Reporting under the IFRS for SMEs

Illustrative consolidated financial statements and guidance notes

The IFRS for SMEs

The International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) is a simplified version of full IFRS, aimed at the needs of private entities. Small and Medium-sized entities are defined as entities that publish general purpose financial statements for external users and that do not have public accountability. It offers an internationally recognised accounting framework for private entities intended to assist those involved in their financing to assess performance and make efficient economic decisions on a reasonably consistent basis.

The IFRS for SMEs is based on full IFRS, but a cost-benefit approach has been taken in order to reduce the burden on SMEs. Many IFRS recognition and measurement requirements have been omitted or simplified and topics not relevant to SMEs have been omitted. The IFRS for SMEs is around 10% of the length of the consolidated text of International Financial Reporting Standards and has about 10% of the disclosure requirements.

An entity is publicly accountable if it files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market, or if it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, insurance companies and mutual funds). An entity that holds assets in a fiduciary capacity for reasons incidental to its primary business (for example, travel or real estate agents) is not considered to be publicly accountable. A subsidiary that is part of a consolidated group that uses full IFRSs may still use the IFRS for SMEs in its individual financial statements where the subsidiary itself does not have public accountability. It must follow the standard in its entirety however and cannot pick and choose between the requirements of the IFRS for SMEs and those of full IFRSs.

The IFRS for SMEs is effective immediately on issue. It is however up to individual jurisdictions to decide which entities will be required or permitted to use the IFRS for SMEs. At the time of writing over 70 countries around the world have agreed to either permit or require its use.

All references to the IFRS for SMEs in this publication are to the version published by the International Accounting Standards Board on 9 July 2009.

Introduction

Reporting under the IFRS for SMEs

Use of the IFRS for SMEs around the world is growing rapidly. Many companies will be making the transition – from either full IFRS or other local GAAP – in the coming years. This publication is designed to help those companies. It sets out a realistic illustration of financial statements prepared in accordance with the IFRS for SMEs, along with extensive guidance notes to explain the underlying requirements and alternative disclosure and presentation approaches available.

The illustrative financial statements are based on the activities and results of 'Illustrative Private Limited' (IPL) and its subsidiaries (the Group) – a fictional printing, publishing and advertising entity. IPL transitions from full IFRS and prepares its first IFRS for SMEs financial statements for the year ended 31 December 2010. IPL's date of transition is 1 January 2009.

The member firms within Grant Thornton International Ltd (Grant Thornton International) – one of the world's leading organisations of independently owned and managed accounting and consulting firms – have extensive expertise in the application of IFRS. Grant Thornton International, through its IFRS team, develops general guidance that supports its member firms' commitment to high quality, consistent application of IFRS and is therefore pleased to share these insights by publishing 'Reporting under the IFRS for SMEs'. This publication reflects the collective experience of Grant Thornton International's IFRS team and member firm IFRS experts.

The form and content of financial statements prepared in accordance with the IFRS for SMEs depends of course on the activities and transactions of each reporting entity. As with any example, this illustration does not envisage every possible transaction and cannot therefore be regarded as comprehensive. Management is responsible for the fair presentation of financial statements and therefore may find other approaches more appropriate in their specific circumstances.

This publication does not address any local legal or regulatory financial reporting requirements. Its use is not a substitute for study of the IFRS for SMEs itself.

Grant Thornton International Ltd
March 2011

Illustrative Consolidated Financial Statements: International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities (SMEs)

Illustrative Private Limited 31 December 2010

Contents

Statement of financial position at 31 December 2010

		Notes	2010 CU'000	2009 CU'000
4.9	**Assets**			
4.6	**Non-current**			
4.3	Goodwill	5	**1,008**	1,090
4.2(g)	Other intangible assets	5	**469**	262
4.2(e)	Property, plant and equipment	6	**23,155**	17,516
4.2(j)	Investments in associates		**922**	922
4.2(f)	Investment property	7	**907**	803
4.2(o)	Deferred tax assets	8	**243**	524
4.4	Non-current assets		**26,704**	**21,117**
4.5	**Current**			
4.2(d)	Inventories	9	**5,067**	6,267
4.2(b)	Trade and other receivables	10	**27,396**	20,066
4.3	Derivative financial assets	11	**–**	246
4.2(c)	Other short-term financial assets	11	**162**	102
4.2(n)	Current tax assets		**193**	–
4.2(a)	Cash and cash equivalents	12	**10,481**	7,145
4.4	Current assets		**43,299**	**33,826**
	Total assets		**70,003**	**54,943**
4.9	**Equity and liabilities**			
	Equity			
4.11(f)	Share capital	13	**7,570**	7,570
4.11(f)	Share premium		**5,224**	5,224
4.11(f)	Translation reserve		**(194)**	(173)
4.11(f)	Retained earnings		**27,200**	21,365
4.2(r)	Total equity attributable to owners of the parent		**39,800**	**33,986**
4.2(q)	Non-controlling interest		**3,434**	2,378
	Total equity		**43,234**	**36,364**
	Liabilities			
4.8	**Non-current**			
4.2(m)	Borrowings	14	**4,469**	6,089
4.2(o)	Deferred tax liabilities	8	**1,954**	1,429
4.4	Non-current liabilities		**6,423**	**7,518**
4.7	**Current**			
4.2(l)	Trade and other payables	15	**16,901**	9,576
4.2(m)	Borrowings	14	**2,835**	1,165
4.3	Derivative financial liabilities	11	**288**	–
4.2(n)	Current tax liabilities		**–**	320
4.2(p)	Provisions	16	**322**	–
4.4	Current liabilities		**20,346**	**11,061**
	Total liabilities		**26,769**	**18,579**
	Total equity and liabilities		**70,003**	**54,943**

Guidance note: Statement of financial position

The IFRS for SMEs provides a list of the minimum items to be presented on the face of the statement of financial position (4.2*). Management will need to apply judgement in determining whether additional line items are necessary to help users understand the entity's financial position (4.3). In the example, IPL has presented goodwill separately from other intangible assets because of its different nature. Derivatives used for hedging purposes are presented separately from other financial instruments due to their different function. Management may also consider presenting material items separately where this is done internally in managing the business and assessing performance.

The example statement of financial position includes a current/non-current distinction. Unlike IPL, some entities may not supply goods and services within a clearly identifiable operating cycle, eg investment companies, and a presentation based on liquidity may be more relevant. In such cases, all assets and liabilities are presented in order of approximate liquidity (ascending or descending) (4.4).

* References in brackets and in the left hand column of each page of the example financial statements refer to paragraphs within the IFRS for SMEs

Statement of comprehensive income for the year ended 31 December 2010

		Notes	2010	2009
5.2(a)				
5.11(b)			CU'000	CU'000
5.5(a)	Revenue	17	**86,497**	73,044
5.11(b)	Cost of sales		**(59,567)**	(49,622)
5.9	**Gross profit**		**26,930**	**23,422**
5.9	Other income	18	**870**	1,474
5.11(b)	Distribution costs		**(9,371)**	(10,054)
5.11(b)	Administrative expenses		**(4,312)**	(4,568)
5.9	Change in fair value of investment property	7	**104**	98
5.9	Other expenses		**(1,469)**	(588)
5.9	**Operating profit**		**12,752**	**9,784**
5.5(b)	Finance costs	20	**(145)**	(167)
5.9	Finance income	20	**242**	230
5.9	Other financial items	21	**(255)**	(34)
5.9	**Profit before tax**		**12,594**	**9,813**
5.5(d)	Tax expense	22	**(3,015)**	(2,498)
5.5(f)	**Profit for the year**		**9,579**	**7,315**
5.5(g)	**Other comprehensive income**			
5.4(b)(i)	Exchange differences on translating foreign operations		**(31)**	(54)
5.5(i)	**Total comprehensive income for the year**		**9,548**	**7,261**
	Profit for the year attributable to:			
5.6(a)(i)	Non-controlling interest		**1,507**	574
5.6(a)(ii)	Owners of the parent		**8,072**	6,741
			9,579	**7,315**
	Total comprehensive income attributable to:			
5.6(b)(i)	Non-controlling interest		**1,497**	549
5.6(b)(ii)	Owners of the parent		**8,051**	6,712
			9,948	**7,261**

Guidance note: Statement of comprehensive income

The IFRS for SMEs requires that certain items of income and expense are not taken to profit and loss but are shown in the statement of comprehensive income as 'other comprehensive income' (5.4). IPL has recognised foreign exchange gains and losses arising from translating the financial statements of a foreign operation in other comprehensive income (30.8(c)).

IPL has elected to present a single statement of comprehensive income containing all items of income and expense (3.17(b)(i) and 5.2(a)). Alternatively, management may choose to adopt the two statement approach and present:

- an income statement displaying components of profit or loss
- a statement of comprehensive income which begins with profit or loss and then displays items of other comprehensive income (3.17(b)(ii) and 5.2(b)).

If IPL had no items of other comprehensive income to present in the current or comparative period, it could have presented only an income statement or a statement of comprehensive income in which the bottom line is labelled 'profit or loss' (3.19)

The IFRS for SMEs provides a list of the minimum items to be presented on the face of the statement of comprehensive income (5.5 and 5.6). Management may choose to insert additional line items, headings and sub-totals to make the entity's results more understandable (5.9). In the example, IPL has presented additional line items for fair value changes of investment properties and financial instruments (other financial items) because of the different nature of these items. IPL also presents a measure of its operating profit to distinguish the results of its operating activities from those of its financing and investing activities.

The example statement of comprehensive income illustrates the 'function of expenses' or 'cost of sales' method as this is considered more relevant for an entity which produces goods (5.11). Other entities, for example, service companies, may find the 'nature of expenses' method is more relevant to their activities. The choice will generally depend on the nature of the entity and the practice of the industry in which it operates.

Statement of changes in equity for the year ended 31 December 2010

6.3		Share capital CU'000	Share premium CU'000	Translation reserve CU'000	Retained earnings CU'000	Total attributable to owners of parent CU'000	Non-controlling interest CU'000	Total CU'000
	Balance at 1 January 2010	**7,570**	**5,224**	**(173)**	**21,365**	**33,986**	**2,378**	**36,364**
	Dividends	–	–	–	(2,460)	(2,460)	–	(2,460)
	Acquisition of non-controlling interests of subsidiaries	–	–	–	(69)	(69)	(441)	(510)
26.3	Employee share-based payment options	–	–	–	292	292	–	292
6.3(c)(iii)	Transactions with owners	–	–	–	(2,237)	(2,237)	(441)	(2,678)
6.3(c)(i)	Profit for the year	–	–	–	8,072	8,072	1,507	9,579
	Other comprehensive income							
6.3(c)(ii)	Exchange differences on translating foreign operations	–	–	(21)	–	(21)	(10)	(31)
6.3(a)	Total comprehensive income for the year	–	–	(21)	8,072	8,051	1,497	9,548
	Balance at 31 December 2010	**7,570**	**5,224**	**(194)**	**27,200**	**39,800**	**3,434**	**43,234**
	Balance at 1 January 2009	**6,785**	**1,786**	**(144)**	**17,519**	**25,946**	**1,829**	**27,775**
	Dividends	–	–	–	(2,975)	(2,975)	–	(2,975)
26.3	Employee share-based payment options	–	–	–	80	80	–	80
	Issue of share capital	785	3,438	–	–	4,223	–	4,223
6.3(c)(iii)	Transactions with owners	785	3,438	–	(2,895)	1,328	–	1,328
6.3(c)(i)	Profit for the year	–	–	–	6,741	6,741	574	7,315
	Other comprehensive income							
6.3(c)(ii)	Exchange differences on translating foreign operations	–	–	(29)	–	(29)	(25)	(54)
6.3(a)	Total comprehensive income for the year	–	–	(29)	6,741	6,712	549	7,261
	Balance at 31 December 2009	**7,570**	**5,224**	**(173)**	**21,365**	**33,986**	**2,378**	**36,364**

Guidance note: Statement of changes in equity
Management may choose to present a combined statement of income and retained earnings instead of this statement if the only changes in equity arise from profit or loss, dividends, changes in accounting policies and the correction of errors (3.18-19).

When an entity recognises an expense for an equity-settled share-based payment transaction, it recognises a corresponding increase in equity (26.3). There is no specific requirement as to whether this is presented in a separate reserve or within retained earnings. In our view, either approach is acceptable. Retained earnings has been used in this example.

Statement of cash flows for the year ended 31 December 2010

		Notes	2010 CU'000	2009 CU'000
7.3 7.8				
7.4, 7.7(a)	**Operating activities**			
	Profit before tax		**12,594**	9,813
7.8(b-c)	Adjustments	23	**3,458**	2,480
7.8(a)	Net changes in working capital	23	**866**	(7,577)
7.4(f)	Settling of derivative financial instruments		**257**	79
7.17	Taxes Paid		**(2,867)**	(2,857)
	Cash flow from operating activities		**14,308**	**1,938**
7.5	**Investing activities**			
7.5(a)	Purchase of property, plant and equipment		**(7,732)**	(8,772)
7.5(b)	Proceeds from disposals of property, plant and equipment		**160**	506
7.10	Acquisition of subsidiaries, net of cash	4	**(539)**	–
7.5(c)	Acquisition of non-controlling interest of subsidiaries		**(510)**	–
7.5(d)	Proceeds from disposal of investments in equity securities		**48**	29
7.5(c)	Purchases of investments in equity securities		**(86)**	(73)
7.14	Dividends received from associates		**83**	86
7.14	Interest and other dividends received		**159**	144
	Cash flow from investing activities		**(8,417)**	**(8,080)**
7.6	**Financing activities**			
7.6(c)	Proceeds from borrowings		**1,221**	6,316
7.6(d)	Repayment of borrowings		**(1,171)**	(787)
7.6(a)	Proceeds from issue of share capital		**–**	4,223
7.14	Interest paid		**(145)**	(167)
7.14	Dividends paid		**(2,460)**	(2,975)
	Cash flow from financing activities		**(2,555)**	**6,610**
	Net change in cash and cash equivalents		**3,336**	**468**
	Cash and cash equivalents at 1 January		**7,145**	6,677
7.20	**Cash and cash equivalents at 31 December**	**12**	**10,481**	**7,145**

Guidance note: Statement of cash flows

In the example, IPL has presented the statement of cash flows using the indirect method (7.7(a)). Alternatively, management may choose to use the direct method, whereby major classes of gross cash receipts and cash payments are disclosed (7.7(b)).

The IFRS for SMEs requires the indirect method statement to start with profit or loss but is not explicit as to whether this is the pre- or post-tax profit. In our view, either is acceptable. The example starts with profit before tax and so shows the gross tax paid within the statement. If, alternatively, the post-tax figure is used, the movement on the tax asset/liability is included as an adjustment to profit and the tax paid is shown separately (7.17).

IPL presents cash flows arising from income tax as cash flows from operating activities as they cannot be specifically identified with financing and investing activities (7.17). This will be the case for many entities as income tax payments and receipts are usually based on total taxable income, which includes income derived from all sources. The relevant tax rules will often not easily lend themselves to allocating this income between operating, financing and investing activities.

IPL classifies cash flows from interest and dividends received as investing activities because they are considered to represent returns on investments. IPL also classifies cash flows from interest and dividends paid as financing activities because they are considered a cost of obtaining financing. The IFRS for SMEs also permits classification as operating activities (7.15-16).

Notes to the consolidated financial statements for the year ended 31 December 2010

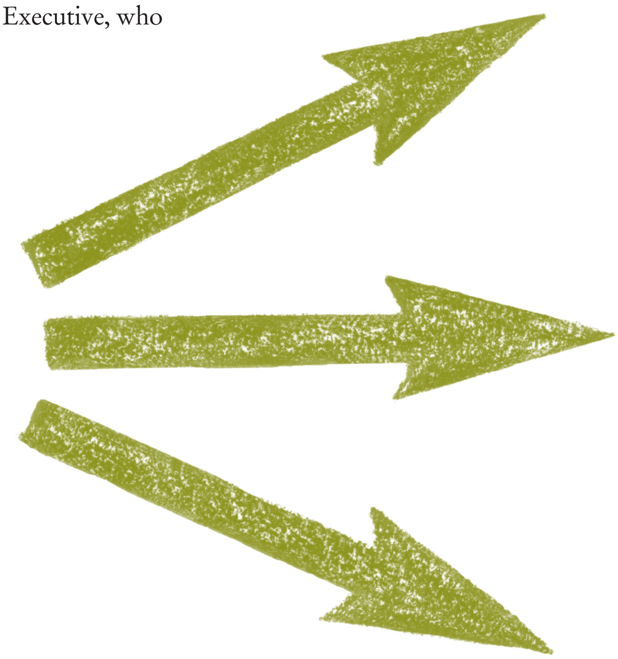
1. Nature of operations

3.24(b) The principal activities of Illustrative Private Limited (IPL) and its subsidiaries (the Group) include the printing of books, publishing of magazines and the sale of advertising. The Group has corporate headquarters and printing plants in Euroland and sells mainly in Euro-zone, North America and Asia Pacific regions. During the year, the Group acquired control of Job Finder Private Limited, an internet-based recruitment advertising business, in line with the Group's strategy to increase its online sales capacity.

2. General information and statement of compliance with IFRS for SMEs

3.3 The consolidated financial statements of the Group for the year ended
3.23 31 December 2010 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB). They are presented in the currency units (CU) of Euroland, which is also the functional currency of the parent company. These are the Group's first set of financial statements prepared in accordance with the IFRS for SMEs (see note 27 for an explanation of the transition).

3.24(a) IPL is the Group's ultimate parent company and is a limited liability
33.5 company incorporated and domiciled in Euroland. The address of its registered office and principal place of business is 23 Good Street, 21234, Greatville, Euroland. The company is controlled by Mr. C Executive, who is the majority shareholder and managing director.



3. Summary of accounting policies

3.1 Overall considerations

8.5 The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These accounting policies have been used throughout all periods presented in the financial statements, except where the Group has applied certain exemptions upon transition to IFRS for SMEs (see note 27 for details).

3.2 Basis of consolidation

9.2 The Group financial statements consolidate those of the parent company
9.4 and all of its subsidiary undertakings. IPL obtains and exercises control
9.5 through ownership of more than half of the voting rights.

9.15 Unrealised gains and losses on transactions between Group companies
9.17 are eliminated. When unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment. Amounts reported in financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

9.18 Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition or up to the effective date of disposal as applicable.

Non-controlling interests represent the portion of the subsidiary's profit or loss and net assets not held by the Group. Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions. Any difference between the consideration exchanged and the amount of the change in the non-controlling interests in subsidiaries is recorded in equity attributable to the owners of the parent.

3.3 Business combinations

19.6 Business combinations are accounted for using the purchase method. This
19.14 involves recognising the acquiree's identifiable net assets, including
19.15 contingent liabilities, at fair value regardless of whether they were recorded
19.22 in the financial statements prior to acquisition. Goodwill is stated after separately recognising identifiable intangible assets and represents the excess of the acquisition cost over the Group's share of the identifiable net assets of the acquiree recognised at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in profit and loss immediately after the acquisition.

14.12(a) 3.4 Investments in associates

14.2 Associates are those entities over which the Group is able to exert
14.5 significant influence but which are neither subsidiaries nor investments in joint ventures. The Group has elected to account for these investments at cost less any accumulated impairment losses. There are no published price quotations available for them.

Guidance note: Selection of accounting policies

The accounting policies in this set of example financial statements reflect the activities of the fictitious entity, IPL and its subsidiaries, all of which are included within the requirements of the IFRS for SMEs.

If the IFRS for SMEs does not specifically address a transaction, management use their judgement to develop an appropriate accounting policy (10.4). This may include consideration of the requirements of full IFRS but this is not mandatory (10.6).

Guidance note: Accounting policies for transactions with non-controlling interests

The IFRS for SMEs does not explicitly address the accounting treatment required for changes in a parent's ownership interest in a subsidiary that do not result in loss of control. In our view, the most appropriate policy is to account for such changes as equity transactions (ie transactions with owners in their capacity as owners). This is consistent with the standard's requirement to present non-controlling interests as a separate component of equity in the statement of financial position (4.2). It is also consistent with the requirements of full IFRS (10.6). However, other policies may be acceptable.

Guidance note: Accounting policies for investments in associates

Investors have a choice as to how to account for their investments in associates:

- using the cost model: measured at cost less any accumulated impairment losses, with dividends received from associates recognised in profit or loss (14.5 and 14.6) or
- under the equity method: adjusting the initial cost for the investor's share of the profit or loss and other comprehensive income of the associate less any distributions received (14.8) or
- using the fair value model: measured at fair value, with changes in fair value recognised in profit or loss (14.10).

The same method must be chosen for all associates. However, if the cost model is chosen, any associates for which there is a published price quotation must be measured using the fair value model (14.7).

3.5 Foreign currency translation

30.7 Foreign currency transactions are translated into the functional currency of
30.9 the respective Group entity using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss.

30.9 Non-monetary items that are measured at historical cost are not retranslated. Non-monetary items that are measured at fair value are translated at the exchange rates at the date fair value was determined.

30.17 In the Group's financial statements, all assets, liabilities and transactions
30.27 of Group entities with a functional currency other than CU (the Group's presentation currency) are translated to CU upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the period.

30.18 On consolidation, assets and liabilities have been translated into CU at
30.19 the closing rates at the reporting date. Income and expenses have been
30.23 converted into CU at the average rate over the reporting period. Exchange differences are recognised in other comprehensive income and accumulated separately in the currency translation reserve in equity. Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into CU at the closing rate.

Guidance note: Presentation of exchange differences in equity
The IFRS for SMEs requires disclosure of the amount of exchange differences arising during the period and classified as a separate component of equity at the end of the period (30.25(b)). This appears to require that the exchange differences are accumulated separately in equity, notwithstanding the fact that, unlike full IFRS, they are not reclassified to profit and loss on disposal of the foreign operation (9.18). They may however be transferred from the currency translation reserve to retained earnings on derecognition of the operation.

23.30(a) 3.6 Revenue

23.3 Revenue is measured by reference to the fair value of consideration received
23.4 or receivable by the Group for goods supplied and services rendered, excluding sales taxes, rebates and trade discounts.

Sale of goods (printing)

23.10 The Group prints books for publishers. Revenue is recognised when the
23.11 customer has taken undisputed delivery of the goods.

Rendering of services (advertising)

23.14 The Group publishes numerous free property, automobile, consumer and recruitment magazines and sells advertising space in each publication. Revenue is recognised on the date of issue of the relevant publication.

23.14 The Group also advertises job vacancies on behalf of employers on its recruitment websites. Revenue is recognised on a straight line basis over the period during which the advertisement is displayed on the website.

Rental income

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

Interest and dividend income

23.29 Interest income is recognised on an accrual basis using the effective interest
14.6 method. Dividend income is recognised at the time the right to receive payment is established.

3.7 Borrowing costs

25.2 All borrowing costs are expensed in the period in which they are incurred.

3.8 Goodwill

19.23 Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its estimated useful life of ten years.

3.9 Other intangible assets

18.18 Other intangible assets include internet domain names and customer lists
18.19 carried at cost less accumulated amortisation and any accumulated impairment
18.23 losses. Amortisation is calculated on a straight line basis over their estimated
18.27(a)(b) useful lives of five years. Residual values are assumed to be zero.

18.14 Expenditure incurred internally on intangible items is expensed as
18.27(d) incurred. All amortisation charges are included in cost of sales.

3.10 Property, plant and equipment

17.15 Property, plant and equipment is stated at cost less accumulated
17.31(a) depreciation and impairment losses.

17.16 Depreciation is recognised on a straight line basis to write down the cost
17.31(b) less estimated residual value of property, plant and equipment other than
freehold land. The periods generally applicable are:

17.31(c)

	Time
Buildings	50 years
Printing plant	5-15 Years
Furniture, fixtures and office equipment	5 years
Computer equipment	3 years
Motor vehicles	5 years

17.19 The assets' residual values, useful lives and depreciation methods are
17.23 reviewed if there is an indication of a significant change since the last annual
reporting date.

3.11 Leased assets

20.4 A lease is classified as a finance lease if it transfers substantially all the risks
20.9 and rewards of ownership of the leased asset to the Group. The related asset
is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental costs, if any. A corresponding amount is recognised as a finance lease liability.

20.12 Depreciation methods and useful lives for assets held under finance lease
20.11 agreements correspond to those applied to comparable assets which are
legally owned by the Group. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

20.11 The interest element of lease payments is calculated using the effective interest method to represent a constant proportion of the capital balance outstanding and is charged to profit and loss over the period of the lease.

20.4 All other leases are treated as operating leases. Payments on operating
20.15 lease agreements are recognised as an expense on a straight-line basis over
the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.12 Impairment testing of goodwill, other intangible assets, property, plant and equipment and investments in associates

27.8 For the purpose of assessing impairment, assets are grouped at the lowest
27.25 level for which there are largely independent cash-inflows (cash-generating units – CGUs). As a result, some assets are tested individually for impairment and some are tested at the CGU level. Goodwill is allocated to those CGUs that are expected to benefit from the synergies of the related business combination.

27.7 Individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

27.5 An impairment loss is recognised in profit or loss for the amount by
27.6 which the asset or CGU's carrying amount exceeds its recoverable amount

27.21 Impairment losses for CGUs reduce first the carrying amount of any
27.28 goodwill allocated to that CGU. Any remaining impairment loss is charged
27.29 pro-rata to the other assets in the CGU. With the exception of goodwill, all assets are subsequently assessed for indications that an impairment loss previously recognised may no longer exist. In that case the previous impairment loss is reversed through profit or loss.

3.13 Investment property

16.2 The Group owns a warehouse building and a separate plot of undeveloped land that are held to earn rentals and/or for capital appreciation.

16.7 The warehouse building is measured at fair value at each reporting date and revaluation changes are recognised in profit or loss.

16.7 Management consider that the fair value of the undeveloped land is not reliably measurable without undue cost or effort to the Group, as market transactions in similar properties in that location are extremely infrequent. The land is accounted for as property, plant and equipment and measured at cost less any accumulated impairment losses.

11.40 3.14 Financial instruments

Financial assets

Trade and other receivables and cash and cash equivalents

11.13 These financial assets are recognised initially at the transaction price.
11.15 Subsequently they are measured at amortised cost using the effective interest
11.14(a) method, less provision for impairment. Sales are made on normal credit terms and trade receivables do not bear interest.

11.24 Where there is objective evidence that the carrying amounts of receivables are not recoverable, an impairment loss is recognised in profit or loss.

Other short-term financial assets

11.13 Other short-term financial assets comprise investments in equity securities.
11.14(c) They are recognised initially at transaction price. After initial recognition,
11.27(a) investments in equities that are publicly traded or for which the fair value can be measured reliably, are measured at fair value with changes in fair value recognised in profit or loss. Other equity investments are measured at cost less any impairment.

Guidance note: Accounting policies for financial instruments

The IFRS for SMEs provides guidance to distinguish basic financial instruments from other, more complex instruments (11.8-11). Section 11 requires, with limited exceptions, an amortised cost model for basic debt financial instruments. Other financial instruments are, with limited exceptions, measured at fair value with changes in fair value recognised in profit or loss (11.14 and 12.8).

In the example, IPL accounts for its simple debt instruments (trade and other receivables, cash and cash equivalents, trade and other payables and bank borrowings) and its equity investments as basic financial instruments in accordance with section 11 of the standard. The Group's forward foreign exchange derivative contracts are accounted for as other more complex financial instruments using section 12.

Alternatively, entities may choose to apply the recognition and measurement requirements of IAS 39 'Financial Instruments: Recognition and Measurement' to account for all of their financial instruments. If this alternative is chosen, the disclosure requirements of sections 11 and 12 should still be used (11.2 and 12.2). This option may be attractive to entities that are part of a group where the parent reports under full IFRS. Where it is chosen, the requirements of IAS 32 'Financial Instruments: Presentation' are not taken into account as section 22 of the IFRS for SMEs deals with debt and equity instruments issued.

Financial liabilities

11.13 The Group's financial liabilities include borrowings and trade and other
11.15 payables. Financial liabilities are recognised initially at transaction price.
11.14(a) After initial recognition they are measured at amortised cost using the effective interest method. Trade payables are on normal credit terms and do not bear interest.

Derivative financial instruments

12.7 The Group's derivative financial instruments comprise forward exchange
12.8 contracts, which are measured initially at fair value. After initial recognition
12.26 they are measured at fair value with changes in fair value recognised in profit
11.27(c) or loss. Fair values are estimated using discounted cash flow analysis based
11.43 on market forward exchange rates and interest rates at the reporting date.

Guidance note: Measurement of current debt instruments
Although debt instruments are normally measured at amortised cost, those classified as current assets or current liabilities, such as trade receivables and trade payables, are measured at the undiscounted amount of cash expected to be received or paid (net of impairment), unless the arrangement constitutes a financing transaction (11.14(a)). In most cases, any difference between this undiscounted amount and the amortised cost will be immaterial.

13.22(a)
3.15 Inventories

13.4 Inventories are stated at the lower of cost and estimated selling price less
13.18 costs to complete and sell. Cost is determined using the first-in, first-out
13.19 method. Inventories are assessed for impairment at each reporting date. Impairment losses on inventory are recognised immediately in profit or loss and presented within 'cost of sales'.

3.16 Income taxes

29.27 Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

29.4 Current income tax assets and/or liabilities comprise those obligations to or claims from fiscal authorities relating to current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

29.15 Deferred income tax is calculated on temporary differences between the
29.16 carrying amounts of assets and liabilities and their tax bases that are expected to increase or reduce taxable profit in the future and on unused tax losses and unused tax credits. Deferred tax is not recognised on the initial recognition of goodwill or on unremitted earnings of foreign subsidiaries and associates to the extent the investment is essentially permanent in duration.

29.18 Deferred tax assets and liabilities are calculated, without discounting, at
29.23 tax rates that are expected to apply to their respective period of realisation
29.24 provided that they are enacted or substantively enacted at the reporting date, taking into consideration all possible outcomes of a review by the tax authorities.

29.21 The carrying amount of deferred tax assets is reviewed at each reporting
29.22 date and adjusted as necessary to reflect the current assessment of future taxable profit.

29.29 Current tax assets and liabilities, or deferred tax assets and liabilities, are offset only when the Group has a legally enforceable right to offset the amounts and intends to settle on a net basis or realise the asset and settle the liability simultaneously.

Guidance note: Accounting policies for income taxes
The IFRS for SMEs contains specific guidance on uncertain tax positions. Management will need to evaluate whether the tax positions taken in filing the entity's tax returns will be sustained after review by the tax authorities. Any uncertain tax positions are measured using the probability weighted average of all the possible outcomes (29.24). The standard does not define at what level of detail a tax position should be analysed. Entities therefore have an accounting policy choice as to whether to consider each uncertain tax position individually, groups of related tax uncertainties or tax uncertainties at the level of the relationship with each tax authority.

3.17 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

4.12(b) Share premium includes any premium over par value received on the issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium, net of any related income tax benefits.

4.12(b) Foreign currency differences arising on the translation of the Group's foreign entities are included in the translation reserve (see note 3.5).

4.12(b) Retained earnings include all current and prior period retained profits.

3.18 Post-employment benefits, short-term employee benefits and termination benefits

28.10(a) The group provides post-employment benefits through various defined
28.13 contribution plans under which the Group pays fixed contributions to an independent entity. Contributions to the plans are recognised as an expense in the period when the contributions are payable.

28.6 Short-term employee benefits including holiday entitlement are current liabilities included in 'other payables' and are measured at the undiscounted amount the Group expects to pay as a result of the unused entitlement.

28.34 Termination benefits are recognised as an expense when the Group has
28.35 announced a detailed formal plan for the termination to the employees
28.36 affected and are measured at the estimated expenditure required to settle the obligations at the reporting date.

3.19 Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for cash settlement.

26.7 The fair values of employees' services rewarded under these plans are
26.8 determined indirectly by reference to the fair value of the equity
26.9 instruments granted. The fair value is measured at grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

26.4 All share-based remuneration is recognised as an expense in profit or
26.6 loss in the period that the service is rendered, with a corresponding credit to 'retained earnings'.

8.7 ## 3.20 Estimation uncertainty

When preparing the financial statements, management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual outcomes may differ. The estimates considered most significant are discussed below.

Valuation allowance for deferred tax assets

29.21
29.22
The assessment of future taxable profits against which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses. The specific limits to the utilisation of any unused tax losses are then taken into consideration. Where forecast taxable income indicates the Group is not able to fully utilise a deferred tax asset, a valuation allowance is recorded. Details of deferred tax assets are given in note 8.

Fair value of share options

26.11
26.19
The Group uses the Black-Scholes option pricing model to determine the fair value of share options granted. Use of the model requires a number of inputs including the market price and volatility of IPL's shares. As these shares are not traded on an active market, management has estimated these inputs after taking into account recent issues of the company's shares to third party investors and share price volatility of comparable listed companies.

4. Business combination

19.25
(a)-(d)
On 23 October 2010, the Group acquired 100% of the equity instruments of Job Finder Private Limited, an internet-based advertising recruitment business operating in the Euroland market for a cash consideration of CU 684,000.

The amounts recognised for each class of the acquiree's assets, liabilities and contingent liabilities recognised at the acquisition date are as follows:

19.25(e)

	Fair value CU'000
Property, plant and equipment	316
Intangible assets	282
Trade and other receivables	1,458
Cash and cash equivalents	145
Trade and other payables	(1,465)
Current tax liabilities	(25)
Deferred tax liabilities	(120)
Net identifiable assets and liabilities	**591**
Goodwill on acquisition	93
Purchase consideration settled in cash	**684**
Cash and cash equivalents acquired	(145)
Net cash outflow on acquisition of a subsidiary	**539**

5. Goodwill and other intangible assets

		Goodwill	Other intangible assets		
			Domain names	Customer lists	Total
		CU'000	CU'000	CU'000	CU'000
19.26	**Gross carrying amount**				
18.27(c)	Balance 1 January	1,725	68	260	328
19.26(a) 18.27(e)(iii)	Acquisition through business combination	93	97	185	282
18.27(c)	Balance 31 December	1,818	165	445	610
	Amortisation and impairment				
18.27(c) 19.26(d)	Balance 1 January	635	14	52	66
18.27(e)(iv)	Amortisation	175	17	58	75
18.27(c)	Balance 31 December	810	31	110	141
	Carrying amount 1 January	1,090	54	208	262
	Carrying amount 31 December	**1,008**	**134**	**335**	**469**

6. Property, plant and equipment

4.11(a)		Land and buildings	Plant and equipment	Investment property (land)	Total
		CU'000	CU'000	CU'000	CU'000
	Gross carrying amount				
17.31(d)	Balance 1 January	1,966	22,080	–	24,046
17.31(e)(i)	Additions	1,063	6,134	535	7,732
17.31(e)(iii)	Acquisition through business combination	–	316	–	316
17.31(e)(ii)	Disposals	–	(427)	–	(427)
17.31(e)(vii)	Net exchange differences	–	224	–	224
17.31(d)	Balance 31 December	3,029	28,327	535	31,891
	Accumulated depreciation and impairment				
17.31(d)	Balance 1 January	19	6,511	–	6,530
17.31(e)(ii)	Disposals	–	(274)	–	(274)
17.31(e)(vii)	Net exchange differences	–	68	–	68
17.31(e)(vi)	Depreciation	25	2,387	–	2,412
17.31(d)	Balance 31 December	44	8,692	–	8,736
	Carrying amount 1 January	1,947	15,569	–	17,516
	Carrying amount 31 December	**2,985**	**19,635**	**535**	**23,155**

17.32(a) The Group's land and buildings and investment property with a carrying amount of CU 3,520,000 (2009: CU 1,947,000) and printing plant with a carrying amount of CU 2,646,000 (2009: CU 2,940,000) have been pledged as security for bank borrowings (see note 14).

17.32(a) 20.13(a) 20.13(c) The Group leases printing equipment under non-cancellable finance lease arrangements. The lease terms are generally over five years. The leases contain no renewal options and no contingent rentals. The net carrying amount of printing equipment includes CU 3,702,000 (2009: CU 4,114,000) in relation to assets held under finance leases. Finance lease liabilities (see note 14) are secured by the related assets held under finance leases.

17.32(b) The Group has a contractual commitment to acquire printing equipment of CU 1,675,000 at 31 December 2010 (2009: CU 1,750,000).

Guidance note: Comparative figures
Comparative information for all amounts presented in the current period's financial statements are required, unless the IFRS for SMEs requires or permits otherwise (3.14). The reconciliations of the opening and closing balances in notes 5-7 relating to goodwill and other intangibles, property, plant and equipment and investment property are specifically exempt from this requirement for comparatives (19.26, 18.27, 17.31, and 16.10).

Guidance note: Individually material intangible assets
In this example, there is no single intangible asset that is individually material to IPL's financial statements. If an entity has such an intangible, a disclosure note is needed to provide a description, the carrying amount and the remaining amortisation period (18.28(a)).

Guidance note: Classes of property, plant and equipment
Some major parts of items of property, plant and equipment may need replacing at regular intervals and so have a shorter useful life than the asset as a whole. If so, the cost of the asset should be allocated to its major components, which should be accounted for separately for the purpose of depreciation (17.6). With some exceptions, land has an unlimited useful life and is not depreciated (17.16). Consequently, land and buildings are accounted for separately, even when they are acquired together (17.8).

Although property, plant and equipment needs to be categorised into separable assets and components of assets for accounting purposes, a group of assets of a similar nature and use can be grouped together into a 'class' for disclosure of the reconciliation of opening and closing balances (17.31(e)). The standard does not specify what classes are required and so judgement is used to determine what classes are appropriate to the entity (4.11(a)). In this example, IPL uses three broad classes, but a more detailed breakdown would be permissible, eg land could be shown separately from buildings.

Guidance note: Investment property
An entity may hold two or more investment properties for capital appreciation and/or rental income. Only those investment properties whose fair value can be measured reliably without undue cost or effort on an on-going basis are accounted for at fair value through profit or loss in accordance with Section 16. Any other investment property held that does not satisfy this condition is accounted for as property, plant and equipment within Section 17.

7. Investment property carried at fair value through profit or loss

The Group owns a warehouse investment property in Euroland, which is held to earn rentals and for capital appreciation.

		2010 CU'000
16.10(e)	Carrying amount 1 January	803
16.10(e)(ii)	Net gain from fair value adjustments	104
16.10(e)	**Carrying amount 31 December**	**907**

16.10(a) Fair value has been determined by an independent, professionally qualified
16.10(b) valuer by reference to recent prices for similar properties.
16.10(c) The Group's investment property has been pledged as security for bank borrowings (see note 14).

16.11 The warehouse property is leased out under a non-cancellable operating
20.30(c) lease for a period of 8 years from the commencement of the lease. The lease
20.30(b) contains no renewal options. Lease payments increase annually in line with the general inflation index for Euroland. There are no contingent rentals.

Future minimum lease payments receivable are as follows:

		2010 CU'000	2009 CU'000
20.30(a)(i)	Not later than 1 year	77	75
20.30(a)(ii)	Later than 1 year and not later than 5 years	328	320
20.30(a)(iii)	Later than 5 years	176	261
	Total	**581**	**656**

8. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

29.32(d)

	1 January 2010 CU'000	Change in valuation allowance CU'000	Recognised in business combination CU'000	Recognised in profit or loss CU'000	31 December 2010 CU'000
Other intangible assets	78	–	85	(23)	140
Property, plant and equipment	1,694	–	35	771	2,500
Investment property	61	–	–	31	92
Derivative financial instruments	74	–	–	(160)	(86)
Other short term financial assets	16	–	–	(11)	5
Provisions	–	–	–	(97)	(97)
Share-based payment scheme	(27)	–	–	(196)	(223)
Borrowing costs adjustment	(40)	–	–	40	–
Unused tax losses	(951)	228	–	103	(620)
	905	**228**	**120**	**458**	**1,711**

29.32(d)

	1 January 2009 CU'000	Change in valuation allowance CU'000	Recognised in profit or loss CU'000	31 December 2009 CU'000
Other intangible assets	98	–	(20)	78
Property, plant and equipment	1,062	–	632	1,694
Investment property	32	–	29	61
Derivative financial instruments	59	–	15	74
Other short term financial assets	12	–	4	16
Share-based payment scheme	–	–	(27)	(27)
Borrowing costs adjustment	–	–	(40)	(40)
Unused tax losses	(525)	(39)	(387)	(951)
	738	**(39)**	**206**	**905**

Deferred tax assets and liabilities recognised after offsetting are as follows:

29.32(d)		2010 CU'000	2009 CU'000
	Deferred tax assets	(243)	(524)
	Deferred tax liabilities	1,954	1,429
		1,711	**905**

Deferred tax assets arising from unused tax losses are recognised net of valuation allowances as follows:

29.32(d)		2010 CU'000	2009 CU'000
	Unused tax losses	1,322	1,425
	Valuation allowance	(702)	(474)
	Net deferred tax asset recognised	**620**	**951**

29.32(e) Tax losses of the Group have no expiry dates under the current tax legislation except for those amounting to CU 1,030,000 (2009: CU 1,047,000) incurred by one subsidiary in Asialand, which will expire after 5 years from the year in which the tax losses were incurred.

9. Inventories

13.22(b)		2010 CU'000	2009 CU'000
4.11(c) (iii)	Raw materials	3,167	4,422
4.11(c) (ii)	Work-in-progress	1,622	1,534
4.11(c) (i)	Finished goods	278	311
	Inventories	**5,067**	**6,267**

13.22(c) In 2010, a total of CU 27,784,000 of inventories was included in profit and
13.22(d) loss within cost of sales as an expense (2009: CU 19,788,000). This amount
27.32(a) includes impairment losses of CU 12,000 (2009: CU 57,000).

10. Trade and other receivables

4.11(b)		2010 CU'000	2009 CU'000
	Trade receivables	26,714	19,524
33.9(b)	Receivables from related parties	568	422
	Accrued income	18	16
	Prepayments	96	104
	Trade and other receivables	**27,396**	**20,066**

11.48(c) The Group recognised an impairment loss CU 445,000 (2009: CU 376,000) on trade receivables from customers experiencing financial difficulties who were in default of payments.

Guidance note: Offsetting

In consolidated financial statements, a current tax asset of one member of the group may be offset against a current tax liability of another only if the two group members have a legally enforceable right to make or receive a single net payment and intend to either settle them on a net basis or simultaneously. Similar requirements apply to the offset of deferred tax assets and deferred tax liabilities (29.29).

In the example, IPL has offset the tax balances of those group members within the tax jurisdiction of Euroland that are treated as a group for tax purposes, which legally may be settled on a net basis. Deferred tax assets arising from tax losses incurred outside of Euroland are not offset as these losses may not be utilised to reduce tax payable on profits earned in Euroland.

11. Financial assets and financial liabilities

		2010 CU'000	2009 CU'000
	Financial assets		
11.41(a)	Financial assets measured at fair value through profit or loss		
	Derivative financial instruments	–	246
	Other short-term financial assets	115	55
	Total	**115**	**301**
11.41(c)	Financial assets measured at cost less impairment		
	Other short-term financial assets	47	47
	Total	**47**	**47**
11.41(b)	Financial assets measured at amortised cost less impairment		
	Trade and other receivables	27,396	20,066
	Cash and cash equivalents	10,481	7,145
	Total	**37,877**	**27,211**
	Financial liabilities		
11.41(d)	Financial liabilities measured at fair value through profit or loss		
	Derivative financial instruments	288	–
	Total	**288**	**–**
11.41(e)	Financial liabilities measured at amortised cost		
	Trade and other payables	16,901	9,576
	Borrowings	4,509	3,927
	Total	**21,410**	**13,503**

11.43 The Group's derivative financial instruments comprise US-dollar forward foreign exchange contracts, which are not traded on active markets. The fair values of these contracts are estimated using discounted cash flow analysis based on market forward exchange rates and interest rates at the reporting date. These contracts are considered by management to be part of economic hedge arrangements but have not been formally designated.

11.43 The Group's other short-term financial assets comprise investments in equity securities. The investments carried at fair value are held for short-term trading purposes. They are denominated in CU and are publicly traded in Euroland. Fair values have been determined with reference to their quoted bid prices at the reporting date.

12. Cash and cash equivalents

7.20 Cash and cash equivalents include the following components:

	2010 CU'000	2009 CU'000
Cash at bank and in hand	4,234	4,995
Short-term bank deposits	6,247	2,150
Cash and cash equivalents	**10,481**	**7,145**

13. Share capital

4.12(a)(iii) The share capital of IPL consists only of fully paid ordinary shares with a
4.12(a)(v) par value of CU 1. All ordinary shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholder meetings of IPL.

		2010	2009
4.12(a)(iv)	**Shares issued and fully paid**		
	At 1 January	7,570,000	6,785,000
	Share issue	–	785,000
4.12(a)(ii)	**At 31 December**	**7,570,000**	**7,570,000**
4.12(a)(vii)	Shares authorised for share based payments	450,000	450,000
4.12(a)(i)	**Total shares authorised at 31 December**	**8,050,000**	**8,050,000**

14. Borrowings

	2010 CU'000	2009 CU'000
Non-current		
Bank loans	2,206	3,294
Finance lease liabilities	2,263	2,795
	4,469	**6,089**
Current		
Bank loans	2,303	633
Finance lease liabilities	532	532
	2,835	**1,165**
Total borrowings	**7,304**	**7,254**

11.42 Bank loans comprise term loans and an invoice discounting facility. The
11.46 term loans mature until 2014. The loans are repayable in monthly instalments and bear interest at floating rates based on Euroland Inter Bank Offer Rate plus 0.5%. The loans are secured on the Group's land and buildings, printing plant and investment property (notes 6 and 7). The invoice discounting facility bears interest at Euroland Interbank Offer Rate plus 1%. The facility is secured on the underlying trade receivables of CU 1,013,000 (2009: Nil). Should the Group default under the loan agreement the bank has the right to receive the cash flows from the underlying trade receivables. The loans do not impose any significant restrictions on the Group's operations.

Future minimum lease payments at the end of each reporting period are as follows:

		2010 CU'000	2009 CU'000
20.13(b)(i)	Not later than 1 year	560	563
20.13(b)(ii)	Later than 1 year and not later than 5 years	2,210	2,222
20.13(b)(iii)	Later than 5 years	138	686
		2,908	**3,471**
	Finance charges	(113)	(144)
	Present value of finance lease liabilities	**2,795**	**3,327**

15. Trade and other payables

4.11(d)

	2010 CU'000	2009 CU'000
Trade payables	10,581	4,926
33.9(b) Amounts due to related parties	847	724
Accruals	932	1,049
Deferred income – advertising revenues	4,541	2,877
Trade and other payables	**16,901**	**9,576**

16. Provisions

4.11(e)

		Restructuring CU'000
21.14(a)(i)	Carrying amount 1 January	–
21.14(a)(ii)	Additional provisions	322
21.14(a)(i)	**Carrying amount 31 December**	**322**

21.14 (b)-(d) The provision for restructuring arises as a result of the Group's decision taken in late 2010 to reduce the size of its workforce in its recruitment advertising business in Spain. Management expects to settle the statutory termination remuneration for employees in the first half of 2011.

17. Revenue

		2010 CU'000	2009 CU'000
23.30(b)(i)	Sale of goods – printing	51,175	41,229
23.30(b)(ii)	Provision of services – advertising	35,248	31,743
23.30(b)(viii)	Rental income from investment property	74	72
	Revenue	**86,497**	**73,044**

18. Other income

30.25(a) Included in other income are exchange gains of CU 122,000 (2009: CU 79,000).

19. Employee remuneration

19.1 Employee benefit expense

		2010 CU'000	2009 CU'000
	Wages and salaries	5,136	5,275
26.23(a)	Share-based payments	292	80
28.40	Pensions – defined contribution plans	259	281
	Employee benefits expense	**5,687**	**5,636**

19.2 Share-based employee remuneration

26.18(a) At 31 December 2010 the Group maintained an equity settled share-based payment scheme, which is part of the remuneration package of the executive directors and senior management. The option exercise price is equal to the estimated market price of IPL's shares at date of grant. Options granted vest after two years subject to the Group achieving annual growth in operating profits of 15% in each of the two years and participants still being employed in the Group. The options have a contractual life of five years.

All share-based employee remuneration will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options and weighted average exercise price are as follows:

		Number of options	Weighted average exercise price (CU)
26.18(b)(i)	Outstanding at 1 January 2010	300,000	5.4
26.18(b)(ii)	Granted	150,000	6
26.18(b)(iii)	Forfeited	–	–
26.18(b)(iv)	Exercised	–	–
26.18(b)(v)	Expired	–	–
26.18(b)(vi)	**Outstanding at 31 December 2010**	**450,000**	**5.6**
26.18(b)(vii)	**Exercisable at 31 December 2010**	**`–**	**–**
26.18(b)(i)	Outstanding at 1 January 2009	–	–
26.18(b)(ii)	Granted	300,000	5.4
26.18(b)(iii)	Forfeited	–	–
26.18(b)(iv)	Exercised	–	–
26.18(b)(v)	Expired	–	–
26.18(b)(vi)	**Outstanding at 31 December 2009**	**300,000**	**5.4**
26.18(b)(vii)	**Exercisable at 31 December 2009**	**–**	**–**

26.19 As described in note 3.20, the fair value of options granted during the year was determined using the Black-Scholes option pricing model. The Black-Scholes model was used as it is expected to provide a reasonably reliable estimate of fair value for simple employee option schemes such as that of the Group.

20. Finance costs and finance income

		2010 CU'000	2009 CU'000
	Interest expense for finance lease arrangements	29	31
11.48(a)(iv) 11.48(b)	Interest expense for bank loans measured at amortised cost	116	136
	Finance costs	**145**	**167**

		2010 CU'000	2009 CU'000
14.13	Dividends from associate	83	86
11.48(a)(i)	Dividend income from listed equity securities measured at fair value through profit or loss	7	4
11.48(a)(iii) 11.48(b)	Interest income for short-term bank deposits measured at amortised cost	152	140
	Finance income	**242**	**230**

21. Other financial items

		2010 CU'000	2009 CU'000
11.48(a)(i)	Fair value gains and losses on listed equity securities – held for trading	22	(138)
11.48(a)(i)	Fair value gains on derivative financial assets – forward exchange contracts	11	104
11.48(a)(ii)	Fair value losses on derivative financial liabilities – forward exchange contracts	(288)	–
	Other financial items	**(255)**	**(34)**

22. Income tax expense

		2010 CU'000	2009 CU'000
	Current tax expense		
9.31(a)	Current tax on profits for the year	2,370	2,366
29.31(b)	Over provision in prior years	(41)	(35)
	Total current tax	2,329	2,331
	Deferred tax expense (note 8)		
29.31(c)	Origination and reversal of temporary differences	458	206
29.31(g)	Change in valuation allowance	228	(39)
	Total deferred tax	686	167
	Tax expense	**3,015**	**2,498**

23. Cash flow adjustments and changes in working capital

		2010 CU'000	2009 CU'000
7.8(b-c)	**Adjustments**		
	Depreciation and amortisation	2,662	2,196
	Interest and other dividends received	(159)	(144)
	Fair value losses on financial instruments	255	34
	Interest expense	145	167
	Impairment of trade receivables	445	376
	Gain on disposal of property, plant and equipment	(7)	(102)
	Share-based payments expenses	292	80
	Change in fair value of investment property	(104)	(98)
	Dividends received from associates	(83)	(86)
	Inventory write-down	12	57
	Total adjustments	**3,458**	**2,480**
7.8(a)	**Net changes in working capital**		
	Change in inventories	1,188	(2,403)
	Change in trade and other receivables	(6,429)	(5,573)
	Change in trade and other payables	5,785	399
	Change in provisions	322	–
	Total changes in working capital	**866**	**(7,577)**

24. Related party transactions

33.9(b) The Group's related parties include its subsidiaries, associates and key
33.13 management personnel. None of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances were unsecured and are usually settled in cash.

24.1 Transactions with associates

33.9 (a) During 2010, the Group provided advertising services valued at
33.9(c) CU 2,028,000 to an associate (2009: CU 1,545,000). The outstanding balances are disclosed in note 10. There were no provisions for uncollectable amounts made against receivables from related parties.

33.9 (a) During 2010, the Group purchased printing paper valued at CU 3,548,000 from an associate (2009: CU 3,196,000). The outstanding balances are disclosed in note 15.

33.9 (a) The Group recognised dividends received from its associates of
14.13 CU 83,000 (2009: CU 86,000).

Guidance note: Terms of related party transactions
It is common that related party transactions are carried out on terms that are more or less favourable than equivalent transactions with independent third parties. Although the IFRS for SMEs does not require specific disclosure that the terms are different, it prohibits disclosure that terms are equivalent to those that prevail in arm's length transactions unless such terms can be substantiated (3.13).

24.2 Transactions with key management personnel

33.9(a) During 2010, the Group purchased marketing services valued at CU 112,000 from an entity controlled by one of the directors of the parent company (2009: nil). There was no outstanding balance at 31 December.

33.7 The key management personnel of the Group are the members of the board of directors and the group management team. Key management remuneration amounted to CU 921,000 (2009: CU 960,000).

25. Contingent assets and contingent liabilities

21.16 The Group is in discussion with its insurers in respect of the final compensation payments in respect of losses incurred due to damage to equipment and interruption of business following a fire at one of the Group's production facilities in 2008. Management considers that it is probable that the final settlement of the insurance claim received will be in the region of CU 200,000 – 250,000, and is expected to be settled in 2011.

21.15
21.17 The Group has contingent liabilities in respect of a legal claim arising in the ordinary course of business. Management considers the claim to be unjustified and it is unlikely that it will require settlement at the Group's expense. This evaluation is consistent with external independent legal advice. Further information on this contingent liability is omitted so as not to seriously prejudice the position of the Group in the related dispute.

26. Operating lease commitments as lessee

The Group's future minimum non-cancellable operating lease payments are as follows:

		2010 CU'000	2009 CU'000
20.16(a)(i)	Not later than 1 year	1,430	1,201
20.16(a)(ii)	Later than 1 year and not later than 5 years	4,338	3,854
20.16(a)(iii)	Later than 5 years	7,511	7,455
	Total	**13,279**	**12,510**

20.16(c)
20.16(b) The Group leases a number of properties and production facilities under operating leases. The leases run for an initial period of ten to fifteen years. The Group's operating leases do not contain any contingent rent clauses or any renewal or purchase options. Some of the leases contain escalation clauses such that lease payments will increase annually in line with the general inflation index in the relevant countries. Lease payments recognised as an expense during the period amounted to CU 1,415,000 (2009: CU 958,000).

27. Transition to the IFRS for SMEs

These are the Group's first consolidated financial statements prepared in accordance with the IFRS for SMEs. Previously they were prepared in accordance with full IFRS. The Group has prepared its opening statement of financial position at the date of transition to the IFRS for SMEs, which is 1 January 2009.

35.12 The effects of the transition to IFRS for SMEs on total equity, profit and cash flows are presented in this section and further explained in the accompanying notes.

27.1 Exemptions from full retrospective application

The Group's accounting policies presented in note 3 have been applied in preparing the financial statements for the year ended 31 December 2010, the comparative information and the opening statement of financial position as at the date of transition. The resulting adjustments have been recognised in retained earnings at the date of transition. However, upon transition, the Group has applied all the mandatory exceptions from full retrospective application and the following optional exemptions:

Business combinations

35.10(a) The Group has elected not to apply Section 19 'Business Combinations and Goodwill' retrospectively to business combinations that occurred before the date of transition (1 January 2009). The carrying value of goodwill at the date of transition is the deemed cost of goodwill at that date, adjusted to reflect cumulative amortisation from the date of acquisition.

Revaluation as deemed cost

35.10(d) The Group has elected to use an IFRS revaluation of land and buildings included in property, plant and equipment at the date of transition (1 January 2009) as deemed cost of those assets at that date.

27.2 Reconciliation of equity

35.13(b) Equity at the date of transition and 31 December 2009 can be reconciled to the amount reported previously under IFRS as follows:

	Notes	31 December 2009 CU'000	1 January 2009 CU'000
Total equity under IFRS		37,597	28,597
Restatement of investments in associates to cost	(a)	(223)	(187)
Restatement of property, plant and equipment to cost	(b)	(169)	–
Expensing of borrowing costs capitalised in property plant and equipment	(c)	(347)	(215)
Amortisation of goodwill	(d)	(635)	(462)
Current tax adjustments	(e)	(38)	(32)
Deferred tax adjustments	(f)	179	74
Total equity under IFRS for SME		**36,364**	**27,775**

Guidance note: Transition to the IFRS for SMEs

First-time adoption generally requires full retrospective application of the IFRS for SMEs (35.7). The resulting adjustments arise from transactions, other events or conditions before the date of transition to the standard. Therefore, the adjustments are recognised in retained earnings (or another category of equity if appropriate) at the date of transition. However there are some mandatory exceptions and optional exemptions to make transition easier. The example illustrates some of these and a full list is included in the appendix.

An entity may elect not to apply Section 19 'Business Combinations and Goodwill' retrospectively to business combinations that occurred before the date of transition (35.10(a)). This allows the first-time adopter to retain the same classification (as an acquisition, a reverse-acquisition or a uniting of interests) as in its previous GAAP financial statements. The individual assets and liabilities of the subsidiary, including goodwill, recognised in the consolidated financial statements are then subject to the normal transitional requirements of the IFRS for SMEs.

IPL has chosen to take advantage of the business combinations and revaluation as deemed cost exemptions to avoid the need to restate its earlier business combination accounting and PPE revaluations respectively in the opening statement of financial position. The Group did not elect to reset the cumulative translation differences to be classified as a separate component of equity to zero at the transition date as this information was available under full IFRS and there was no additional cost or effort required to obtain it.

In this example, IPL has the information necessary to restate its opening statement of financial position in accordance with the IFRS for SMEs. This includes information necessary to recognise cumulative amortisation of goodwill from the date of the business combinations in which it was recognised. This may not be the case for all entities transitioning to the standard. In such cases, the entity must restate the amounts in the earliest period for which it is practicable to do so and identify which items are not fully restated (35.11).

27.3 Reconciliation of profit or loss

35.13(c) Profit or loss for the year ended 31 December 2009 can be reconciled to the amount reported previously under IFRS as follows:

	Notes	2009 CU'000
Profit for year under IFRS		7,602
Dividends received from associates	(a)	86
Share of profit from associates	(a)	(122)
Expensing of borrowing costs capitalised in property, plant and equipment	(c)	(132)
Amortisation of goodwill	(d)	(173)
Current tax adjustment	(e)	(6)
Deferred tax adjustments	(f)	60
Profit for year under IFRS for SMEs		**7,315**

35.13(a)

27.4 Notes to the reconciliations

(a) Investments in associates accounted for at cost

The Group has elected to account for its investments in associates at cost less impairment, which is lower than the carrying value under the equity method previously used. Dividends received from associates for the year ended 31 December 2009 have been recognised in profit or loss instead of the Group's share of the associates' profit.

(b) Property, plant and equipment accounted for at cost

Previously, land and buildings were carried at valuation. The Group has elected to adopt the revaluation at the date of transition as deemed cost at that date. This adjustment reverses the revaluation surplus and associated deferred tax (a net amount of CU 118,000) previously recognised through other comprehensive income for the year ended 31 December 2009.

(c) Borrowing costs expensed as incurred

Under IFRS, borrowing costs attributable to the acquisition of the printing plant were capitalised. These borrowing costs have been written off through retained earnings at the date of transition.

(d) Amortisation of goodwill

Goodwill previously was not amortised. The adjustment reflects the amortisation of goodwill since its acquisition.

(e) Current tax adjustments

The Group had tax uncertainties at the date of transition as to whether specific expenditures would be allowed as a deduction for tax purposes in the Group's tax filings for the 2008 financial year. The current tax liability includes the probability-weighted average of the possible outcomes whereas under IFRS a single best estimate approach was used.

(f) Deferred tax adjustments

The adjustments reflect the deferred tax impact of the other transition adjustments and also the impact of the different tax basis used for calculating temporary differences for certain assets. The IFRS for SMEs requires that the tax basis be determined on the assumption that the carrying amount of the asset is recovered through sale whereas previously it was determined based on management's intentions, which assumed continued use in the business.

28. Authorisation of financial statements

32.9 The consolidated financial statements for the year ended 31 December 2010 (including comparatives) were approved by the board of directors on 8 March 2011.

C Executive
(Board member 1)

C Finance
(Board member 2)

Appendix: Explanatory notes to first-time adoption

The underlying principle on first-time adoption is full retrospective application of the IFRS for SMEs (35.7). However, the standard provides specific mandatory exceptions and optional exemptions to facilitate transition which are summarised in the tables below.

There may be circumstances where management is not reasonably able to obtain all the information it needs to make adjustments at the date of transition. These adjustments are then made in the earliest period in which it is practicable to do so. The financial statements should identify the information which does not conform to the IFRS for SMEs in prior periods (35.11).

A review of the transition differences may highlight errors made under previous GAAP. Such errors should be distinguished from those adjustments arising from changes in accounting policies (35.14).

If management chooses not to adopt the IFRS for SMEs in a future period and then later reverts to it again, the entity may not take advantage of the special concessions on first-time adoption a second time (35.2).

Mandatory exception	Description
Derecognition of financial instruments (35.9(a))	Financial assets and financial liabilities derecognised under previous GAAP are not recognised. For financial assets and financial liabilities that would have been derecognised under the IFRS for SMEs in a transaction that took place before the date of transition but were not derecognised under previous GAAP, an entity may choose (a) to derecognise them at the date of transition or (b) to continue to recognise them until disposal or settlement.
Hedge accounting (35.9(b))	For hedging relationships that no longer exist at the date of transition, hedge accounting under previous GAAP is not changed. For hedging relationships that do exist at the date of transition, the hedge accounting requirements of section 12 are applied, including the requirements for discontinuing hedge accounting for those hedging relationships that do not meet the conditions in section 12.
Accounting estimates (35.9(c))	An entity should not retrospectively change the accounting under previous GAAP.
Discontinued operations (35.9(d))	An entity should not retrospectively change the accounting under previous GAAP.
Measurement of non-controlling interests (35.9(e))	An entity should not retrospectively change the accounting under previous GAAP. The requirements to allocate profit or loss and total comprehensive income between non-controlling interest and owners of the parent are applied prospectively from the date of transition, unless a business combination is accounted for using the IFRS for SMEs before the date of transition.

Optional exemption	Description
Business combinations (35.10(a))	Elect not to apply the requirements of section 19 to business combinations where the acquisition date is prior to the transition date or to apply it from any selected date prior to the transition date.
Share-based payment transactions (35.10(b)	Elect not to apply the requirements of section 26 to equity instruments granted before the transition date or liabilities arising from share-based payment transactions that were settled before the transition date.
Fair value as deemed cost (35.10(c))	Elect to measure an item of property, plant and equipment, an investment property or an intangible asset at fair value at the date of transition, which is then used as its deemed cost at that date.
Revaluation as deemed cost (35.10(d))	Elect to use a previous GAAP revaluation of an item of property, plant and equipment, an investment property or an intangible asset at or before the transition date as its deemed cost at the revaluation date.
Cumulative translation differences (35.10(e))	Elect to restate all cumulative translation differences for all foreign operations to be classified as a separate component of equity to be zero at the date of transition.
Separate financial statements (35.10(f))	If an entity chooses to measure investments in subsidiaries, associates and joint ventures at cost in its separate financial statements, it may elect to determine cost (i) in accordance with the IFRS for SMEs or (ii) as a deemed cost being either fair value or the previous GAAP carrying amount at the date of transition.
Compound financial instruments (35.10(g))	Elect not to split the liability and equity component of a compound financial instrument if the liability component is not outstanding at the date of transition.
Deferred income tax (35.10(h))	Elect not to recognise deferred tax assets and liabilities relating to differences between the tax basis and carrying amounts of any assets and liabilities at the date of transition if this would involve undue cost or effort.
Service concession arrangements (35.10(i))	Elect not to apply the requirements of the IFRS for SMEs to service concession arrangements entered into before the transition date.
Extractive industries (35.10(j))	If an entity used full cost accounting under previous GAAP, it may elect to measure assets used in the exploration, evaluation, development or production of oil and gas at the amount determined under previous GAAP at the date of transition. These assets should then be tested for impairment at the date of transition by applying the impairment requirements in section 27 of the IFRS for SMEs.
Arrangements containing a lease (35.10(k))	Elect to determine whether an arrangement contains a lease based on facts and circumstances at the date of transition rather than at the date when the arrangement was entered into.
Decommissioning liabilities included in the cost of property, plant and equipment (35.10(l))	The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located. This obligation is incurred either when the item is acquired or as a consequence of having used the item during a particular period (for purposes other than to produce inventories during that period). Elect to measure this component of cost of an item of property, plant and equipment based on conditions at the date of transition rather than on the date(s) when the obligation initially arose.

Notes

Notes

Grant Thornton

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