900**	1,259
	Changes in inventories of finished goods and work in progress	13	**(6,950)**	2,300
	Raw materials and consumables used	13	**(53,302)**	(31,845)
	Employee benefits expense	29	**(40,082)**	(15,492)
	Impairment	7	**(4,650)**	–
	Depreciation and amortisation	6, 7	**(18,554)**	(10,227)
	Transportation expense		**(8,584)**	(6,236)
	Advertising costs		**(12,759)**	(6,662)
	Operating lease payments		**(10,604)**	(8,500)
1p83	Other (losses)/gains – net	25	**(90)**	63
1p83	Loss on expropriated land	27	**(1,117)**	–
	Other expenses		**(2,799)**	(1,659
	Operating profit		**53,443**	35,361
1p81(b)	Finance income	30	**1,730**	1,609
1p83	Finance costs	30	**(8,173)**	(12,197)
1p83	Finance costs – net	30	**(6,443)**	(10,588)
1p81(c)	Share of (loss)/profit of associate	8	**(174)**	145
1p81(f)	**Profit before income tax**		**46,826**	24,918
1p81(e), 12p77	Income tax expense		**(14,611)**	(8,670)
1p81(f)	**Profit for the year from continuing operations**		**32,215**	16,248
IFRS5p34	**Discontinued operations:**			
12p81(b)				
	Profit for the year from discontinued operations		**100**	120
1p81(f)	**Profit for the year**		**32,315**	16,368
1p82	**Attributable to:**			
1p82(b)	Equity holders of the company		**29,767**	15,512
1p82(a)	Minority interest		**2,548**	856
			32,315	16,368
	Earnings per share for profit attributable and profit from discontinued operations to the equity holders of the company during the year (expressed in C per share)			
	Basic earnings per share			
33p66	From continuing operations	33	**1.26**	0.75
33p68	From discontinuing operations		**0.01**	0.01
			1.27	0.76
	Diluted earnings per share[1]			
33p66	From continuing operations	33	**1.15**	0.71
33p68	From discontinuing operations		**0.01**	0.01
			1.16	0.72

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[1] EPS for discontinued operations may be given in the notes to the accounts instead of the face of the income statement.

The notes on pages 6 to 82 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

As an alternative to the presentation of changes in equity in the illustrative corporate consolidated financial statements (statement of recognised income and expense (SORIE) and reconciliation of opening and closing balances of share capital, reserves and retained earnings in the notes), the group would normally be permitted to present the statement of changes in equity (SOCIE)[1] as a primary statement. As the group chose to record all actuarial gains and losses directly in equity, they were required to present the SORIE as a primary statement. If the group had chosen to record actuarial gains and losses in accordance with the 'corridor approach' (see related policy and note disclosure below), it would be permitted to present the statement of changes in equity (SOCIE) below as a primary statement.

[1] If, according to IAS 19 para 93A, actuarial gains and losses are recognised outside the income statement in the period in which they occur, a statement of recognised income and expense should be presented.

1,96, 1p97, 1p36			Attributable to equity holders of the Company						
1p104		Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
1p97(c)	Balance at 1 January 2007		20,000	10,424	6,364	47,976	84,764	1,500	86,264
1p96(b)	Fair value gains, net of tax[2]:								
16p77(f)	– Land and buildings[3]	19	–	–	759	–	759	–	759
IFRS7 p20(a)(ii)	– Available-for-sale financial assets	19	–	–	48	–	48	–	48
1p96(b), 16p41	Depreciation transfer on land and buildings, net of tax	18, 19	–	–	(87)	87	–	–	-
1p96(b)	Cash flow hedges, net of tax	19	–	–	(3)	–	(3)	–	(3)
1p96(b), 39p102(a)	Net investment hedge	19	–	–	40	–	40	–	40
1p96(b),	Currency translation differences	19	–	–	(116)	–	(116)	(40)	(156)
1p96(b)	Net income/ (expense) recognised directly in equity		–	–	641	87	728	(40)	688
1p96(a)	Profit for the year		–	–	–	15,512	15,512	856	16,368
1p96(c)	**Total recognised income and expense for 2007**		–	–	641	15,599	16,240	816	17,056
1p97(a)	Employees share option scheme:								
IFRS2p50	– Value of employee services	18	–	–	–	822[4]	822	–	822
IFRS2p50	– Proceeds from shares issued	17	1,000	70	–	–	1,070	–	1,070
1p97(b)	– Tax credit relating to share option scheme	18	–	–	–	20	20	–	20
1p97(a)	Dividend relating to 2006	34	–	–	–	(15,736)	(15,736)	(550)	(16,286)
			1,000	70	–	(14,894)	(13,824)	(550)	(14,374)
1p97(c)	**Balance at 31 December 2007**		21,000	10,494	7,005	48,681	87,180	1,766	88,946

(All amounts in C thousands unless otherwise stated)

1p97(c)	Balance at 1 January 2008		21,000	10,494	7,005	48,681	87,180	1,766	188,946
1p96(b)	Fair value gains, net of tax:								
IFRS7 p20(a)(ii)	– available-for-sale financial assets	19	–	–	350	–	350	–	350
1p96(b), 16p41	Depreciation transfer on land and buildings, net of tax	18, 19	–	–	(100)	100	–	–	-
1p96(b)	Cash flow hedges, net of tax	19	–	–	64	–	64	–	64
1p96(b), 39p102(a)	Net investment hedge	19	–	–	(45)	–	(45)	–	(45)
1p96(b), 21p52(b)	Currency translation differences	19	–	–	1,992	–	1,992	252	2,244
IFRS3p59	Increase in fair values of proportionate holding of Your Shoes Group (note 38)	19	–	–	850	–	850	–	850
12p80(d)	Impact of the change in Euravian tax rate on deferred tax	22	–	–	–	(10)	(10)	–	(10)
1p96(b)	Net income recognised directly in equity	19	–	–	3,111	90	3,201	252	3,453
1p96(a)	Profit for the year	19	–	–	–	29,767	29,767	2,548	32,315
1p96(c)	**Total recognised income and expense for 2008**		**–**	**–**	**3,111**	**29,857**	**32,968**	**2,800**	**35,768**
1p97(a)	Employee share option scheme:								
IFRS2p50	– Value of employee services	18	–	–	–	690[4]	690	–	690
IFRS2p50	– Proceeds from shares issued	17	750	200	–	–	950	–	950
197(b)	– Tax credit relating to share option scheme	18	–	–	–	30	30	–	30
1p97(a)	Issue of share capital – business combination	17	3,550	6,450	–	–	10,000	–	10,000
1p97(a)	Purchase of treasury shares	18	–	–	–	(2,564)	(2,564)	–	(2,564)
1p97(a), 32p28	Convertible bond – equity component	19	–	–	5,433	–	5,433	–	5,433
1p97(a)	Dividend relating to 2007	34	–	–	–	(10,102)	(10,102)	(1,920)	(12,022)
1p97(a)	Minority interest arising on business combinations	38	–	–	–	–	–	4,542	4,542
			4,300	6,650	5,433	(11,946)	4,437	2,622	7,059
1p97(c)	**Balance at 31 December 2008**		**25,300**	**17,144**	**15,549**	**66,592**	**124,585**	**7,188**	**131,773**

[2] Line items can be presented either net of tax as above or gross with a separate line item for the total tax impact (see IAS 1 para IG 4).

[3] IAS16 para 77(f) requires disclosure of any restrictions on the distribution of the land and buildings fair value reserve to shareholders.

[4] The credit entry to equity in respect of the IFRS 2 charge should be recorded in accordance with local company law and practice. This may be a specific reserve, retained earnings or share capital.

IAS 19 – Employee benefits

Included below is the illustrative disclosure for post-employment benefits using the option in IAS 19 to recognise actuarial gains and losses using the corridor approach.

Note – Accounting policies

Employee benefits

1p110 *(a) Pension obligations*

19p27 19p25 19p7 19p120A(b) Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

19p79 19p80 19p64 The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. 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 to maturity approximating to the terms of the related pension liability.

19p92 19p93 19p120A(a) Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

19p96 Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

19p44 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.

1p110 *(b) Other post-employment obligations*

19p120A(a) 19p120A(b) 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. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

1p110 *(c) Share-based compensation*

IFRS2 p15(b) IFRS2p19 The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount to be expensed is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

1p110 *(d) Termination benefits*

19p133 **19p134** **19p139** Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

1p110 *(e) Profit-sharing and bonus plans*

19p17 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.

Note – Retirement benefit obligation

	2008	2007
Balance sheet obligations for:		
Pension benefits	**3,138**	1,438
Post-employment medical benefits	**1,402**	692
	4,540	2,130
Income statement charge for (note 29):		
Pension benefits	**762**	496
Post-employment medical benefits	**150**	107
	912	603

(a) Pension benefits

The group operates defined benefit pension plans in Euravia and the US based on employee pensionable remuneration and length of service. The majority of plans are externally funded. Plan assets are held in trusts, foundations or similar entities, 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.

19p120A (d)(f) The amounts recognised in the balance sheet are determined as follows:

	2008	2007
Present value of funded obligations	**6,155**	2,943
Fair value of plan assets	**(5,991)**	(2,797)
	164	146
Present value of unfunded obligations	**3,206**	1,549
Unrecognised actuarial losses	**(87)**	(94)
Unrecognised past service cost	**(145)**	(163)
Liability in the balance sheet	**3,138**	1,438

19p120A(c) The movement in the defined benefit obligation over the year is as follows:

	2008	2007
At 1 January	**4,492**	3,479
Current service cost	**751**	498
Interest cost	**431**	214
Contributions by plan participants	**55**	30
Actuarial losses/(gains)	**(15)**	495
Exchange differences	**(43)**	(103)
Benefits paid	**(66)**	(121)
Liabilities acquired in a business combination (note 38)	**3,691**	–
Curtailments	**65**	–
Settlements[1]	**–**	–
At 31 December	**9,361**	4,492

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[1] IAS 19 requires the disclosure of settlements as part of the reconciliation of the opening and closing balances of the present value of the defined benefit obligation. There is no such movement on the defined benefit obligation relating to pension plans in these financial statements, but the line item has been shown for illustrative purposes.

(All amounts in C thousands unless otherwise stated)

19p120A(e) The movement in the fair value of plan assets of the year is as follows:

	2008	2007
At 1 January	**2,797**	2,264
Expected return on plan assets	**510**	240
Actuarial gains/(losses)	**(15)**	(5)
Exchange differences	**25**	(22)
Employer contributions	**908**	411
Employee contributions	**55**	30
Benefits paid	**(66)**	(121)
Business combinations (note 38)	**1,777**	—
At 31 December	**5,991**	2,797

19p120A(g) The amounts recognised in the income statement are as follows:

	2008	2007
Current service cost	**751**	498
Interest cost	**431**	214
Expected return on plan assets	**(510)**	(240)
Net actuarial losses recognised during the year	**7**	8
Past service cost	**18**	16
Losses on curtailment	**65**	–
Total, included in staff costs (note 29)	**762**	496

19p120A(g) Of the total charge, C521 (2007: C324) and C241 (2007: C172) were included in cost of goods sold and administrative expenses respectively.

19p120A(m) The actual return on plan assets was C495 (2007: C235).

19p120A(n) The principal actuarial assumptions used were as follows:

19p120A(n)

	2008		2007	
	Euravia	**US**	Euravia	US
Discount rate	**6.0%**	**6.1%**	5.5%	5.6%
Inflation rate	**3.6%**	**3.0%**	3.3%	2.7%
Expected return on plan assets	**8.5%**	**8.3%**	8.7%	8.7%
Future salary increases	**5.0%**	**4.5%**	4.5%	4.0%
Future pension increases	**3.6%**	**2.8%**	3.1%	2.7%

19p120A (n)(vi) Assumptions regarding future mortality experience are set based on actuarial advice, published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following post-retirement mortality tables:
(i) Euravia: PNMA 00 and PNFA 00 with medium cohort adjustment subject to a minimum annual improvement of 1% and scaling factors of 110% for current male pensioners, 125% for current female pensioners and 105% for future male and female pensioners; and (ii) US: RP2000 with a projection period of 10-15 years.

These tables translate into an average life expectancy in years of a pensioner retiring at age 65 of:

19p120A(n)

	2008		2007	
	Euravia	**US**	Euravia	US
Retiring at the balance sheet date:				
– Male	**22**	**20**	22	20
– Female	**25**	**24**	25	24
Retiring 20 years after the balance sheet date:				
– Male	**24**	**23**	24	23
– Female	**27**	**26**	27	26

DV The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Change in assumption	**Impact on overall liability**
Discount rate	Increase/decrease by 0.5%	Increase/decrease by 7.2%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 5.1%
Salary growth rate	Increase/decrease by 0.5%	Increase/decrease by 3.3%
Rate of mortality	Increase by 1 year	Increase by 5.2%

19p122(b) *(b) Post-employment medical benefits*

The group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. The majority of these plans are unfunded.

19p120A(n) In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of 8.0% a year (2007: 7.6%).

19p120A(d) The amounts recognised in the balance sheet were determined as follows:

19p120A(f)

	2008	2007
Present value of funded obligations	**705**	340
Fair value of plan assets	**(620)**	(302)
	85	38
Present value of unfunded obligations	**1,325**	663
Unrecognised actuarial losses	**(8)**	(9)
Liability in the balance sheet	**1,402**	692

19p120A(c) The movement in the defined benefit obligation is as follows:

	2008	2007
At 1 January	**1,003**	708
Current service cost	**153**	107
Interest cost	**49**	25
Contributions by plan participants[1]	**—**	—
Actuarial losses/(gains)[1]	**(2)**	204
Exchange differences	**25**	(41)
Benefits paid[1]	**—**	—
Liabilities acquired in a business combination (note 38)	**802**	—
Curtailments[1]	**—**	—
Settlements[1]	**—**	—
At 31 December	**2,030**	1,003

[1] IAS 19 requires the disclosure of contributions by plan participants, benefits paid, curtailments and settlements as part of the reconciliation of the opening and closing balances of the present value of the defined benefit obligation. There is no such movement on the defined benefit obligation relating to post-employment medical benefits in these financial statements, but the line items have been shown for illustrative purposes.

19p120A(e) The movement in the fair value of plan assets of the year is as follows:

	2008	2007
At 1 January	**302**	207
Expected return on plan assets	**53**	25
Actuarial gains/(losses)	**(2)**	(1)
Exchange differences	**5**	(2)
Employer contributions	**185**	73
Employee contributions[1]	**—**	–
Benefits paid[1]	**—**	–
Business combinations (note 38)	**77**	–
At 31 December	**620**	302

[1] IAS 19 requires the disclosure of employee contributions and employee contributions as part of the reconciliation of the opening and closing balances of plan assets. There is no such movement on the plan assets relating to post-employment medical benefits in these financial statements, but the line items have been shown for illustrative purposes.

19p120A(g) The amounts recognised in the income statement were as follows:

	2008	2007
Current service cost	**153**	107
Interest cost	**49**	25
Expected return on plan assets	**(53)**	(25)
Net actuarial losses recognised in year	**1**	–
Total, included in employee benefits expense (note 29)	**150**	107

19p120A(o) The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	**Decrease**
Effect on the aggregate of the current service cost and interest cost	24	(20)
Effect on the defined benefit obligation	366	(313)

19p120A(g) Of the total charge, C102 (2007: C71) and C48 (2007: C36) respectively were included in cost of goods sold and administrative expenses.

(All amounts in C thousands unless otherwise stated)

19p120A(m) The actual return on plan assets was C51 (2007: C24).

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

19p120A(j) Plan assets are comprised as follows:

	2008		2007	
Equity instruments	**3,256**	**49%**	1,224	40%
Debt instruments	**1,524**	**23%**	571	18%
Property	**1,047**	**16%**	943	30%
Other	**784**	**12%**	361	12%
	6,611	**100%**	3,099	100%

DV Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities, although the group also invests in property, bonds, hedge funds and cash. 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 euro-zone, 30% in the US and the remainder in emerging markets.

19p120A(k) Pension plan assets include the company's ordinary shares with a fair value of C136 (2007: C126) and a building occupied by the group with a fair value of C612 (2007: C609).

19p120A(l) The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

19p120(q) Expected contributions to post-employment benefit plans for the year ending 31 December 2008 are C1,150.

DV The group has agreed that it will aim to eliminate the deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed regular contribution rate is 14% of pensionable salaries in Euravia and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2009. 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.

DV An alternative method of valuation to the projected unit credit method is a buy-out valuation. This assumes that the entire post-employment benefit liability will be settled by transferring all obligations to a suitable insurer. The group estimates the amount required to settle the post-employment benefit liabilities at the balance sheet date would be C15,500.

(All amounts in C thousands unless otherwise stated)

19p120A(p)	**2008**	2007	2006	2005[1]
At 31 December				
Present value of defined benefit obligation	**11,391**	5,495	4,187	3,937
Fair value of plan assets	**6,611**	3,099	2,471	2,222
Deficit/(surplus) in the plan	**4,780**	2,396	1,716	1,715
Experience adjustments on plan liabilities	**(326)**	125	55	–
Experience adjustments on plan assets	**(17)**	(6)	(197)	–

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[1] IAS 19 requires a five-year record, but this does not have to be applied retrospectively [IAS 19 para 160].

Consolidated cash flow statement – direct method

IAS 7 encourages the use of the 'direct method' for the presentation of cash flows from operating activities. The presentation of cash flows from operating activities using the direct method in accordance with IAS 7 (revised 1994), paragraph 18, is as follows:

Consolidated cash flow statement

1p104, 7p10			**Year ended 31 December**	
		Note	**2008**	2007
7p18(a)	**Cash flows from operating activities**			
	Cash receipts from customers		**212,847**	114,451
	Cash paid to suppliers and employees		**(156,613)**	(72,675)
	Cash generated from operations		**56,234**	41,776
	Interest paid		**(7,835)**	(14,773)
	Income taxes paid		**(14,317)**	(10,526)
	Net cash flows from operating activities		**34,082**	16,477
7p21	**Cash flows from investing activities**			
7p39	Acquisition of subsidiary, net of cash acquired	38	**(3,950)**	–
7p16(a)	Purchases of property, plant and equipment (PPE)	6	**(9,755)**	(6,042)
7p16(b)	Proceeds from sale of PPE	35	**6,354**	2,979
7p16(a)	Purchases of intangible assets	7	**(3,050)**	(700)
7p16(c)	Purchases of available-for-sale financial assets	10	**(2,781)**	(1,126)
7p16(e)	Loans granted to associates	39	**(1,000)**	(50)
7p16(f)	Loan repayments received from associates	39	**14**	64
7p31	Interest received		**1,254**	1,193
7p31	Dividends received		**1,180**	1,120
	Net cash used in investing activities		**(11,734)**	(2,562)
7p21	**Cash flows from financing activities**			
7p17(a)	Proceeds from issuance of ordinary shares	17	**950**	1,070
7p17(b)	Purchase of treasury shares	17	**(2,564)**	–
7p17(c)	Proceeds from issuance of convertible bond	36	**50,000**	–
7p17(c)	Proceeds from issuance of redeemable preference shares	37	**–**	30,000
7p17(c)	Proceeds from borrowings		**8,500**	18,000
7p17(d)	Repayments of borrowings		**(78,117)**	(34,674)
7p31	Dividends paid to group shareholders		**(10,102)**	(15,736)
7p31	Dividends paid to holders of redeemable preference shares		**(1,950)**	(1,950)
7p31	Dividends paid to minority interests		**(1,920)**	(550)
	Net cash used in financing activities		**(35,203)**	(3,840)
	Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(12,855)**	10,075
	Cash, cash equivalents and bank overdrafts at beginning of the year		**27,598**	17,587
	Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		**535**	(64)
	Cash, cash equivalents and bank overdrafts at end of the year	15	**15,278**	27,598

The notes on pages 6 to 82 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income – single statement (including disclosures of tax effects and reclassifications of components of other comprehensive income)

IAS 1 (Revised) will be mandatory for annual periods beginning on or after 1 January 2009. Early adoption is permitted by the standard, but local legal or regulatory requirements may restrict the ability of entities to early adopt. The illustrative financial statements on pages 6 to 82 do not reflect early adoption of IAS 1 (Revised). The examples below show an alternative presentation and additional disclosures that could be made on adoption of IAS 1 (Revised).

IAS 1 (Revised) requires, inter alia:

- Recognised income and expenses to be presented in a single statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity. Components of other comprehensive income may not be presented in the statement of changes in equity. The statement of comprehensive income under the 'two-statement' approach is the same as the 'statement of recognised income and expense' illustrated on page 4. The statement of comprehensive income under the single statement approach is illustrated below; this example presents expenses by function but entities may classify expenses by nature, as shown on page 72.
- Both the statement of comprehensive income and the statement of changes in equity to be included as primary statements (ie, are components of a complete set of financial statements). See page 92 for an illustration of the statement of changes in equity.
- The balance sheet to be referred to as the 'statement of financial position' and the cash flow statement to be referred to as the 'statement of cash flows'.
- The components of other comprehensive income to be shown before tax, with the total tax on those components shown as a separate line item, as illustrated below, or net of tax. Whichever approach is adopted, entities are required to disclose the income tax related to each component of other comprehensive income either in the statement of comprehensive income or in the notes. An example of the disclosure that would be made in the notes is set out below.
- Reclassification adjustments (that is, amounts reclassified to profit or loss in the current period that were recognised as other comprehensive income in previous periods) to be disclosed. An example of the disclosure that would be made in the notes is set out below.
- Entities to present a statement of financial position (that is, a balance sheet) as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassifies items in the financial statements. Neither prior period adjustments nor restatements are illustrated in these financial statements.

(All amounts in C thousands unless otherwise stated)

Consolidated statement of comprehensive income – single statement, by function of expense

1(R)p81-83, 1(R)p103, 1(R)p38 1p104			**Year ended 31 December**	
		Note	**2008**	2007
	Continuing operations			
1(R)p82(a)	Revenue	5	**211,034**	112,360
1(R)p103	Cost of sales		**(77,366)**	(46,682)
1(R)p103	**Gross profit**		**133,668**	65,678
1(R)p103	Distribution costs		**(52,140)**	(21,213)
1(R)p103	Administrative expenses		**(28,778)**	(10,426)
1(R)p103	Other income	26	**1,900**	1,259
1(R)p85	Other (losses)/gains – net	25	**(90)**	63
1(R)p85	Loss on expropriated land	27	**(1,117)**	-
1(R)p85	**Operating profit**		**53,443**	35,361
1(R)p85	Finance income	30	**1,730**	1,609
1(R)p82(b)	Finance costs	30	**(8,173)**	(12,197)
1(R)p85	Finance costs – net	30	**(6,443)**	(10,558)
1(R)p82(c)	Share of (loss)/profit of associates	8	**(174)**	145
1(R)p103	**Profit before income tax**		**46,826**	24,918
1(R)p82(d), 12p77	Income tax expense	31	**(14,611)**	(8,670)
1(R)p82(f)	Profit for the year from continuing operations		**32,215**	16,248
IFRS5p34, 12p81(b)	**Discontinued operations:**			
	Profit for the year from discontinued operations		**100**	120
1(R)p82(f)	**Profit for the year**		**32,315**	16,368
1(R)p82(g), 91(a)	**Other comprehensive income:**			
1(R)p82(g)	**Gains/losses recognised directly in equity**			
1(R)p82(g), 16p77(f)	Gains on revaluation of land and buildings	19	–	1,133
1(R)p82(g), 91(a) IFRS7p20 (a)(ii)	Available-for-sale financial assets	19	**560**	123
IAS28p39, 1(R)p82(b)	Share of other comprehensive income of associates	19	**(12)**	(14)
1(R)p82(g), 19p93A	Actuarial loss on retirement benefit obligations		–	(705)
12p80(d)	Impact of change in Euravian tax rate on deferred tax	22	**(10)**	
1(R)p82(g), IFRS7 p23(c)	Cash flow hedges	19	**97**	(3)
1(R)p82(g)	Net investment hedge	19	**(45)**	40
1(R)p82(g)	Currency translation differences	19	**2,244**	(156)
IFRS3p59	Increase in fair values of proportionate holding of Your Shoes Group (note 38)	19	**850**	–
	Income tax relating to components of other comprehensive income		**(231)**	(224)
	Other comprehensive income for the year, net of tax		**3,453**	194
1(R)p82(i)	**Total comprehensive income for the year**		**35,768**	16,562

(All amounts in C thousands unless otherwise stated)

			Year ended 31 December	
		Note	**2008**	2007
1(R)p83(a)	**Profit attributable to:**			
1(R)p83 (a)(ii)	Equity holders of the company		**29,767**	15,512
1(R)p83 (a)(i)	Minority interest		**2,548**	856
			32,315	16,368
1(R)p83(b)	**Total comprehensive income attributable to:**			
1(R)p83 (b)(i)	Equity holders of the company		**32,968**	15,746
1(R)p83 (b)(i)	Minority interest		**2,800**	816
			35,768	16,562

Earnings per share for profit attributable and profit from discontinued operations to the equity holders of the company during the year (expressed in C per share)

	Basic earnings per share			
33p66	From continuing operations	33	**1.26**	0.75
33p68	From discontinuing operations		**0.01**	0.01
			1.27	0.76
	Diluted earnings per share[1]			
33p66	From continuing operations	33	**1.15**	0.71
33p68	From discontinuing operations		**0.01**	0.01
			1.16	0.72

[1] EPS for discontinued operations may be given in the notes to the accounts instead of the face of the income statement.

The notes on pages 6 to 82 are an integral part of these consolidated financial statements.

(All amounts in C thousands unless otherwise stated)

Note – Income tax expense

Tax effects of components of other comprehensive income[1]

(This note could be included in note 31, 'Income tax expense' which sets out tax charged/credited to equity.)

				Year ended 31 December			
1(R)p90			**2008**			**2007**	
		Before tax	**Tax (charge) credit**	**After tax**	**Before tax**	**Tax (charge) credit**	**After tax**
1(R)p90	Fair value gains:						
1(R)p90	– Land and buildings	–	–	–	1,133	(374)	759
1(R)p90	– Available-for-sale financial assets	**560**	**(198)**	**362**	123	(61)	62
1(R)p90	Share of other comprehensive income of associates	**(12)**	–	**(12)**	(14)	–	(14)
1(R)p90	Actuarial loss on retirement benefit obligations	–	–	–	(705)	211	(494)
1(R)p90							
1(R)p90	Impact of change in Euravian tax rate on deferred tax	–	**(10)**	**(10)**	–	–	-
1(R)p90	Cash flow hedges	**97**	**(33)**	**64**	(3)	–	(3)
1(R)p90	Net investment hedge	**(45)**	–	**(45)**	40	–	40
1(R)p90	Currency translation differences	**2,244**	–	**2,244**	(156)	–	(156)
IFRS3p59	Increase in fair values of proportionate holding of Your Shoes Group (note 38)	**850**	–	**850**	–	–	**-**
	Other comprehensive income	**3,694**	**(241)**	**3,453**	418	(224)	194

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[1] This disclosure may be included in note 31, which sets out tax charged/credited to equity.

(All amounts in C thousands unless otherwise stated)

Note – Other reserves

Components of other comprehensive income[1]

(This note could be included within note 19.)

		31 December	
		2008	2007
1(R)p90			
1(R)p90	Gain on revaluation of land and buildings	–	1,133
1(R)p90	Available-for-sale financial assets/associates:		
	Gains arising during the year	**678**	261
	Reclassification for gains included in profit or loss	**(130)**	(152)
		548	109
1(R)p90	Actuarial loss on retirement benefit obligations	–	(705)
1(R)p90	Cash flow hedges:		
	Gains arising during the year	**368**	300
	Reclassification to inventory	**(151)**	(67)
	Reclassification for gains included in profit or loss	**(120)**	(236)
		97	(3)
1(R)p90	Net investment hedge	**(45)**	40
1(R)p90	Currency translation differences	**2,244**	(156)
IFRS3p59	Increase in fair values of proportionate holding of Your Shoes Group (note 38)	**850**	–
	Income tax relating to components of other comprehensive income	**(241)**	(224)
	Other comprehensive income	**3,453**	194

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[1] This disclosure may be included within note 19. When an entity chooses an aggregated presentation in the statement of comprehensive income, the amounts for reclassification adjustments and current year gain or loss are presented in the notes. This disclosure may be included within note 19.

(All amounts in C thousands unless otherwise stated)

Appendix III – Policies and disclosures for areas not relevant to IFRS GAAP plc

Investment property[1]

40p5 Investment property is defined as property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Note – Accounting policies

(a) Basis of preparation[2]

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and investment properties, which are carried at fair value.

1p110 *(b) Investment property*[2]

40p75(a)(d) Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by [A Valuers][3]. Changes in fair values are recorded in the income statement as part of other income.

(c) Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

40p6, 25 Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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[1] The above investment property disclosures are given for corporate entities that hold property to earn rentals or for capital appreciation or both. It does not cover all the disclosures that would be required for an investment property company. For investment property companies, refer to the PwC industry-specific illustrative financial statements.

[2] To be approximately amended if the cost method is applied.

[3] To include the name of the external valuer.

(All amounts in C thousands unless otherwise stated)

Consolidated balance sheet (extracts)

		2008	2007
	Assets		
1p51	**Non-current assets**		
1p68(a)	Property, plant and equipment	**155,341**	98,670
1p68(b)	Investment property	**18,108**	15,690

Note – Investment property

		2008	2007
40p76	At 1 January	**15,690**	16,043
40p76(e)	Exchange differences	**748**	(1,396)
40p76(d)	Fair value gains (included in gains/(losses) – net)	**1,670**	1,043
40p76	**At 31 December**	**18,108**	15,690

40p75(d)(e) The investment properties are valued annually on 31 December at fair value, comprising market value by an independent, professionally qualified valuer.

The following amounts have been recognised in the income statement:

		2008	2007
40p75(f)(i)	Rental income	**770**	620
40p75(f)(ii)	Direct operating expenses arising from investment properties that generate rental income	**(640)**	(550)
40p75(f)(ii)	Direct operating expenses that did not generate rental income	**(40)**	(20)

Note – Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

		2008	2007
16p74(c)	Property, plant and equipment	**3,593**	3,667
40p75(h)	Investment property	**290**	–
	Investment property – repairs and maintenance:		
40p75(h)	– Contractual obligations for future repairs and maintenance of investment property	**140**	130

Construction contracts

11p3 A construction contract is defined by IAS 11 as a contract specifically negotiated for the construction of an asset.

Note – Accounting policies

Construction contracts

11p39(b)(c) Contract costs are recognised as expenses in the period in which they are incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

11p31 When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Consolidated balance sheet (extracts)

		Note	2008	2007
1p51	**Current assets**			
1p68(h)	Trade and other receivables	12	**23,303**	20,374
	Inventories	13	**24,885**	18,481
1p51	**Current liabilities**			
1p68(j)	Trade and other payables	20	**17,667**	13,733

Consolidated income statement (extracts)

1p81-83		Note	2008	2007
11p39(a)	Contract revenue		**58,115**	39,212
11p16	Contract costs		**(54,729)**	(37,084)
1p92	Gross profit		**3,386**	2,128
1p92	Selling and marketing costs		**(386)**	(128)
1p92	Administrative expenses		**(500)**	(400)

(All amounts in C thousands unless otherwise stated)

Note – Trade and other receivables (extracts)

		2008	2007
IFRS7p36, 1p75(b)	Trade receivables	**18,174**	16,944
	Less: Provision for impairment of receivables	**(109)**	(70)
	Trade receivables – net	**18,065**	16,874
11p42(a)	Amounts due from customers for contract work	**984**	788
11p40(c)	Retentions	**232**	132
	Prepayments	**1,300**	1,146
1p74, 24p17	Receivables from related parties (note 39)	**54**	46
1p74, 24p17	Loans to related parties (note 39)	**2,668**	1,388
	Total	**23,303**	20,374

Note – Trade and other payables (extracts)

		2008	2007
	Trade payables	**10,983**	9,495
24p17	Amounts due to related parties (note 39)	**2,202**	1,195
11p42(b)	Amounts due to customers for contract work	**855**	900
11p40(b)	Advances received for contract work	**142**	355
	Social security and other taxes	**2,002**	960
	Accrued expenses	**1,483**	828
		17,667	13,733

Note – Inventories (extract)

	2008	2007
Raw materials	**7,622**	7,612
Work in progress (not related to construction contracts)	**1,810**	1,796
Finished goods	**15,268**	8,774
Costs capitalised in relation to construction contracts	**185**	299
	24,885	18,481

Note – Construction contracts

		2008	2007
11p40(a)	The aggregate costs incurred and recognised profits (less recognised losses) to date	**69,804**	56,028
	Less: Progress billings	**(69,585)**	(56,383)
	Net balance sheet position for ongoing contracts	**219**	(355)

Leases: Accounting by lessor

17p4 A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Note – Accounting policies

1p110 When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

17p49 When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

17p50 Lease income is recognised over the term of the lease on a straight-line basis.

Note – Property, plant and equipment

The category of vehicles and equipment includes vehicles leased by the group to third parties under operating leases with the following carrying amounts:

17p57		**2008**	2007
	Cost	**70,234**	–
	Accumulated depreciation at 1 January	**(14,818)**	–
	Depreciation charge for the year	**(5,058)**	–
	Net book amount	**50,358**	–

Note – Trade and other receivables

1p75(b)		**2008**	2007
	Non-current receivables		
17p47(a)	Finance leases – gross receivables	**1,810**	630
17p47(b)	Unearned finance income	**(222)**	(98)
		1,588	532
1p75(b)	**Current receivables**		
17p47(a)	Finance leases – gross receivables	**1,336**	316
17p47(b)	Unearned finance income	**(300)**	(98)
		1,036	218
1p75(a)	Gross receivables from finance leases:		
17p47(a)	No later than 1 year	**1,336**	316
	Later than 1 year and no later than 5 years	**1,810**	630
	Later than 5 years	**–**	–
		3,146	946
1p75(b), 17p47(b)	Unearned future finance income on finance leases	**(522)**	(196)
	Net investment in finance leases	**2,624**	750
1p75(a)	The net investment in finance leases may be analysed as follows:		
17p47(a)	– No later than 1 year	**1,036**	218
	– Later than 1 year and no later than 5 years	**1,588**	532
	– Later than 5 years	–	–
		2,624	750

(All amounts in C thousands unless otherwise stated)

Note – Operating leases

17p56(a) *Operating lease commitments – group company as lessor*

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2008	2007
No later than 1 year	**12,920**	12,920
Later than 1 year and no later than 5 years	**41,800**	41,800
Later than 5 years	**840**	10,840
	55,560	65,560

17p56(b) Contingent-based rents recognised in the income statement were C235 (2007: C40).

17p56(c) The company lease vehicles under various agreements which terminate between 2008 and 2013. The agreements do not include an extension option.

Investments: held-to-maturity financial assets

Note – Accounting policies

Investments

Held-to-maturity financial assets

1p110, 39p9 Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

Consolidated balance sheet

		2008	2007
1p51	**Non-current assets**		
1p68(d)	Held-to-maturity financial assets	**3,999**	1,099

Note – Held-to-maturity financial assets

IFRS7p27(b) *Held-to-maturity financial assets*

		2008	2007
39AG71-73	**Listed securities:**		
	– Debentures with fixed interest of 5% and maturity date of 15 June 2012 – Currency-zone countries	**4,018**	984
	– Debentures with fixed interest of 5.5% and maturity date of 15 June 2009 – US	**–**	160
	Allowance for impairment	**(19)**	(45)
		3,999	1,099

The movement in held to maturity of financial assets may be summarised as follows:

		2008	2007
	At 1 January	**1,009**	390
	Exchange differences	**81**	56
	Additions	**3,093**	888
	Disposals	**(165)**	(280)
	Provision for impairment	**(19)**	(45)
	At 31 December	**3,999**	1,009
1p57	Less: non-current portion	**(3,999)**	(1,009)
1p57	**Current portion**	**–**	–

IFRS7p16 Movements on the provision for impairment of held-to-maturity financial assets are as follows:

		2008	2007
	At 1 January	**45**	30
IFRS7p20(e)	Provision for impairment	**–**	16
	Unused amounts reversed	**(26)**	(3)
	Unwind of discount (note 30)	**–**	2
	At 31 December	**19**	45

IFRS7p12(b) The group has not reclassified any financial assets measured amortised cost rather than fair value during the year (2007: nil).

IFRS7 p20(a)(iii) There were no gains or losses realised on the disposal of held to maturity financial assets in 2008 and 2007, as all the financial assets were disposed of at their redemption date.

IFRS7p25 The fair value of held to maturity financial assets is based on quoted market bid prices (2008: C3,901; 2007: C976).

IFRS7 p34(c) Held-to-maturity financial assets are denominated in the following currencies:

	2008	2007
Currency	**2,190**	990
US dollar	**1,809**	109
Total	**3,999**	1,099

IFRS7 p36(a) The maximum exposure to credit risk at the reporting date is the carrying amount of held to maturity financial assets.

(All amounts in C thousands unless otherwise stated)

Government grants[1]

Note – Accounting policies

Government grants

20p39(a) 20p12 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.

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

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Note – Other (losses)/gains

20p39(b) 20p39(c) The group obtained and recognised as income a government grant of C100 (2007: nil) to compensate for losses caused by flooding incurred in the previous year. The group is obliged not to reduce its average number of employees over the next three years under the terms of this government grant.

The group benefits from government assistance for promoting in international markets products made in Euravia; such assistance includes marketing research and similar services provided by various Euravian government agencies free of charge.

Joint ventures

Note – Accounting policies

1p110 Consolidation

(c) Joint ventures

31p57 The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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[1] There are two approaches to accounting for government grants namely the capital approach, under which a grant is credited directly to shareholder's interest and the income approach, under which a grant is taken to income over one or more periods. The accounting policy and disclosure below reflects the income approach.

Note – Interest in joint venture

31p56 The group has a 50% interest in a joint venture, JV&Co, which provides products and services to the automotive industry. The following amounts represent the group's 50% share of the assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

		2008	2007
	Assets:		
	Long-term assets	**2,730**	2,124
	Current assets	**803**	717
		3,533	2,841
	Liabilities:		
	Long-term liabilities	**1,114**	1,104
	Current liabilities	**355**	375
		1,469	1,479
	Net assets	**2,064**	1,362
	Income	**5,276**	5,618
	Expenses	**(3,754)**	(4,009)
	Profit after income tax	**1,522**	1,609
31p55(b)	**Proportionate interest in joint venture's commitments**	**90**	92

31p54 There are no contingent liabilities relating to the group's interest in the joint venture, and no contingent liabilities of the venture itself.

Transactions with minority shareholders – 'economic entity approach'

Note – Accounting policies

IFRS3 The group applies a policy of treating transactions with minority interests as transactions with equity owners of the group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity.

Oil and gas exploration assets

Note – Accounting policies

IFRS6p24 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.

(a) 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. No depreciation or amortisation is charged during the exploration and evaluation phase.

(b) 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.

(c) Depreciation/amortisation

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.

(d) Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

(e) Impairment – proved oil and gas production properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Property, plant and equipment[1]

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Subtotal – assets under construction	Production assets	Other businesses and corporate assets	Total
At 1 January 2008						
Cost	218	12,450	12,668	58,720	3,951	75,339
Accumulated amortisation and impairment	(33)	–	(33)	(5,100)	(77)	(5,210)
Net book amount	185	12,450	12,635	53,620	3,874	70,129
Year ended 31 December 2008						
Opening net book amount	185	12,450	12,635	53,620	3,874	70,129
Exchange differences	17	346	363	1,182	325	1,870
Acquisitions	–	386	386	125	4	515
Additions	45	1,526	1,571	5,530	95	7,196
Transfers	(9)	(958)	(967)	1,712	–	745
Disposals	(12)	(1,687)	(1,699)	–	–	(1,699)
Depreciation charge	–	–	–	(725)	(42)	(767)
Impairment charge	(7)	(36)	(43)	(250)	(3)	(296)
Closing net book amount	**219**	**12,027**	**12,246**	**61,194**	**4,253**	**77,693**
At 31 December 2008						
Cost	264	12,027	12,291	67,019	4,330	83,640
Accumulated amortisation and impairment	(45)	–	(45)	(5,825)	(77)	(5,947)
Net book amount	**219**	**12,027**	**12,246**	**61,194**	**4,253**	**77,693**

[1] For the purpose of this illustrative appendix, comparatives for the year ended 31 December 2007 are not disclosed, although they are required by IAS 1.

(All amounts in C thousands unless otherwise stated)

Intangible assets[1]

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Subtotal – intangible assets in progress expenditure	Production assets	Goodwill	Other	Total
At 1 January 2008							
Cost	5,192	750	5,942	3,412	9,475	545	19,374
Accumulated amortisation and impairment	(924)	–	(924)	(852)	(75)	(19)	(1,870)
Net book amount	4,268	750	5,018	2,560	9,400	526	17,504
Year ended 31 December 2008							
Opening net book amount	4,268	750	5,018	2,560	9,400	526	17,504
Exchange differences	152	8	160	195	423	28	806
Acquisitions	26	32	58	5	–	5	68
Additions	381	8	389	15	–	86	490
Transfers	(548)	548	–	–	–	–	-
Transfers to production	–	(850)	(850)	105	–	–	(745)
Disposals	–	(28)	(28)	(15)	–	–	(43)
Amortisation charge	–	–	–	(98)	–	(42)	(140)
Impairment charge	(45)	–	(45)	–	(175)	(5)	(225)
Closing net book amount	**4,234**	**468**	**4,702**	**2,767**	**9,648**	**598**	**17,715**
At 31 December 2008							
Cost	5,203	468	5,671	3,717	9,898	659	19,945
Accumulated amortisation and impairment	(969)	–	(969)	(950)	(250)	(61)	(2,230)
Net book amount	**4,234**	**468**	**4,702**	**2,767**	**9,648**	**598**	**17,715**

[1] For the purpose of this illustrative appendix, comparatives for the year ended 31 December 2007 are not disclosed, although they are required by IAS 1.

Assets and liabilities related to the exploration and evaluation of mineral resources other than those presented above are as follows:

	2008	2007
Receivables from joint venture partners	**25**	22
Payable to subcontractors and operators	**32**	34

Exploration and evaluation activities have led to total expenses of C59,000 (2007: C57,000), of which C52,000 (2007: C43,000) are impairment charges.

In 2008, the disposal of a 16.67% interest in an offshore exploration stage 'Field X' resulted in post-tax profits on sale of C3 million (2007: nil).

Cash payments of C415,000 (2007: C395,000) have been incurred related to exploration and evaluation activities. The cash proceeds due to the disposal of the interest in Field X were C8,000 (2007: nil).

(All amounts in C thousands unless otherwise stated)

Revenue recognition: multiple-element arrangements

Note – Accounting policies

The group offers certain arrangements whereby a customer can purchase a personal computer together with a two-year servicing agreement. When such multiple-element arrangements exist, the amount recognised as revenue upon the sale of the personal computer is the fair value of the computer in relation to the fair value of the arrangement taken as a whole. The revenue relating to the service element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement, is recognised over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

Where the group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the group determines the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration.

To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

Defaults and breaches of loans payable[1]

Borrowings (extract)

IFRS7p18 The company was overdue paying interests on bank borrowings with a carrying amount of C10,000. The company experienced a temporary shortage of currencies because cash outflows in the second and third quarters for business expansions in certain Currency-zone countries were higher than anticipated. As a result, interest payables of C700 due by 30 September 2009 remained unpaid.

The company has paid all outstanding amounts (including additional interests and penalties for the 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.

IFRS7p19 *Covenants*

Some of the company's credit contracts are subject to covenant clauses, whereby the company is required to meet certain key performance indicators. The company did not fulfil the debt/equity ratio as required in the contract for a credit line of C30,000, of which the company has currently drawn an amount of C15,000.

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[1] These events or conditions may cast significant doubt about company's ability to continue as a going concern. When events or conditions have been identified that may cast significant doubt on a company's ability to continue as a going concern, the auditor should: 1) Review management's plans for future actions based on its going concern assessment; 2) Gather sufficient appropriate audit evidence to confirm or dispel whether or not a material uncertainty exists through carrying out audit procedures considered necessary, including considering the effect of any plans of management and other mitigating factors; 3) Seek written representations from management regarding its plans for future action. If a material uncertainty related to events or conditions that may cast significant doubt on a company's ability to continue as a going concern exists, disclosure is required in the auditor's report. ISA 570, 'Going concern', establishes standards and provides guidance on the auditor's responsibility in the audit of financial statements with respect to the going concern assumption used in the preparation of the financial statements, including considering management's assessment of the entity's ability to continue as a going concern.

Due to this breach of the covenant clause, the bank is contractually entitled to request early repayment of the outstanding amount of C15,000. The outstanding balance was reclassified as a current liability[1]. Management started renegotiating the terms of the loan agreement when it became likely that the covenant clause may be breached.

The bank has not requested early repayment of the loan as of the date when these financial statements were approved by the board of directors. Management expects that a revised loan agreement will be in place during the first quarter of 2008.

[1] The reclassification of non-current debt to current liabilities would still be required if the terms of the loan were successfully renegotiated after the balance sheet date.

Appendix IV – Critical accounting estimates and judgements not relevant to IFRS GAAP plc

Critical accounting estimates

1p116 The following critical accounting estimates may be applicable, among many other possible areas not presented in IFRS GAAP plc's consolidated financial statements.

(a) Useful lives of technology division's plant and equipment

The group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projected product lifecycles for its high-tech segment. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Were the actual useful lives of the technology division plant and equipment to differ by 10% from management's estimates, the carrying amount of the plant and equipment would be an estimated C1,000 higher or C970 lower.

(b) Warranty claims

The group generally offers three-year warranties for its personal computer products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

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.

Were claims costs to differ by 10% from management's estimates, the warranty provisions would be an estimated C2,000 higher or C1,875 lower.

Critical accounting judgements

1p113 The following critical accounting judgements may be applicable, among many other possible areas not presented in IFRS GAAP plc's consolidated financial statements.

(a) Held-to-maturity investments

The group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the group evaluates its intention and ability to hold such investments to maturity.

If the group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available for sale. The investments would therefore be measured at fair value not amortised cost.

If the class of held-to-maturity investments is tainted, the fair value would increase by C2,300, with a corresponding entry in the fair value reserve in shareholders' equity.

Appendix V – Business combinations disclosure under IFRS 3 (Revised)

Appendix V presents the acquisition in note 38 in accordance with IFRS 3 (Revised) and follows the illustrative example on disclosure provided in IFRS 3 (Revised). IFRS 3 (Revised) is prospectively applicable for periods beginning on or after 1 July 2009, and may be early adopted from periods beginning on or after 1 June 2007. Local legal or regulatory requirements may restrict the ability of entities to early adopt.

Note – Basis of preparation

Standards early adopted by the group

IAS8p28 IFRS 3 (Revised), 'Business combinations' was early adopted by the group in 2008. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The standard was applied to the acquisition of the controlling interest in Your Shoes Group on 1 March 2008. Contingent consideration of C1,000 has been recognised at fair value at 1 March 2008. The contingent consideration would not have previously been recorded at the date of acquisition, as the probability of the payment to the former owners of Your Shoes Group of 5% of the profit of Your Shoes Group in excess of C7,500 for 2009 (up to a maximum undiscounted amount of C2,500) was less than 50%. Acquisition-related costs of C200 have been recognised in the statement of comprehensive income, which previously would have been included in the consideration for the business combination. Subsequent measurement of the indemnification asset and contingent liability will have no net impact on future earnings. An indemnification asset of C1,000 has been recognised by the group with an equivalent amount deducted from consideration transferred for the business combination. This possible compensation from the selling shareholders of Your Shoes Group would not have previously been recognised as an indemnification asset of the acquirer and would have been adjusted against goodwill once received from the vendor. The group have chosen to recognise the non-controlling interest at fair value of C6,451 for this acquisition rather than the proportionate share of net assets of Your Shoes Group of C4,242 which is also allowed. Previously there was no choice and the non-controlling interest would have been recognised at the proportionate share (30%) of the net assets of Your Shoes Group of C4,242. See note 38 for further details of the business combination which was entered into in the year under review.

As the group has early adopted IFRS 3 (Revised) in 2008, it is required to early adopt IAS 27 (Revised), 'Consolidated and separate financial statements' at the same time. IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of the revised standard on the current period as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity and there have been no transactions with non-controlling interests.

Note – Accounting policies

1p110 Consolidation

27p12 *(a) Subsidiaries*

27p14 27p30 Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

IFRS3p5 IFRS3p37 IFRS3p39 IFRS3p53 IFRS3p18 IFRS3p19 The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

IFRS3p32 IFRS3p34 The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (note 2.6).

27p20,21 Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions and non-controlling interests

27p30,31 The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

IFRS3 pB64(a-d) On 30 June 2007 the group acquired 15% of the share capital of Your Shoes Group. On 1 March 2008, the group acquired a further 55% of the share capital and obtained the control of Your Shoes Group, a shoe and leather goods retailer operating in the US and most western European countries. As a result of the acquisition, the group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.

IFRS3 pB64(e) The goodwill of C6,451 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the group and Your Shoes Group.

IFRS3 pB64(k) None of the goodwill recognised is expected to be deductible for income tax purposes. The following table summarises the consideration paid for Your Shoes Group and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in Your Shoes Group.

	Consideration	
	At 1 March 2008	
IFRS3 pB64(f)(i)	Cash	4,050
IFRS3 pB64(f)(iv)	Equity instruments (3,550 ordinary shares)	10,000
IFRS3 pB64(f)(iii)		
IFRS3 pB64(g)(i)	Contingent consideration	1,000
IFRS3 pB64(f)	**Total consideration transferred**	**15,050**
	Indemnification asset	(1,000)
IFRS3 pB64(p)(i)	**Fair value of equity interest in Your Shoes Group held before the business combination**	2,000
		16,050
IFRS3 pB64(m)	**Acquisition-related costs** (included in administrative expenses in the statement of comprehensive income for the year ended 31 December 2008)	200
IFRS3 pB64(i)	**Recognised amounts of identifiable assets acquired and liabilities assumed**	
	Cash and cash equivalents	300
	Property, plant and equipment (note 6)	67,784
	Trademarks (included in intangibles) (note 7)	2,000
	Licences (included in intangibles) (note 7)	1,000
	Contractual customer relationship (included in intangibles) (note 7)	1,000
	Investment in associates (note 8)	389
	Available-for-sale financial assets (note 10)	473
	Inventories	1,122
	Trade and other receivables	585
	Trade and other payables	(12,461)
	Retirement benefit obligations:	
	– Pensions (note 23)	(1,914)
	– Other post-retirement obligations (note 23)	(725)
	Borrowings	(41,459)
	Contingent liability	(1,000)
	Deferred tax liabilities (note 22)	(1,953)
	Total identifiable net assets	**15,141**
IFRS3 pB64(o)(i)	**Non-controlling interest**	(4,542)
	Goodwill (note 7)	5,451
		16,050

IFRS3 pB64(f)(iv) The fair value of the 3,550 ordinary shares issued as part of the consideration paid for Your Shoes Group (C10,000) was based on the published share price on 1 March 2008.

IFRS3p B64(f)(iii) IFRS3 pB64(g) IFRS3 B67(b) The contingent consideration arrangement requires the group to pay the former owners of Your Shoes Group 5% of the profit of Your Shoes Group, in excess of C7,500 for 2009, up to a maximum undiscounted amount of C2,500.

The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between C0 and C2,500.

The fair value of the contingent consideration arrangement of C1,000 was estimated by applying the income approach. The fair value estimates are based on a discount rate of 8% and assumed probability-adjusted profit in Your Shoes Group of C20,000 to C40,000.

As of 31 December 2008, there was an increase of C1,000 recognised in the income statement for the contingent consideration arrangement as the assumed probability-adjusted profit in Your Shoes Group was recalculated to be in the region of C30,000-50,000.

IFRS3 pB64(h) The fair value of trade and other receivables is C585 and includes trade receivables with a fair value of C510. The gross contractual amount for trade receivables due is C960, of which C450 is expected to be uncollectible.

IFRS3 pB67(a) The fair value of the acquired identifiable intangible assets of C4,000 (including trademarks and licences) is provisional pending receipt of the final valuations for those assets.

IFRS3 pB64(j) B67(c) IAS 37p84, 85 A contingent liability of C1,000 has been recognised 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 the end of 2010. The potential undiscounted amount of all future payments that the group could be required to make under to make if there was an adverse decision related to the lawsuit is estimated to be between C500 and C1,500. As of 31 December 2008, there has been no change in the amount recognised (except for unwinding of the discount) for the liability at 31 March 2008, as there has been no change in the range of outcomes or assumptions used to develop the estimates.

IFRS3 pB64(g), p57 The selling shareholders of Your Shoes Group have contractually agreed to indemnify IFRS GAAP plc for the claim that may become payable in respect of the above-mentioned lawsuit. An indemnification asset of C1,000 has been recognised by the group with an equivalent amount deducted from consideration transferred for the business combination. As is the case with the indemnified liability, there has been no change in the amount recognised for the indemnification asset as at 31 December 2008, as there has been no change in the range of outcomes or assumptions used to develop the estimates.

(All amounts in C thousands unless otherwise stated)

IFRS3 pB64(o) The fair value of the non-controlling interest in Your Shoes Group, 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 Your Shoes Group; 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 Your Shoes Group.

IFRS3 pB64(p)(ii) The group recognised a gain of C500 as a result of measuring at fair value its 15% equity interest in Your Shoes Group held before the business combination. The gain is included in other income in the group's statement of comprehensive income for the year ending 31 December 2008.

IFRS3 pB64(q)(i) The revenue included in the consolidated statement of comprehensive income since 1 March 2008 contributed by Your Shoes Group was C44,709. Your Shoes Group also contributed profit of C12,762 over the same period.

IFRS3 pB64(q)(ii) Had Your Shoes Group been consolidated from 1 January 2008 the consolidated statement of comprehensive income would show revenue of C220,345 and profit of C33,126.

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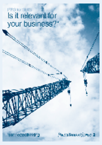

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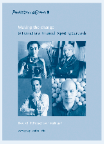

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Illustrative IFRS corporate consolidated financial statements – 2008

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

IFRS GAAP plc is an existing preparer of IFRS consolidated financial statements. IFRS 8, 'Operating segments' has been early adopted. This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2008. It includes appendices showing example disclosures under IAS 1 (Revised) and IFRS 3 (Revised).

For details of other IFRS publications, please see the inside cover.

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