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INTERNATIONAL FINANCIAL REPORTING STANDARDS
Model Financial Statements

December 2005

Delto plc

Annual financial statements
for the year ended 31 December 20XX

These model financial statements were developed to illustrate the typical disclosures which will be required of a UK listed company with subsidiaries and associates, reporting under IFRSs for both the company and consolidated financial statements, for 2005. This document contains only the model financial statements and omits the front section of the annual report which would contain the directors' report and other narrative statements required to meet local regulatory requirements. Material that is included in this document to meet specific UK requirements and specific references to UK GAAP have been highlighted on a yellow background.

The model financial statements are based on standards in issue as at 31 May 2004 which are expected to be effective for years beginning on or after 1 January 2005. They also reflect the proposed amendments to IAS 19 issued by the IASB in April 2004 on the assumption that they will be approved and become effective in 2005. There may be changes to standards which become effective in 2005 which differ from those expected at the time of preparation. In addition, the interpretation of IFRSs will continue to evolve over time.

In many cases the wording used in the model financial statements is purely illustrative and in practice will need to be modified to reflect the circumstances of the group.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 20XX

	NOTES	Year ended 20XX £	Year ended 20YY £
Continuing Operations			
Revenue	3		
Cost of sales			
Gross profit			
Other operating income			
Distribution costs			
Administrative expenses			
Other operating expenses			
Share of results of associates			
Restructuring costs	5		
Profit from operations	6		
Investment income	8		
Finance costs	9		
Profit before tax			
Tax	10		
Profit for the period from continuing operations			
Discontinued Operations			
Loss for the period from discontinued operations	11		
Profit for the period			
Attributable to:			
Equity holders of the parent			
Minority interest			

CONSOLIDATED INCOME STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 20XX

	NOTES	Year ended 20XX £	Year ended 20YY £
Earnings per share			
From continuing operations			
Basic	13		
Diluted	13		
From continuing and discontinued operations			
Basic	13		
Diluted	13		

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 20XX

	Year ended 20XX £	Year ended 20YY £
Gains/(losses) on revaluation of properties		
Gains/(losses) on revaluation of available-for-sale investments		
Gains/(losses) on cash flow hedges		
Exchange differences on translation of foreign operations		
Actuarial gains/(losses) on defined benefit pension schemes		
Tax on items taken directly to equity		
Net income recognised directly in equity		
Transfers		
Transferred to profit or loss on sale of available-for-sale investments		
Transferred to profit or loss on cash flow hedges		
Transferred to the initial carrying amount of hedged items on cash flow hedges		
Tax on items transferred from equity		
Profit for the period		
Total recognised income and expense for the period		
Attributable to:		
Equity holders of the parent		
Minority interests		

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 20XX

	NOTES	20XX	20YY
		£	£
Non-current assets			
Goodwill	14		
Other intangible assets	15		
Property, plant and equipment	16		
Investment property	17		
Interests in associates	19		
Available for sale investments	20		
Finance lease receivables	23		
Current assets			
Inventories	21		
Construction contracts	22		
Trading investments	20		
Finance lease receivables	23		
Trade and other receivables	24		
Cash and cash equivalents	41		
Non-current assets classified as held for sale	11		
Total assets			
Current liabilities			
Trade and other payables	30		
Retirement benefit obligation	45		
Tax liabilities			
Obligations under finance leases	29		
Bank overdrafts and loans	25		
Short-term provisions	31		
Net current assets			
Non-current liabilities			
Bank loans	25		
Convertible loan notes	26		
Retirement benefit obligation	45		
Deferred tax liabilities	28		
Long-term provisions	31		
Obligations under finance leases	29		
Liabilities directly associated with non-current assets classified as held for sale	11		

Total liabilities		
Net assets		

CONSOLIDATED BALANCE SHEET (continued)
AT 31 DECEMBER 20XX

	NOTES	20XX £	20YY £
EQUITY			
Share capital	32		
Share premium account	33		
Revaluation reserves	34		
Own shares	35		
Equity reserve	36		
Hedging and translation reserves	37		
Retained earnings	38		
Equity attributable to equity holders of the parent			
Minority interest			
Total equity			

The financial statements were approved by the board of directors and authorised for issue on [date]. They were signed on its behalf by:

[Name] Director

[Name of signatory to be stated]

[Date]

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 20XX

	NOTES	Year ended 20XX £	Year ended 20YY £
NET CASH FROM OPERATING ACTIVITIES	41		
INVESTING ACTIVITIES			
Interest received			
Dividends received from associates			
Dividends received from trading investments			
Proceeds on disposal of trading investments			
Proceeds on disposal of available-for-sale investments			
Disposal of subsidiary	39		
Proceeds on disposal of property, plant and equipment			
Purchases of property, plant and equipment			
Acquisition of investment in an associate			
Purchases of trading investments			
Purchases of patents and trademarks			
Expenditure on product development			
Acquisition of subsidiary	40		
NET CASH USED IN INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
Dividends paid			
Repayments of borrowings			
Repayments of obligations under finance leases			
Proceeds on issue of convertible loan notes			
New bank loans raised			
Increase (decrease) in bank overdrafts			
NET CASH (USED IN)/FROM FINANCING ACTIVITIES			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Effect of foreign exchange rate changes			
CASH AND CASH EQUIVALENTS AT END OF YEAR			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 20XX

1. GENERAL INFORMATION

Delto plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page x. The nature of the group's operations and its principal activities are set out in note 4 and in the operating and financial review on pages x to x.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 48.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale (see below). Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit and loss in the period of acquisition.

Where a group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected ton qualify for recognition as a completed sale within one year from the date of classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal. [*Provide further explanation if any "negative goodwill" was eliminated on transition or if goodwill was restated on transition to strip out additional intangibles.*]

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

Construction Contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.
When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group As Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group As Lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.
Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

Foreign Currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

The financial statements of foreign subsidiaries and associates [and jointly controlled entities] that report in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the balance sheet date before they are translated into pounds sterling.

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. [The group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as sterling denominated assets and liabilities.]

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government Grants

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit and loss over the expected useful lives of the assets concerned.

Profit from Operations

Profit from operations is stated after charging restructuring costs and after the share of results of associates but before investment income and finance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

Retirement Benefit Costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

Property, Plant and Equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated profits.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	4%
Fixtures and equipment	10% - 30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

[*Provide additional explanation if the group has elected to use fair value or a previous revaluation as deemed cost on transition to IFRSs.*]

Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

[*A group that elects to use the cost model for investment property (not illustrated in these model financial statements) should disclose an appropriate policy and make reference, if relevant, to the use of the elections to use fair value or previous revaluations as deemed cost on transition.*]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

Internally-generated Intangible Assets - Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's [*specify*] development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Patents and Trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Financial Liability and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives. [*In practice, a more extensive description of the group's financial risk management objectives and policies, dealing with the group's particular circumstances, would be given.*]

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

Provisions

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's liability.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Share-based Payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

The Group also provides employees with the ability to purchase the Group's ordinary shares at [85] percent of the current market value. The group records an expense, based on its estimate of the [15] percent discount related to shares expected to vest on a straight-line basis over the vesting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

3. REVENUE

An analysis of the Group's revenue is as follows:

	Year ended 20XX	Year ended 20YY
Sales of goods		
Revenue from construction contracts		
Equipment leasing income		
Property rental income		
[*This sub-total is the "revenue" line on the income statement.*]		
Other operating income		
Investment income		
[*This is the total revenue as defined in IAS 18.*]		

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

For management purposes, the Group is currently organised into three operating divisions – [Activity A], [Activity B] and [Activity C]. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows

[Activity A]

[Activity B]

[Activity C]

The Group was also previously involved in [*specify operation*]. That operation was discontinued with effect from [*date*] (see note 11).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

4. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

Segment information about these businesses is presented below.

20XX

	[Activity A] Year ended 20XX £	[Activity B] Year ended 20XX £	[Activity C] Year ended 20XX £	Discontinued Operations Year ended 20XX £	Eliminations Year ended 20XX £	Consolidated Year ended 20XX £
REVENUE						
External sales				( )		
Inter-segment sales				( )	( )	
Total revenue				( )	( )	

Inter-segment sales are charged at prevailing market prices.

	[Activity A] Year ended 20XX £	[Activity B] Year ended 20XX £	[Activity C] Year ended 20XX £	Discontinued Operations Year ended 20XX £	Eliminations Year ended 20XX £	Consolidated Year ended 20XX £
RESULT						
Segment result				( )	( )	
Unallocated corporate expenses						
Share of results of associates						
Profit from operations						
Investment income						
Finance costs						
Profit before tax						
Tax						
Profit for the period from discontinued operations						
Profit after tax and discontinued operations						

OTHER INFORMATION

	[Activity A] £	[Activity B] £	[Activity C] £	Eliminations £	Consolidated £
Capital additions					
Depreciation and Amortisation					
Impairment losses recognised in income					
BALANCE SHEET					
ASSETS					
Segment assets					
Investments in associates					
Unallocated corporate assets					
Consolidated total assets					
LIABILITIES					
Segment liabilities					
Unallocated corporate liabilities					
Consolidated total liabilities					

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

4. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

20XX
Discontinued Operations

Discontinued operations had the following effect on the segment results of [Activity A], analysed into continuing and discontinued components.

	Discontinued Year ended 20XX £	Continuing Year ended 20XX £	Segment A Year ended 20XX £
REVENUE			
External sales			
Inter-segment sales			
Total revenue			
RESULT			
Segment result			

The segment result from discontinued operations stated above is equal to the profit before tax from discontinued operations disclosed in note 11 which provides a reconciliation to the net loss from discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

4. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

20YY

	[Activity A] Year ended 20YY £	[Activity B] Year ended 20YY £	[Activity C] Year ended 20YY £	Discontinued Operations Year ended 20YY £	Eliminations Year ended 20YY £	Consolidated Year ended 20YY £
REVENUE						
External sales				( )		
Inter-segment sales				( )	( )	
Total revenue				( )	( )	

Inter-segment sales are charged at prevailing market prices.

	[Activity A] Year ended 20YY £	[Activity B] Year ended 20YY £	[Activity C] Year ended 20YY £	Discontinued Operations Year ended 20YY £	Eliminations Year ended 20YY £	Consolidated Year ended 20YY £
RESULT						
Segment result				( )		
Unallocated corporate expenses						
Share of results of associates						
Profit from operations						
Investment income						
Finance costs						
Profit before tax						
Tax						
Profit for the period from discontinued operations						
Profit after tax and discontinued operations						

OTHER INFORMATION

	[Activity A] £	[Activity B] £	[Activity C] £	Eliminations £	Consolidated £
Capital additions					
Depreciation and amortisation					
BALANCE SHEET					
ASSETS					
Segment assets					
Investments in associates					
Unallocated corporate assets					
Consolidated total assets					
LIABILITIES					
Segment liabilities					
Unallocated corporate liabilities					
Consolidated total liabilities					

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

4. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

20YY
Discontinued Operations

Discontinued operations had the following effect on the segment results of [Activity A], analysed into continuing and discontinued components.

	Discontinued Year ended 20YY £	Continuing Year ended 20YY £	Segment A Year ended 20YY £
REVENUE			
External sales			
Inter-segment sales			
Total revenue			
RESULT			
Segment result			

The segment result from discontinued operations stated above is equal to the profit before tax from discontinued operations disclosed in note 11 which provides a reconciliation to the net loss from discontinued operations.

Geographical Segments

The Group's operations are located in A Land, B Land, C Land and D Land. The Group's [Activity B] divisions are located in A Land. Manufacturing of [Activity A] is carried out in B Land, C Land and D Land.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	Year ended 20XX £	Year ended 20YY £
A Land		
B Land		
C Land		
D Land		
Other		

Revenue from the Group's discontinued operations was derived principally from C Land (20XX: £_million, 20YY: £_million) and A Land (20XX: £_million, 20YY: £_million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

4. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	20XX	20YY	Year ended 20XX	Year ended 20YY
	£	£	£	£
A Land				
B Land				
C Land				

5. RESTRUCTURING COSTS

In [month] 20XX, the Group disposed of [*name of company*] (see note 39). Certain of the non-core assets of the [____] division were retained by the Group. In addition, the [________] operations of the [____] division were segregated from the manufacturing operations and retained by the Group. The assets retained were scrapped, and an impairment loss recognised in respect of their previous carrying amount. To the extent that workers could not be redeployed, termination terms were agreed.

	Year ended 20XX
	£
Impairment loss recognised in respect of assets	
Redundancy costs	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	Year ended 20XX £	Year ended 20YY £
Net foreign exchange losses/(gains)		
Research and development costs		
Government grants towards training costs		
Depreciation of property, plant and equipment		
Amortisation of internally generated intangible assets included in other operating expenses		
(Increase)/decrease in fair value of investment property		
Cost of inventories recognised as expense		
Staff costs (see note 7)		
Auditors' remuneration for audit services (see below)		

Amounts payable to [*name of auditors*] and their associates by the company and its UK subsidiary undertakings in respect of non-audit services were £______ (20YY - £______).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

6. PROFIT FROM OPERATIONS continued

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	20XX		20YY	
	£	%	£	%
Audit services				
- statutory audit				
- audit-related regulatory reporting				
Further assurance services				
Tax services				
- compliance services				
- advisory services				
Other services				
- financial information technology				
- internal audit				
- valuation				
- litigation				
- recruitment				
- [*list separately other services that give rise to a self-review threat*]				
- Other services not covered above				

Fees for further assurance services principally comprise [*give narrative explanation; it is not necessary to show individual amounts*].

[*Give further narrative explanations of what is included in the categories and subcategories where this would be helpful, for example where this is not obvious from the descriptions given.*]

In addition to the amounts shown above, the auditors received fees of £______ (20YY - £______) for the audit of the group pension scheme.

A description of the work of the audit committee is set out in [the corporate governance statement on page x] and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

7. STAFF COSTS

The average monthly number of employees (including executive directors) was:

	20XX Number	20YY Number
[*Specify categories*]		

	20XX £	20YY £
Their aggregate remuneration comprised:		
Wages and salaries		
Social security costs		
Other pension costs (see note 45)		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

8. INVESTMENT INCOME

	Year ended 20XX £	Year ended 20YY £
Interest on bank deposits		
Decrease in fair value of trading investments disposed of		
Decrease in fair value of trading investments held at year end		
Profit on disposal of available-for-sale investments		

9. FINANCE COSTS

	Year ended 20XX £	Year ended 20YY £
Interest on bank overdrafts and loans		
Interest on convertible loan notes		
Interest on obligations under finance leases		
Total borrowing costs		
Less: amounts included in the cost of qualifying assets		
Loss arising on derivatives trading		
Fair value gains on interest rate swaps transferred from equity		

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of [x] per cent to expenditure on such assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

10. TAX

	Year ended 20XX £	Year ended 20YY £
Current tax:		
UK corporation tax		
Foreign tax		
Deferred tax (note 28):		
Current year		
Attributable to an increase in the rate of Corporation tax		

Corporation tax is calculated at [x] per cent (20YY: [x] per cent) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Of the charge to domestic income tax, approximately £_million (20YY: £_million) related to profits arising in the [___] division, which was disposed of during the year. No tax charge or credit arose on the disposal of the relevant subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

10. TAX continued

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 20XX £	%	Year ended 20YY £	%
Profit before tax				
Tax at the UK corporation tax rate of [x]% (20YY: [x]%)				
Tax effect of share of results of associates				
Tax effect of expenses that are not deductible in determining taxable profit				
Tax effect of utilisation of tax losses not previously recognised				
Increase in opening deferred tax liability resulting from an increase in tax rates				
Effect of different tax rates of subsidiaries operating in other jurisdictions				
Tax expense and effective tax rate for the year				

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's land and buildings other than investment property amounting to £_million (20YY: £_million credited to equity) and to the equity component of convertible bonds issued amounting to £_million has been charged directly to equity (see note 36).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

11. DISCONTINUED OPERATIONS

On [date] 20XX, the Group entered into a sale agreement to dispose of [*name of company*], which carried out all of the Group's [___] operations. The disposal was effected in order to generate cash flow for the expansion of the Group's other businesses. The disposal was completed on [date] 20XX, on which date control of [*name of company*] passed to the acquirer.

The results of the discontinued operations which have been included in the consolidated income statement, were as follows:

	Period ended 20XX £	Year ended 20YY £
Revenue		
Expenses		
Profit before tax		
Attributable tax expense		
Loss on disposal of discontinued operations		
Attributable tax expense		
Net loss attributable to discontinued operations		

During the year, [*name of company*] contributed £_million (20YY: £_million) to the Group's net operating cash flows, paid £_million (20YY: £_million) in respect of investing activities and paid £_million (20YY: £_million) in respect of financing activities.

A loss of £_million arose on the disposal of [*name of company*], being the proceeds of disposal less the carrying amount of the subsidiary's net assets and attributable goodwill.

The effect of discontinued operations on segment results is disclosed in note 4.

On [*date*] the board resolved to dispose of the Group's [*specify*] operations and the company negotiations with several interested parties have subsequently taken place. These operations, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and presented separately in the balance sheet. The operations are included in [*activity*] in the segmental analysis in note 4. The proceeds of disposal are expected to substantially exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

11. DISCONTINUED OPERATIONS continued

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	Year ended 20XX £
Goodwill	
Property, plant and equipment	
Inventories	
Trade and other receivables	
Cash and cash equivalents	
Total assets classified as held for sale	
Trade and other payables	
Tax liabilities	
Bank overdrafts and loans	
Total liabilities associated with assets classified as held for sale	
Net assets of disposal group	

12. DIVIDENDS

	Year ended 20XX £	Year ended 20YY £
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 20YY of ___p (20ZZ: ___p) per share.		
Interim dividend for the year ended 31 December 20XX of ___p (20YY: ___p) per share.		
Proposed final dividend for the year ended 31 December 20XX of ___p (20YY: ___p) per share.		

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Under an arrangement dated [*date*], Mr ________ who holds [*number*] ordinary shares representing ___% of the company's called-up share capital, has agreed to waive all dividends due to him for a period of [*specify*].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

13. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	Year ended 20XX £	Year ended 20YY £
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent		
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)		
Earnings for the purposes of diluted earnings per share		

Number of shares

	Year ended 20XX	Year ended 20YY
Weighted average number of ordinary shares for the purposes of basic earnings per share		
Effect of dilutive potential ordinary shares:		
Share options		
Convertible loan notes		
Weighted average number of ordinary shares for the purposes of diluted earnings per share		

The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the capitalisation issue in 20XX.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

13. EARNINGS PER SHARE continued

From continuing operations

	Year ended 20XX £	Year ended 20YY £
Net profit attributable to equity holders of the parent		
Adjustments to exclude loss for the period from discontinued operations		
Earnings from continuing operations for the purpose of basic earnings per share excluding discontinued operations		
Effect of dilutive potential ordinary shares: Interest on convertible loan notes (net of tax)		
Earnings from continuing operations for the purpose of diluted earnings per share excluding discontinued operations		

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operations

	Year ended 20XX £	Year ended 20YY £
Basic		
Diluted		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

14. GOODWILL

	£
COST	
At 1 January 20YY	
Exchange differences	
Recognised on acquisition of a subsidiary	
Derecognised on disposal of a subsidiary	
Classified as held for sale	
Other changes	
At 1 January 20XX	
Exchange differences	
Recognised on acquisition of a subsidiary	
Derecognised on disposal of a subsidiary	
Classified as held for sale	
Other changes	
At 31 December 20XX	
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 20YY	
Exchange differences	
Impairment losses for the year	
Eliminated on disposal of a subsidiary	
At 1 January 20XX	
Exchange differences	
Impairment losses for the year	
Eliminated on disposal of a subsidiary	
At 31 December 20XX	
CARRYING AMOUNT	
At 31 December 20XX	
At 31 December 20YY	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

15. OTHER INTANGIBLE ASSETS

	Development costs	Patents and trademarks	Total
	£	£	£
COST			
At 1 January 20YY			
Additions			
At 31 December 20YY			
Additions			
Acquired on acquisition of a subsidiary			
At 31 December 20XX			
AMORTISATION			
At 1 January 20YY			
Charge for the year			
At 31 December 20YY			
Charge for the year			
At 31 December 20XX			
CARRYING AMOUNT			
At 31 December 20XX			
At 31 December 20YY			

The amortisation period for development costs incurred on the Group's [*specify*] development is [*number*] years.

Patents and trademarks are amortised over their estimated useful lives, which is on average ten years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Properties under construction	Fixtures and equipment	Total
	£	£	£	£
COST OR VALUATION				
At 1 January 20YY				
Additions				
Acquisition of subsidiary				
Exchange differences				
Disposals				
Revaluation increase				
At 1 January 20XX				
Additions				
Acquisition of subsidiary				
Exchange differences				
Disposals				
Revaluation increase				
At 31 December 20XX				
Comprising:				
At cost				
At valuation 20XX				
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 20YY				
Charge for the year				
Impairment loss				
Exchange differences				
Eliminated on disposals				
Eliminated on revaluation				
At 1 January 20XX				
Charge for the year				
Impairment loss				
Exchange differences				
Eliminated on disposals				
Eliminated on revaluation				
At 31 December 20XX				
CARRYING AMOUNT				
At 31 December 20XX				
At 31 December 20YY				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

The impairment loss on fixtures and equipment arose in connection with the restructuring following the disposal of [*specify / provide cross reference*].

The carrying amount of the Group's fixtures and equipment includes an amount of £_million (20YY: £_million) in respect of assets held under finance leases.

The Group has pledged land and buildings having a carrying amount of approximately £_million (20YY: £_million) to secure banking facilities granted to the Group.

Land and buildings were revalued at 31 December 20XX by Messrs. Lacey & King, independent valuers not connected with the Group, on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

At 31 December 20XX, had the land and buildings other than investment property of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately £_million (20YY: £_million).

The revaluation surplus is disclosed in note 34. The revaluation surplus arises in a subsidiary and cannot be distributed to the parent due to legal restrictions in the country of incorporation.

At 31 December 20XX, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £_ million (20YY: £_ million).

17. INVESTMENT PROPERTY

	£
FAIR VALUE	
At 1 January 20YY	
Increase in fair value during the year	
At 31 December 20YY	
Increase in fair value during the year	
At 31 December 20XX	

The fair value of the Group's investment property at 31 December 20XX has been arrived at on the basis of a valuation carried out at that date by Messrs R P Trent, independent valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The Group has pledged all of its investment property to secure general banking facilities granted to the Group.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £_million (20YY: £_million). Direct operating expenses arising on the investment property in the period amounted to £_million (20YY: £_million).

The group has entered into a contract for the maintenance of its investment property for the next five years, which will give rise to an annual charge of £_ million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

18. SUBSIDIARIES

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 53 to the company's separate financial statements.

[*Give here relevant details of other disclosure requirements in IAS 27.*]

19. INTERESTS IN ASSOCIATES

Aggregated amounts relating to associates	Year ended 20XX	Year ended 20YY
Total assets		
Total liabilities		
Revenues		
Profit/ (loss)		

A list of the significant investments in associates, including the name, country of incorporation, proportion of ownership interest is given in note 54 to the company's separate financial statements.

[*Give here relevant details of other disclosure requirements in IAS 27 where relevant, for example details of companies excluded from consolidation.*]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

20. INVESTMENTS

Available-for-sale Investments

	20XX	20YY
	£	£
Fair value		

Trading investments

	20XX	20YY
	£	£
Fair value		

The investments included above represent investments in listed equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

21. INVENTORIES

	20XX	20YY
	£	£
Raw materials		
Work-in-progress		
Finished goods		

Inventories with a carrying amount of £_million (20YY: £_million) have been pledged as security for certain of the Group's bank overdrafts.

22. CONSTRUCTION CONTRACTS

	20XX	20YY
	£	£
Contracts in progress at balance sheet date:		
Amounts due from contract customers included in trade and other receivables		
Amounts due to contract customers included in trade and other payables		
Contract costs incurred plus recognised profits less recognised losses to date		
Less: progress billings		

At 31 December 20XX, retentions held by customers for contract work amounted to £_million (20YY: £_million). Advances received from customers for contract work amounted to £_million (20YY: £_million).

At 31 December 20XX, amounts of £_million (20YY: £_million) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

23. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	20XX	20YY	20XX	20YY
	£	£	£	£
Amounts receivable under finance leases:				
Within one year				
In the second to fifth years inclusive				
After five years				
			[Total A]	[Total B]
Less: unearned finance income			N/A	N/A
Present value of minimum lease payments receivable	[Total A]	[Total B]		
Analysed as:				
Non-current finance lease receivables (recoverable after 12 months)				
Current finance lease receivables (recoverable within 12 months)				

The Group enters into finance leasing arrangements for certain of its electronic equipment. The average term of finance leases entered into is 4 years.

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £_million (20YY: £_million).

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates x per cent (20YY: x per cent) per annum.

The fair value of the Group's finance lease receivables at 31 December 20XX is estimated at £_million (20YY: £_million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

24. OTHER FINANCIAL ASSETS

Trade and other receivables at the balance sheet date comprise amounts receivable from the sale of goods of £_million (20YY: £_million), amounts due from construction contract customers of £_million (20YY: £_million), deferred consideration for the disposal of [*name*] of £million (see note 39), and currency and interest rate derivatives with a fair value of £_million (20YY: £_million)(see note 27).

The average credit period taken on sales of goods is __ days. No interest is charged on the receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at __% on the outstanding balance. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £_million (20YY: £_million). This allowance has been determined by reference to past default experience.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, finance lease receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade and finance lease receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

25. BANK OVERDRAFTS AND LOANS

	20XX	20YY
	£	£
Bank overdrafts		
Bank loans		
The borrowings are repayable as follows:		
On demand or within one year		
In the second year		
In the third to fifth years inclusive		
After five years		
Less: Amount due for settlement within 12 months (shown under current liabilities)		
Amount due for settlement after 12 months		

Analysis of borrowings by currency:

31/12/20XX

	Total	sterling	euros	US dollars
	£	£	£	£
Bank overdrafts				
Bank loans				

31/12/20YY

	Total	sterling	euros	US dollars
	£	£	£	£
Bank overdrafts				
Bank loans				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

25. BANK OVERDRAFTS AND LOANS continued

The weighted average interest rates paid were as follows:

	Year ended 20XX	Year ended 20YY
	%	%
Bank overdrafts		
Bank loans		

Bank loans of £_million (20YY: £_million) were arranged at fixed interest rates and expose the group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the group to cash flow interest rate risk.

The directors estimate the fair value of the Group's borrowings as follows:

	20XX	20YY
	£	£
Bank overdrafts		
Bank loans		

The other principal features of the Group's borrowings are as follows:

(i) Bank overdrafts are repayable on demand. Overdrafts of £_million (20YY: £_million) have been secured by a charge over the Group's inventories. The average effective interest rate on bank overdrafts approximates x per cent (20YY: x per cent) per annum and are determined based on x per cent plus prime rate.

(ii) The Group has two principal bank loans:

a) a loan of £_million (20YY: £_million). The loan was taken out on [*date*]. Repayments commenced on [*date*] and will continue until [*date*]. The loan is secured by a charge over certain of the Group's properties dated [*date*]. The loan carries interest rate at x per cent above LIBOR.

b) a loan of £_million (20YY: £_million) secured on certain current and non-current assets of the Group. This loan was advanced on [*date*] and is due for repayment in full on [*date*]. The bank loan carries fixed interest rate at x per cent (20YY: x per cent) per annum.

At 31 December 20XX, the Group had available £_million (20YY: £_million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

26. CONVERTIBLE LOAN NOTES

The convertible loan notes were issued on [date]. The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. On issue, the loan notes were convertible at x shares per £x loan note.

If the notes have not been converted, they will be redeemed on [date] at par. Interest of x per cent will be paid annually up until that settlement date.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	£
Nominal value of convertible loan notes issued	
Equity component (net of deferred tax)	( )
Deferred tax liability	( )
Liability component at date of issue	
Interest charged	
Interest paid	( )
Liability component at 31 December 20XX	

The directors estimate the fair value of the liability component of the convertible loan notes at 31 December 20XX to be approximately £_million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

27. DERIVATIVE FINANCIAL INSTRUMENTS

Currency Derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group is a party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the balance sheet date, total notional amount of outstanding forward foreign exchange contracts that the Group has committed are as below.

	20XX	20YY
	£	£
Forward foreign exchange contracts		

In addition, the Group had options to purchase US dollars equivalent to an amount of approximately £_million as a hedge against exchange losses on future purchases of goods.

These arrangements are designed to address significant exchange exposures for the first half of 20WW, and are renewed on a revolving basis as required.

At 31 December 20XX, the fair value of the Group's currency derivatives is estimated to be approximately £_million (20YY: £_million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £_million assets included in trade and other receivables and £_million liabilities included in trade and other payables. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to £_million (20YY: £_million) has been deferred in equity.

Amounts of £_million and £_million respectively have been transferred to the income statement and inventories in respect of contracts matured during the period.

Changes in the fair value of non-hedging currency derivatives amounting to £_million have been charged to income in the year (20YY: nil).

Interest Rate Swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of £_million have fixed interest payments at an average rate of x per cent for periods up until 20VV and have floating interest receipts at x per cent plus LIBOR.

The fair value of swaps entered into at 31 December 20XX is estimated at £_million (20YY: £_million). These amounts are based on market values of equivalent instruments at the balance sheet date. All of these interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. An amount of £_million (20YY: £_million) has been offset against hedged interest payments made in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

28. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £	Deferred development costs £	Revaluation of building £	Convertible bond-equity component £	Retirement benefit obligations £	Tax losses £	Total £
At 1 January 20YY							
Charge to income							
Charge to equity							
Exchange differences							
At 1 January 20XX							
Charge (credit) to income							
Charge to equity							
Acquisition of subsidiary							
Disposal of subsidiary							
Exchange differences							
Effect of change in tax rate							
- income statement							
- equity							
As 31 December 20XX							

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	20XX £	20YY £
Deferred tax liabilities		
Deferred tax assets		

At the balance sheet date, the Group has unused tax losses of £_million (20YY: £_million) available for offset against future profits. A deferred tax asset has been recognised in respect of £_million (20YY: £_million) of such losses. No deferred tax asset has been recognised in respect of the remaining £_million (20YY: £_million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of £_million (20YY: £_million) that will expire in [year]. Other losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £_million (20YY: £_million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	20XX	20YY	20XX	20YY
	£	£	£	£
Amounts payable under finance leases:				
Within one year				
In the second to fifth years Inclusive				
After five years				
			[Total A]	[Total B]
Less: future finance charges			N/A	N/A
Present value of lease obligations	[Total A]	[Total B]		
Less: Amount due for settlement within 12 months (shown under current liabilities)				
Amount due for settlement after 12 months				

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 3-4 years. For the year ended 31 December 20XX, the average effective borrowing rate was x per cent (20YY: x per cent). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

29. OTHER FINANCIAL LIABILITIES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days.

The directors consider that the carrying amount of trade payables approximates to their fair value.

In addition, trade and other payables include currency derivative liabilities with a fair value of £_million (see note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

31. PROVISIONS

	Warranty provision £	Restructuring provision £	Other £	Total £
At 1 January 20XX				
Additional provision in the year				
Utilisation of provision				
On acquisition of subsidiary				
Unwinding of discount				
Adjustment for change in discount rate				
Exchange difference				
At 31 December 20XX				
Included in current liabilities				
Included in non-current liabilities				

The warranty provision represents management's best estimate of the Group's liability under 12 month warranties granted on electrical products, based on past experience and industry averages for defective products.

The restructuring provision relates to redundancy costs incurred on the disposal of [*name*] (see note 39). As at 31 December 20XX, approximately 50 per cent of the affected employees had left the Group's employment, with the remainder departing in January 20WW.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

32. SHARE CAPITAL

	20XX	20YY
	£	£
Authorised:		
x million ordinary shares of £x each		
Issued and fully paid:		
x million ordinary shares of £x each		

[*Give details of changes in share capital during the period.*]

The Company has one class of ordinary shares which carry no right to fixed income.

33. SHARE PREMIUM ACCOUNT

	Share premium
	£
Balance at 1 January and 31 December 20YY	
Premium arising on issue of equity shares	
Expenses of issue of equity shares	
Balance at 31 December 20XX	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

34. REVALUATION RESERVES

	Properties revaluation reserve £	Investments revaluation reserve £	Total £
Balance at 1 January 20YY			
Revaluation decrease on land and buildings			
Reversal of deferred tax liability on revaluation of land and buildings			
Increase in fair value of available-for-sale investments			
Balance at 1 January 20XX			
Revaluation increase on land and buildings			
Deferred tax liability arising on revaluation of land and buildings			
Effect of change in tax rate			
Released on disposal of available-for-sale investments			
Increase in fair value of available-for-sale investments			
Balance at 31 December 20XX			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

35. OWN SHARES

	Own shares £
Balance at 1 January and 31 December 20YY	
Acquired in the period	
Disposed of on exercise of options	
[Other movement]	
Balance at 31 December 20XX	

The own shares reserve represents the cost of shares in Delto plc purchased in the market and held by the Delto plc Employee Benefit Trust to satisfy options under the Group's share options schemes (see note 44).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

36. EQUITY RESERVE

	Equity reserve £
Balance at 1 January and 31 December 20YY	
Recognition of equity component of convertible loan notes (see note 26)	
Deferred tax liability arising on recognition of equity component of convertible loan notes	
Balance at 31 December 20XX	

This reserve represents the equity component of convertible debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

37. HEDGING AND TRANSLATION RESERVES

	Hedging reserve £	Translation reserve £	Total £
Balance at 1 January 20YY			
Exchange differences on translation of overseas operations			
Increase in fair value of hedging derivatives			
Transfer to income			
Balance at 1 January 20XX			
Exchange differences on translation of overseas operations			
Increase in fair value of hedging derivatives			
Transfer to income			
Transfer to inventories			
Balance at 31 December 20XX			

[*Description of reserves*]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

38. RETAINED EARNINGS

	£
Balance at 1 January 20YY	
Dividends paid	
Net profit for the year	
Balance at 1 January 20XX	
Dividends paid	
Net profit for the year	
Balance at 31 December 20XX	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

39. DISPOSAL OF SUBSIDIARY

As referred to in note 11, on [date] the Group disposed of its interest in [*name of subsidiary*].

The net assets of [*name of subsidiary*] at the date of disposal and at 31 December 20YY were as follows:

	[*Date*] £	20YY £
Property, plant and equipment		
Inventories		
Trade receivables		
Bank balances and cash		
Retirement benefit obligation		
Deferred tax liability		
Income tax liability		
Trade payables		
Bank overdraft		
Attributable goodwill		
Gain on disposal		
Total consideration		
Satisfied by:		
Cash		
Deferred consideration		
Net cash inflow arising on disposal:		
Cash consideration		
Cash and cash equivalents disposed of		

The impact of [*name of subsidiary*] on the Group's results in the current and prior periods is disclosed in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

40. ACQUISITION OF SUBSIDIARY

On [*date*], the Group acquired 100 per cent of the issued share capital of [*name of company*] for cash consideration of £_million. [*Name of company*] is the parent company of a group of companies involved in [*describe activity*]. This transaction has been accounted for by the purchase method of accounting.

	Book value £	Fair value adjustments £	Fair value £
Net assets acquired			
Property, plant and equipment			
Trademarks			
Deferred tax assets			
Inventories			
Trade and other receivables			
Cash and cash equivalents			
Trade and other payables			
Retirement benefit obligations			
Tax liabilities			
Bank loans			
Deferred tax liabilities			
Contingent liabilities			
[*specify other classes as necessary*]			
Goodwill			
Total consideration			
Satisfied by:			
Cash			
Directly attributable costs			
[*describe other consideration*]			
Net cash outflow arising on acquisition			
Cash consideration			
Cash and cash equivalents acquired			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

[*Describe factors that contributed to goodwill etc.*]

If the acquisition of [*name of company*] had been completed on the first day of the financial year, group revenues for the period would have been £_____ and group profit attributable to equity holders of the parent would have been £_____.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

41. NOTES TO THE CASH FLOW STATEMENT

	20XX £	20YY £
Profit from operations		
Adjustments for:		
Gain on derivatives		
Depreciation of property, plant and equipment		
Impairment loss on fixtures and equipment		
Amortisation of intangible assets		
Impairment of goodwill		
Negative goodwill released to income		
(Increase)/decrease in fair value of investment property		
Gain on disposal of property, plant and equipment		
Increase/(decrease) in provisions		
Operating cash flows before movements in working capital		
Increase in inventories		
Decrease/(increase) in receivables		
Increase/(decrease) in payables		
Cash generated by operations		
Income taxes paid		
Interest paid		
NET CASH FROM OPERATING ACTIVITIES		

Additions to fixtures and equipment during the year amounting to £_million were financed by new finance leases. Additions of £_million in 20YY were acquired on deferred payment terms, and were settled in the current period.

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

42. CONTINGENT LIABILITIES

During the reporting period, a customer of the Group instigated proceedings against it for alleged defects in an electronic product which, it is claimed, were the cause of a major fire in the customer's premises on [date]. Total losses to the customer have been estimated at £_million and this amount is being claimed from the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

The Group's lawyers have advised that they do not consider that the suit has merit, and they have recommended that it be contested. No provision has been made in these financial statements as the Group's management do not consider that there is any probable loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

43. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

	20XX	20YY
	£	£
Minimum lease payments under operating leases recognised in income for the year		

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	20XX	20YY
	£	£
Within one year		
In the second to fifth years inclusive		
After five years		

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.

The Group as Lessor

Property rental income earned during the year was £_million (20YY: £_million). Certain of the Group's properties held for rental purposes, with a carrying amount of £_million, have been disposed of since the balance sheet date. The remaining properties are expected to generate rental yields of x per cent on an ongoing basis. All of the properties held have committed tenants for the next seven years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	20XX	20YY
	£	£
Within one year		
In the second to fifth years inclusive		
After five years		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

44. SHARE-BASED PAYMENTS

Equity-settled share option plan

The Group plan provides for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is generally 3 to 4 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

	20XX		20YY	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of period				
Granted during the period				
Forfeited during the period				
Exercised during the period				
Expired during the period				
Outstanding at the end of the period				
Exercisable at the end of the period				

The weighted average share price at the date of exercise for share options exercised during the period was [ ]. The options outstanding at 31 December 20YY had a weighted average exercise price of [ ], and a weighted average remaining contractual life of [ ] years.

The inputs into the Black-Scholes model are as follows:

	20XX	20YY
Weighted average share price		
Weighted average exercise price		
Expected volatility		
Expected life		
Risk free rate		
Expected dividends		

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous [ ] years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

During 20XX, the Group re-priced certain of its outstanding options. The strike price was reduced from [ ] to the then current market price of [ ]. The incremental fair value of [ ] will be expensed over the remaining vesting period (2 years). The Group used the inputs noted above to measure the fair value of the old and new shares [ ].

The Group recognized total expenses of [ ] and [ ] related to equity-settled share-based payment transactions in 20XX and 20YY respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

44 SHARE-BASED PAYMENTS continued

Cash-settled share-based payments

The Group issues to certain employees share appreciation rights (SARs) that require the Group to pay the intrinsic value of the SAR to the employee at the date of exercise. The Group has recorded liabilities of [ ] and [ ] in 20XX and 20YY. Fair value of the SARs is determined by using a binomial model using the assumptions noted in the above table. The Group recorded total expenses of [ ] and [ ] in 20XX and 20YY, respectively. The total intrinsic value at 20XX and 20YY was [ ] and [ ], respectively.

Other share-based payment plans

The employee share purchase plans are open to almost all employees and provide for a purchase price equal to the daily average market price on the date of grant, less [ ] percent. The shares can be purchased during a two-week period each year. The shares so purchased are generally placed in the employee share savings plan for a 5-year period. Pursuant to these plans, the Group issued [ ] ordinary shares in 20YY, at weighted average share prices of [ ].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

45. RETIREMENT BENEFIT SCHEMES

Defined Contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of its construction and leasing divisions in A Land. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees of the Group's subsidiary in B Land are members of a state-managed retirement benefit scheme operated by the government of B Land. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £_million (20YY: £_million) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 20XX, contributions of £_million (20YY: £_million) due in respect of the current reporting period had not been paid over to the schemes.

Defined Benefit schemes

The Group operates defined benefit schemes for qualifying employees of its subsidiaries in D Land, and previously for the employees of [*name of company*]. Under the schemes, the employees are entitled to retirement benefits varying between xx and xx per cent of final salary on attainment of a retirement age of xx. No other post-retirement benefits are provided. The schemes are funded schemes.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31/12/20XX by Mr. _______, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	Valuation at	
	20XX	20YY
Key assumptions used:		
Discount rate		
Expected return on scheme assets		
Expected rate of salary increases		
Future pension increases		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

45. RETIREMENT BENEFIT SCHEMES continued

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	Year ended 20XX £	Year ended 20YY £
Current service cost		
Interest cost		
Expected return on scheme assets		
Past service cost		
[Expected return on reimbursement rights]		
[Changes arising on curtailments/settlement]		

Of the charge for the year, £_million (20YY: £_million) has been included in cost of sales and £_million (20YY: £_million) has been included in administrative expenses. Actuarial gains and losses have been reported in the statement of recognised income and expense.

The actual return on scheme assets [and reimbursement rights] was £_million (20YY: £_million) [and £_million (20YY: £_million) respectively].

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	20XX £	20YY £
Present value of defined benefit obligations		
Fair value of scheme assets		
Deficit in scheme		
Past service cost not yet recognised in balance sheet		
[Fair value of reimbursement rights recognised as an asset]		
[Restrictions of asset recognised]		
Liability recognised in the balance sheet		

This amount is presented in the balance sheet as follows:

Current liabilities		
Non-current liabilities		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

45. RETIREMENT BENEFIT SCHEMES continued

Movements in the present value of defined benefit obligations in the current period were as follows:

	20XX	20YY
	£	£
At 1 January		
Service cost		
Interest cost		
Contributions from scheme members		
Actuarial gains and losses		
Exchange difference		
Benefits paid		
Past service cost		
Acquisition of subsidiary		
[*Other*]		
At 31 December		

Movements in the present value of fair value of scheme assets in the current period were as follows:

	20XX	20YY
	£	£
At 1 January		
Expected return on scheme assets		
Actuarial gains and losses		
Exchange difference		
Contributions from the sponsoring companies		
Contributions from scheme members		
Benefits paid		
Acquisition of subsidiary		
[*Other*]		
At 31 December		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected return		Fair value of assets	
	20XX	20YY	20XX	20YY
	%	%	£	£
Equity instruments				
Debt instruments				
Property				
Other assets				

[*Describe basis for determining the overall expected rate of return.*]

45. RETIREMENT BENEFIT SCHEMES continued

The five year history of experience adjustments is as follows:

	20XX	20YY	20ZZ	20AA	20BB
	£	£	£	£	£
Present value of defined benefit obligations					
Fair value of scheme assets					
Surplus / (deficit) in the scheme					
Experience adjustments on scheme liabilities					
Amount (£)					
Percentage of scheme liabilities (%)					
Experience adjustments on scheme assets					
Amounts (£)					
Percentage of scheme assets (%)					

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £_million.

46. EVENTS AFTER THE BALANCE SHEET DATE

On [*date*] the premises of [*name of subsidiary*] were seriously damaged by fire. Insurance claims have been put in hand but the cost of refurbishment is currently expected to exceed these by £___.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

47. RELATED PARTY TRANSACTIONS

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates are disclosed below. Transactions between the company and its subsidiaries and associates are disclosed in the company's separate financial statements.

Trading Transactions

During the year, group companies entered into the following transactions with related parties who are not members of the Group:

	Sales of goods		Purchases of goods		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 20XX	Year ended 20YY	Year ended 20XX	Year ended 20YY	20XX	20YY	20XX	20YY
	£	£	£	£	£	£	£	£
X Holdings.								
Associates								

X Holdings is a related party of the Group because [*give reasons*].

Sales of goods to related parties were made at the Group's usual list prices, less average discounts of x per cent. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

47. RELATED PARTY TRANSACTIONS continued

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages _____ to _____.

	Year ended 20XX £	Year ended 20YY £
Short-term employee benefits		
Post-employment benefits		
Other long-term benefits		
Termination benefits		
Share-based payment		

Directors' transactions

[Provide details of any loans, quasi-loans or other transactions with directors (or other key management personnel) to meet the requirements of Schedule 6 of the Act and IAS 24.]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

48. EXPLANATION OF TRANSITION TO IFRSs

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 December 20YY and the date of transition to IFRSs was therefore 1 January 20YY.

Reconciliation of equity at 1 January 20YY (date of transition to IFRSs)

Note		UK GAAP	Effect of transition to IFRSs	IFRSs
1	Property, plant and equipment			
2	Goodwill			
3	Intangible Assets			
4	Financial Assets			
	Total non-current assets			
	Trade and other receivables			
5	Inventories			
6	Other receivables			
	Cash and cash equivalents			
	Total current assets			
	Total assets			
	Interest bearing loans			
	Trade and other payables			
7	Employee benefits			
8	Restructuring provision			
	Current tax liability			
9	Deferred tax liability			
	Total liabilities			
	Total assets less total liabilities			
	Issued capital			
10	Revaluation reserve			
11	[Hedging reserve]			
12	Retained earnings			
	Minority interest			
	Total equity			

Notes to the reconciliation of equity at 1 January 20YY

[*Appropriate notes should be given to the reconciliation of equity to explain how the transition from previous GAAP to IFRSs affected the financial position of the entity. Sufficient detail should be given to enable users to understand the material adjustments. Some example notes are given in the Implementation Guidance to IFRS 1 but these would not necessarily be applicable to the circumstances of a UK company.*]

Reconciliation of equity at 31 December 20YY (date of last UK GAAP financial statements)

[*This reconciliation, which is required by IFRS 1,would be similar to the one set out above except that the information would be as at the end of the latest period presented in the most recent financial statements under UK GAAP. The related notes are also required.*]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

48. EXPLANATION OF TRANSITION TO IFRSs continued

Reconciliation of profit or loss for 20YY

Note		UK GAAP	Effect of transition to IFRSs	IFRSs
	Revenue			
	Cost of sales			
	Gross Profit			
	Distribution costs			
	Administrative expenses			
	Finance income			
	Finance costs			
	Profit before tax			
	Tax expense			
	Net profit (loss)			

Notes to the reconciliation of profit or loss for 20YY

[*Appropriate notes should be given to the reconciliation of profit or loss to explain how the transition from previous GAAP to IFRSs affected the financial performance of the entity. Sufficient detail should be given to enable users to understand the material adjustments. Some example notes are given in the Implementation Guidance to IFRS 1 but these would not necessarily be applicable to the circumstances of a UK company.*]

Explanation of material adjustments to the cash flow statement for 20YY

[*Appropriate notes should be given to explain how the transition from previous GAAP to IFRSs affected the cash flows of the entity. Sufficient detail should be given to enable users to understand the material adjustments.*]

COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 20XX

	NOTES	Year ended 20XX £	Year ended 20YY £
Continuing Operations			
Operating income			
- Management charges			
- Dividends from subsidiaries			
- Dividends from associates			
Administrative expenses			
Profit from operations	49		
Finance costs	50		
Profit before tax			
Tax	51		
Net profit attributable to equity holders of the parent			

COMPANY BALANCE SHEET
AT 31 DECEMBER 20XX

	NOTES	20XX £	20YY £
Non-current assets			
Investments in subsidiaries	52		
Investments in associates	53		
Current assets			
Trade and other receivables	54		
Cash and cash equivalents	54		
Total assets			
Current liabilities			
Trade and other payables	55		
Tax liabilities	55		
Total assets less current liabilities			
Non-current liabilities			
Trade and other payables			
Bank loans	55		
EQUITY			
Share capital	56		
Share premium account	56		
Retained earnings	57		
Equity attributable to equity holders of the parent			

The financial statements were approved by the board of directors and authorised for issue on [date]. They were signed on its behalf by:

[Name] Director

[Name of signatory to be stated]

[Date]

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 20XX

	NOTES	Year ended 20XX £	Year ended 20YY £
NET CASH FROM OPERATING ACTIVITIES	X		
INVESTING ACTIVITIES			
Acquisition of subsidiary			
Disposal of subsidiary			
NET CASH USED IN INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
Dividends paid			
Repayments of borrowings			
NET CASH (USED IN)/FROM FINANCING ACTIVITIES			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
CASH AND CASH EQUIVALENTS AT END OF YEAR			

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX

49. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis [except for the revaluation of certain financial instruments]. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

50. PROFIT FROM OPERATIONS

[*Disclose items as necessary.*]

The auditors' remuneration for audit services to the company was £_____ (20YY: £_____).

51. FINANCE COSTS

	20XX	20YY
	£	£
Interest on bank loans		

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

52. TAX

	20XX	20YY
	£	£
Current tax:		
Domestic		

Domestic income tax is calculated at [x] per cent (20YY: [x] per cent) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 20XX		Year ended 20YY	
	£	%	£	%
Profit before tax				
Tax at the domestic income tax rate of [x]% (20YY: [x]%)				
Tax effect of expenses that are not deductible in determining taxable profit				
Tax effect of utilisation of tax losses not previously recognised				
Tax expense and effective tax rate for the year				

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

53. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 20XX are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment
[*Names*]				

54. ASSOCIATES

Details of the Company's associates at 31 December 20XX are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment
[*Names*]				

55. FINANCIAL ASSETS

Trade and other receivables

At the balance sheet date trade and other receivables comprise amounts receivable from the fellow Group companies of £_million (20YY: £_million).

Cash and cash equivalents

These comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

56. FINANCIAL LIABILITIES

Trade and other payables

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Bank loans

Details of the bank loans are given in note 25 to the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20XX - continued

57. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

The movements on these items are disclosed in notes 32 and 33 to the consolidated financial statements.

58.RETAINED EARNINGS

	£
Balance at 1 January 20YY	
Dividends paid	
Net profit for the year	
Balance at 1 January 20XX	
Dividends paid	
Net profit for the year	
Balance at 31 December 20XX	

59. STATEMENT OF CHANGES IN EQUITY

	£
Balance at 1 January 20YY	
Dividends paid	
Net profit for the year	
Increase in share capital	
Balance at 1 January 20XX	
Dividends paid	
Net profit for the year	
Increase in share capital	
Balance at 31 December 20XX	

Equity comprise share capital, share premium and retained earnings.