ACCOUNTING POLICIES

Year ended 31 March 2015

Basis of preparation
The consolidated and Company financial statements have been prepared on a historical cost basis. They are presented in sterling and all values are rounded to the nearest 0.1 million (£ million) except where otherwise indicated.

The consolidated financial statements of Dairy Crest Group plc have been prepared in accordance with IFRS as adopted by the European Union ('EU'). The separate Company financial statements have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

Having reviewed and taken into account Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council in October 2009, the Directors are satisfied that the Company and the Group have adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. See the Going Concern Statement on page 63 of the Directors' Report.

Areas of estimation
The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are (i) the measurement of the impairment of goodwill, intangible assets and property, plant and equipment (ii) the measurement of defined benefit pension scheme assets and obligations (iii) the calculation of promotional discount accruals and (iv) the estimation of tax costs in France in relation to the sale of St Hubert.

(i) The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. The assessment of value in use is compared to the carrying value of goodwill. This requires estimation of future cash flows and the selection of a suitable discount rate. See Note 11.

The Group tests whether intangible assets, property, plant and equipment are impaired where there are indications that there is a risk of impairment. This requires an estimation of the value in use of the cash-generating units in which these assets reside. The assessment of value in use is compared to the carrying value of assets. This requires estimation of future cash flows and the selection of a suitable discount rate.

In the year ended 31 March 2015, the Group tested the intangible assets, property, plant and equipment of the Dairies cash-generating unit for impairment due to indicators of impairment being present. In assessing for impairment, consideration was taken of the future cash flows on an ongoing basis and also the impact of the potential disposal of the Dairies operations to create a risk weighted value in use calculation of the cash-generating unit. Three key assumptions in performing the test included the projected value and timing of cash flows from property sales, the allocation of corporate costs and the projected profit growth. The result of the test was that no impairment was required; however the headroom was low and therefore sensitive to the above assumptions. See Note 10.

(ii) The Group recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Retirement Benefit Obligations'. The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries, and life expectancy, amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. See Note 20.

(iii) The Group accrues for agreed promotional funding. Accruals for promotional funding are calculated based on an estimated redemption rate of the promotion. The redemption rate used is dependent on the promotional mechanic and considers known historical data on the performance of that mechanic. Management considers this to be an area of judgment which is dependent on the customer mix and promotion mechanic.

(iv) The sale of St Hubert will result in tax payable in France both on the chargeable gain on disposal and on dividend payments made to the UK parent between 31 March 2012 and the date of disposal in August 2012. An estimate has been made of the likely tax costs resulting from these transactions however the final assessment has yet to be agreed with the French tax authorities, which may result in a change to the level of tax provisioning.

Areas of judgment
The key areas where judgment has been applied are (i) classification of the Dairies operation (ii) the timing and nature of exceptional costs and (iii) the judgment that for IFRS 8 purposes only one segment should be reported on.

(i) On 6 November 2014, the Group announced the sale of its Dairies operations to Müller, subject to approval of the relevant competition authorities. The Dairies operation has not been classified as held for sale at the balance sheet date because, due to it being conditional upon CMA approval, it was not deemed to meet the "highly probable" criteria under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

(ii) Items of a material, one-off nature, which result from a restructuring of the business or some other event or circumstance are disclosed separately in the consolidated income statement as exceptional. Management consider this to be an area of judgment due to the assumptions made around the timing and nature of exceptional costs.

(iii) Following the restructure of the Group to a single operating unit in 2013, management has judged that the Group comprises one segment under IFRS 8 'Operating Segments'. However, certain product group information is provided voluntarily to assist the user of the accounts.

Further analysis of the key sources of estimation uncertainty and sensitivities are included in the relevant notes to the financial statements.

Changes in accounting policies
The following accounting standards and interpretations became effective for the current reporting period:

International Accounting Standards (IAS/IFRSs)
IAS 16 – Improvement to IAS 16: Property, Plant and Equipment (effective 1 July 2014)
IAS 38 – Improvement to IAS 38: Intangible Assets (effective 1 July 2014)
IAS 24 – Improvement to IAS 24: Related Party Disclosure (effective 1 July 2014)
IFRS 13 – Improvement to IFRS 13: Fair Value Measurement (effective 1 July 2014)

International Financial Reporting Interpretations Committee (IFRIC)
IFRIC 21 – Levies (effective 13 June 2014)
The application of these standards has had no material impact on the net assets, results and disclosures of the Group in the year ended 31 March 2015.

The IASB and IFRIC have issued the following standards and interpretations (with an effective date after the date of these financial statements):

IFRS 15 – Revenue from Contracts with Customers
IFRS 9 – Financial Instruments

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Consolidation
The Group financial statements consolidate the accounts of Dairy Crest Group plc and its subsidiaries drawn up to 31 March each year using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full.

Subsidiaries acquired during the year are consolidated from the date on which control is transferred to the Group. The separable net assets, both tangible and intangible, of the newly acquired subsidiary undertakings are incorporated into the financial statements on the basis of the fair value as at the effective date of control, if appropriate.

Results of subsidiary undertakings disposed of during the financial year are included in the financial statements up to the effective date of disposal. Where a business component representing a separate major line of business is disposed of, or classified as held for sale, it is classified as a discontinued operation. The post-tax profit or loss of the discontinued operations is shown as a single amount on the face of the income statement, separate from the other results of the Group.

Interest in associates
The Group's investments in associates are accounted for under the equity method of accounting. Associates are entities over which the Group exerts significant influence. The Company and its associates use consistent accounting policies. The investment in associates are carried in the balance sheet at initial fair value plus post-acquisition changes in the Group's share of net assets, less any impairment in value and any distributions received. The consolidated income statement reflects the share of the post-tax results of associates. Where there has been a change recognised directly in the associates' other comprehensive income, the Group recognises its share of such changes and discloses this, where applicable in other comprehensive income.

Foreign currency translation
The functional and presentational currency of Dairy Crest Group plc and its subsidiaries is Sterling (£).

Transactions in foreign currency are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the balance sheet date. Exchange differences on monetary items are taken to the income statement, except where recognised in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

On consolidation, assets and liabilities of foreign subsidiaries are translated into sterling at year end exchange rates. The results of foreign subsidiaries are translated into sterling at average rates of exchange for the year (being an approximation of actual exchange rates). Exchange differences arising from the retranslation of the net investment in foreign subsidiaries at year end exchange rates, less exchange differences on borrowings, which finance or provide a hedge against those undertakings are taken to a separate component of equity as long as IFRS hedge accounting conditions are met. Exchange differences relating to foreign currency borrowings that provide a hedge against a net investment in a foreign entity remain in equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated to write off the cost (less residual value) of property, plant and equipment, excluding freehold land, on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold buildings:	25 years
Leasehold land and buildings:	25 years or, if shorter, the period of the lease
Office equipment:	4 to 6 years
Factory plant and equipment:	6 to 20 years
Vehicles:	4 to 10 years

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value exceeds the estimated recoverable value, the asset is written down to its recoverable amount. The recoverable amount of plant and equipment is the greater of the fair value less costs to sell or 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 an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are charged to the consolidated income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year that it is derecognised.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets.

All other borrowing costs are recognised as an expense in the period they occur.

Investments
The Company recognises its investments in subsidiaries at cost being the fair value of consideration paid, less provisions for impairment where appropriate.

Business Combinations and Goodwill
The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of acquiree's identifiable net assets will be determined on a transaction by transaction basis. Acquisition costs incurred are expensed in the income statement.

Goodwill on acquisition is initially measured at cost being the cost of the acquisition (see above) less net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. All goodwill was tested for impairment at the time of transition to IFRS and no impairment was identified.

Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at the net book value as at this date and is not subsequently amortised.

As at the acquisition date, any goodwill acquired is allocated to the cash-generating unit or groups of cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group's cash-generating units, for the purpose of considering goodwill, are 'Dairies' (fully impaired), 'Spreads', 'MH Foods' and 'Cheese'. These represent the lowest level at which goodwill is monitored.

Goodwill arising on acquisitions before 1 April 1998 has been charged against the merger reserve and will remain set off against reserves even if the related investment becomes impaired or the business sold.

Intangible assets
Intangible assets acquired as part of an acquisition of a business are capitalised at fair value separately from goodwill if the fair value can be measured reliably on initial recognition and the future expected economic benefits flow to the Group. Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Currently, all the Group's intangible assets have finite useful lives and are amortised over 3 to 15 years on a straight line basis. Acquired intangible assets comprise acquired brands, principally the Frylight brand which was considered to have a useful life of 15 years at the date of acquisition.

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Intangible assets generated internally comprise software development expenditure. Software development is carried at cost less accumulated amortisation and is amortised over four to seven years on a straight line basis. Internally generated intangible assets that are not yet available for use are tested for impairment annually either individually or at the cash-generating unit level or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Research and development
Expenditure on research is written off as incurred. Development expenditure is also written off as incurred unless the future recoverability of this expenditure can reasonably be assured as required by IAS 38 'Intangible Assets'.

Recoverable amount of non-current assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of its recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes the purchase price of raw materials (on a first in first out basis), direct labour and a proportion of manufacturing overheads based on normal operating capacity incurred in bringing each product to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs.

Trade and other receivables
Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts.

Interest bearing loans
Interest bearing loans and borrowings are initially recognised at the fair value net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the Consolidated Income Statement when the liabilities are derecognised.

Net debt

The Group and Company define net debt as interest bearing loans and borrowings and finance leases less cash and cash equivalents. The calculation of net debt excludes the fair value of derivative financial instruments with the exception of cross currency swaps to fix foreign currency debt in Sterling where they are designated as cash flow hedges. In this case the fixed Sterling debt, not the underlying foreign currency debt retranslated, is included in net debt. It includes any cash or borrowings included within disposal groups classified as held for sale and excludes unamortised upfront facility fees.

Retirement benefit obligations

The Group operates two types of pension arrangements, a defined benefit scheme and a defined contribution scheme.

Defined benefit scheme

The net asset or liability recognised in the balance sheet in respect of the defined benefit pension scheme is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date as adjusted for unrecognised past service cost. Any asset resulting from the calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme. Where the Group is considered to have a contractual obligation to fund the scheme above the accounting value of the liabilities, an onerous obligation is recognised as an unrecoverable notional surplus. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full to the statement of comprehensive income as they arise.

The Company has closed its defined benefit scheme and therefore no current service costs are required to be charged to income statement. Past service costs are recognised in the income statement at the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises related restructuring costs.

Scheme administration costs that are not directly related to investment activities are charged to the income statement. Administration costs that are directly related to investment are recognised as part of the re-measurement exercise through the Statement of Comprehensive Income.

The net interest charge is calculated by applying the discount rate to the net defined benefit liability or asset.

Defined contribution scheme

These pension arrangements do not constitute a future obligation to the Group. Members of these schemes will contribute a percentage of their salary into the scheme and the Company will pay an additional amount into the scheme. The size of an individual's pension on retirement is based on the performance of the asset portfolio and is not linked to salary. Company contributions to the scheme are charged to the income statement in the same period as services are rendered by the relevant employee.

Share-based payments

Equity-settled performance payments

The Group and Company have issued equity instruments for which they receive services from employees in consideration for these equity instruments. Equity-settled share-based payment schemes are measured at fair value at the grant date using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

The cost of equity-settled transactions with employees is measured by reference to the fair value and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees became fully entitled to the award. At each balance sheet date before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately.

Rights granted to employees of subsidiary undertakings over equity instruments of the Company are treated as an investment in the Company's balance sheet.

Employees' Share Ownership Plan ('ESOP')

The shares in the Company held by the Dairy Crest Employees' Share Ownership Plan Trust to satisfy Long Term Incentive Share Plan awards are presented as a deduction from equity in arriving at shareholders' equity. Consideration received from the sale of such shares is also recognised in equity with no gain or loss recognised in the consolidated income statement.

The Group and Company have not adopted the exemption to apply IFRS 2 'Share-based payments' only to awards made after 7 November 2002.

Leased assets

Assets acquired under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at fair value of the leased asset or, if lower, the present value of the minimum lease payments. The net present value of future lease rentals is included as a liability on the balance sheet. The interest element of lease rentals is charged to the income statement in the year. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

Revenue
Revenue on sale of food and dairy products is recognised on delivery. Revenue comprises the invoiced value for the sale of goods net of value added tax, rebates and discounts and after eliminating sales within the Group.

Discounts comprise mainly promotional accruals and overriding discounts. The Group accrues against agreed promotional funding and agreed customer terms. The redemption rate used is dependent on the promotional mechanic and considers known historical data on the performance of that mechanic and is adjusted for actual performance. The overriding discounts are calculated as a proportion of the level of customer sales in the period.

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

Other income
Other income comprises the profit on disposal of closed depots.

Exceptional items
Certain items are recorded separately in the income statement as exceptional. Only items of a material, one-off nature, which result from a restructuring of the business or some other event or circumstance, are disclosed in this manner in order to give a better understanding of the underlying operational performance of the Group. The profits arising on disposal of closed sites, other than as a result of dairies depot rationalisation, are reported within exceptional items.

Government and other grants
Government grants are initially recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset in equal annual installments.

Income tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except as indicated below.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax assets and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are offset only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Financial assets
The Group and Company classifies financial assets that are within the scope of IAS 39 as:

- financial assets at fair value through income statement;
- loans and receivables;
- held-to-maturity investments; or
- available-for-sale financial assets, as appropriate.

The Group and Company determines the classification of financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value. The Group and Company currently hold only loans and receivables.

Derivative instruments
The Group and Company use derivative financial instruments such as forward currency contracts, cross-currency swaps and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value and subsequently re-measured to fair value at each balance sheet date.

Neither the Group nor the Company has entered into any fair value hedges during the year.

Cash flow hedges
In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in the income statement.

When the hedged firm commitment (in relation to foreign exchange exposure) or the highly probable forecast transactions results in the recognition of a non-monetary asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the income statement in the same year in which the hedged item affects the net profit and loss, for example when the future sale actually occurs, interest payments are made or when debt matures. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement for the year.

Fair value measurement
The Group measures financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.