

Illustrative interim financial information 2011

April 2011

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



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Designed to facilitate the collection and review of disclosures for each component of the IFRS financial statements. Outlines the disclosures required for December 2010 year ends.



IFRS pocket guide 2010

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



IFRS student manual 2010

Designed as a practical guide to IFRS for researchers, teachers, students and those studying for professional exams. Includes worked examples and illustrations from real IFRS financial statements.



Illustrative interim financial information 2011

Illustrative information, prepared in accordance with IAS 34, reflecting standards issued up to March 2011. Includes a disclosure checklist, IAS 34 application guidance and an appendix for first-time adopters.



Illustrative IFRS corporate consolidated financial statements for 2010 year ends

Illustrative set of consolidated financial statements for an existing preparer of IFRS. Includes appendices with disclosures for first-time adopters, and for IFRS 9. Included with 'Manual of accounting – IFRS 2011'; also available separately.



Illustrative consolidated financial statements

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Global Accounting Consulting Services
PricewaterhouseCoopers LLP, Chartered Accountants



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Introduction

Objective and scope

IAS 34, 'Interim financial reporting', prescribes the minimum content for an interim financial report, and the principles for recognition and measurement. Interim financial statements can comprise complete or condensed financial statements. The interim financial report for IFRS GAAP plc contains condensed financial statements; it does not include all of the notes that would be required in a complete set of financial statements. However, the primary financial statements are presented in a format consistent with the consolidated financial statements that are required to be presented in an annual financial report under IAS 1, 'Presentation of financial statements'. This publication also provides additional PwC guidance in 'commentary' boxes on how to present this information (see p3 for commentary on the financial statements as whole, and p27 for commentary on the notes to the financial statements). Areas in which presentation has changed significantly since 2010 or where we have added additional commentary have been highlighted in grey.

This publication reflects IFRSs in issue at 1 March 2011 that are required to be applied by an entity with an annual period beginning on or after 1 January 2011.

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

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

When preparing interim financial statements in accordance with IAS 34, an entity should have regard to its local legal and regulatory requirements, which are not considered in this publication but may require additional disclosures to be made in the interim financial statements.

What is new in the 2011 illustrative interim financial statements?

The publication has been updated to incorporate the following:

- Management commentary guidance;
- Financial risk management note – improved IFRS 7 disclosures resulting from the amendment to IAS 34;
- Appendix illustrating example disclosures for the early adoption of IFRS 9, 'Financial instruments'; and
- Updated interim disclosure checklist.

Introduction

Alternative performance measures

There has been increasing use of alternative performance measures (sometimes referred to as non-GAAP measures) in narrative and summary disclosures in recent years. This has raised concern among regulators and users of financial statements. A particular cause for concern is where such information is described as being more representative or reliable than the numbers reported in accordance with IFRS. For example, the narrative discussion of performance may focus on strong growth in earnings before certain expenses, while the statement of comprehensive income prepared in accordance with accounting standards shows a decline in profit or even a loss. It is best practice for management to:

- Make clear to the reader that any non-GAAP measures are adjusted;
- Reconcile non-GAAP measures to the numbers prepared in accordance with IFRS; and
- Give IFRS figures greater or at least the same prominence as non-GAAP figures.

What are the top eight interim reporting pitfalls?

Our experiences of reviewing interim reports suggest that the following errors or omissions are the most frequent:

- Incorrect or no disclosure of new standards, amendments and IFRIC interpretations.
- Basis of preparation note incorrect (for example, does not refer to IAS 34 or IFRSs).
- Omission of the nature and amount of items that are unusual by their nature, size or incidence.
- Omission of some or all business combinations disclosures, especially those related to combinations after the interim reporting date.
- Omission of details of material property, plant and equipment acquired or disposed of during the period.
- Omission of details of material changes in estimates – for example, relating to provisions, defined benefit pension obligations and impairments.
- No explanations of the effect of seasonality on operations.
- Statement of comprehensive income includes incorrect entries or omits correct entries.

Management commentary

IAS 34 does not require entities to present a separate management commentary. Entities that prepare interim financial information are generally listed and should prepare management commentary in accordance with the regulations of the relevant stock exchange.

The IASB issued a non-mandatory practice statement on management commentary in December 2010 that provides principles for the presentation of a narrative report on an entity's financial performance, position and cash flows. The practice statement does not provide specific application guidance on interim financial reporting. If management elects to prepare management commentary on interim financial information consistent with the guidance in the non-mandatory practice statement, we would expect them to apply a principle similar to IAS 34 by providing an explanation of significant changes since the last annual financial statements and cross-referencing to the annual financial statements where applicable.

The IASB's practice statement provides a broad framework of principles, qualitative characteristics and elements that might be used to provide users of financial reports with decision-useful information. The practice statement recommends that the commentary is entity-specific and may include the following components:

- A description of the business including discussion of matters such as the industries, markets and competitive position; legal, regulatory and macro-economic environment; and the entity's structure and economic model.
- Management's objectives and strategies to help users understand the priorities for action and the resources that must be managed to deliver results.
- The critical financial and non-financial resources available to the entity and how those resources are used in meeting management's objectives for the entity.
- The principal risks, and management's plans and strategies for managing those risks, and the effectiveness of those strategies.
- The performance and development of the entity to provide insights into the trends and factors affecting the business and to help users understand the extent to which past performance may be indicative of future performance.
- The performance measures that management uses to evaluate the entity's performance against its objectives, which helps users to assess the degree to which goals and objectives are being achieved.

Commentary – Consolidated interim financial statements

Condensed financial statements

1. An interim financial report contains either a complete set of financial statements, as described in IAS 1, 'Presentation of financial statements', or a set of condensed financial statements, as described in IAS 34, 'Interim financial reporting'.
2. The interim financial report for IFRS GAAP plc contains condensed financial statements; it does not include all of the notes that would be required in a complete set of financial statements. However, the primary financial statements are presented in a format consistent with the consolidated financial statements that are required to be presented in an annual financial report under IAS 1, 'Presentation of financial statements'.

34p10

Items to appear on the face of condensed financial statements

3. If an entity publishes condensed financial statements in its interim financial report, these condensed financial statements should include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial report and the selected explanatory notes required by IAS 34, 'Interim financial reporting'. Additional line items or notes should be included if their omission would make the condensed interim financial report misleading.

PwC observation:

IAS 34 does not require the presentation in the condensed primary statements of all the line items that are required by IAS 1, 'Presentation of financial statements', to be included in the primary statements in the annual financial statements; however, it is common, and considered best practice, to include them. In some countries, the extent to which line items may be aggregated in condensed interim financial statements may also be governed by local regulators or market requirements.

IAS 34 requires additional line items or notes to be included if their omission would make the condensed interim financial report misleading. [IAS 34p10]. An entity may incur costs on an annual basis that are not significant enough in the context of the annual financial statements to require separate disclosure. However, such costs might be incurred unevenly during the year and require separate presentation in the condensed income statement, thus leading to a difference in presentation between the interim financial report and the annual comparative financial statements.

34p20(a)-(e)

Minimum requirement

4. The interim financial report should include:
- (a) a statement of comprehensive income (and separate income statements, where applicable) for the current interim period and cumulatively for the current financial year to date, with comparative statements of comprehensive income for the comparable interim periods (current and annual reporting period to date) of the immediately preceding financial year;
 - (b) a balance sheet (statement of financial position) as at the end of the current interim period and as at the end of the immediately preceding financial year;
 - (c) a statement of changes in equity, showing changes in equity cumulatively for the current financial year, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year;
 - (d) a cash flow statement cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.

34p20(b)

5. For a half-year report, the current interim period and the financial year to date are the same. However, where an entity prepares quarterly interim financial reports, the statement of comprehensive income in the interim financial reports for the second and third quarters will need to include additional columns showing the financial year to date and the comparative financial year to date for the corresponding interim period.

Periods covered

Entities that report half-yearly

Based on the requirements of IAS 34p20, the table below illustrates the statements required to be presented in the interim financial report of an entity that reports half-yearly, with a 31 December 20X1 year end.

Statements required for entities that report half-yearly

Statement	Current	Comparative
Balance sheet at	30 June 20X1	1 December 20X0
Statement of comprehensive income (and, where applicable, separate income statement):		
– 6 months ended	30 June 20X1	30 June 20X0
Statement of changes in equity:		
– 6 months ended	30 June 20X1	30 June 20X0
Statement of cash flows:		
– 6 months ended	30 June 20X1	30 June 20X0

Entities that report quarterly

Based on the requirements of IAS 34, the following table below illustrates the statements required to be presented in the second quarter interim financial report of an entity that reports quarterly, with a 31 December 20X1 year end.

Statements required for entities that report half-yearly

Statement	Current	Comparative
Balance sheet at	30 June 20X1	31 December 20X0
Statement of comprehensive income (and, where applicable, separate income statement):		
– 6 months ended	30 June 20X1	30 June 20X0
– 3 months ended	30 June 20X1	30 June 20X0
Statement of changes in equity:		
– 6 months ended	30 June 20X1	30 June 20X0
Statement of cash flows:		
– 6 months ended	30 June 20X1	30 June 20X0

6. If an interim financial report is presented for a different interim reporting period, the heading of the financial statements should specify the interim reporting period covered (for example, 'For the quarter ended 30 September 2011' or 'For the third quarter ended 31 March 2012'); the heading for the figures should indicate whether they are presented for a quarter, a half-year or the financial year to date, as appropriate.
7. IAS 34 has a year-to-date approach to interim reporting and does not replicate the requirements of IAS 1 in terms of comparative information. As a consequence, it is not necessary to provide an additional balance sheet (statement of financial position) as at the beginning of the earliest comparative period presented where an entity has made a retrospective change in accounting policies and/or a retrospective reclassification.

Interim consolidated statement of comprehensive income

(All amounts in C thousands unless indicated otherwise)

Interim consolidated statement of comprehensive income

34p8(b), 34p20(b)	Notes	Six months ended	
		June 2011	June 2010
		Unaudited	
Profit for the year		3,881	3,440
Other comprehensive income:			
Gains on revaluation of land and buildings		195	260
Available-for-sale financial assets		16	14
Actuarial gain/loss on post employment benefit obligations		81	(153)
Cash flow hedges		284	18
Net investment hedge		4	–
Currency translation differences		(5)	15
Income tax relating to components of other comprehensive income ²		(172)	(44)
Other comprehensive income for the year, net of tax		403	110
Total comprehensive income for the year		4,284	3,550
Attributable to:			
– Owners of the parent		3,834	3,045
– Non-controlling interest		450	505
Total comprehensive income for the year		4,284	3,550
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations		3,774	2,960
Discontinued operations	8	60	85
		3,834	3,045

IFRS5p33(d)

The notes on pages 11 to 27 are an integral part of these interim consolidated financial statements.

² Alternatively, individual components of other comprehensive income may be presented after related tax effects.

Interim consolidated balance sheet

(All amounts in C thousands unless indicated otherwise)

Interim consolidated balance sheet³

34p8(a), 34p20(a)		30 June 2011	31 December 2010
	Notes	Unaudited	Audited
Assets			
Non-current assets			
Property, plant and equipment	14	15,298	16,595
Goodwill	15	2,049	–
Intangible assets		4,433	3,140
Investments in associates	10	995	290
Other non-current financial assets		1,536	1,760
Deferred income tax asset		85	77
Available-for-sale financial assets		4,062	3,999
		28,458	25,861
Current assets			
Inventories		13,230	12,730
Trade and other receivables		8,241	9,135
Other current financial assets		679	871
Cash and cash equivalents (excluding bank overdrafts)		522	498
		22,672	23,234
IFRS5p33(c) Assets of disposal group classified as held for sale	8	1,400	–
		24,072	23,234
Total assets		52,530	49,095
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	16	24,632	24,032
Other reserves		3,290	3,056
Retained earnings		4,773	1,552
		32,695	28,640
Non-controlling interests		3,188	2,975
Total equity		35,883	31,615
Liabilities			
Non-current liabilities			
Borrowings		5,230	5,110
Other non-current financial liabilities		2,097	1,630
Deferred income tax liabilities		660	380
Retirement benefit obligations	18	2,237	2,725
Provisions for other liabilities and charges	19	1,038	977
		11,262	10,822
Current liabilities			
Trade and other payables		2,605	4,389
Current income tax liabilities		587	728
Borrowings		827	603
Provisions for other liabilities and charges	19	626	938
		4,645	6,658
Liabilities of disposal group classified as held for sale	8	740	–
Total liabilities		16,647	17,480
Total equity and liabilities		52,530	49,095

The notes on pages 11 to 27 are an integral part of these interim consolidated financial statements.

³ The balance sheet is referred to in IAS 1 as the 'statement of financial position'. Either name can be used.

Interim consolidated statement of changes in equity

(All amounts in C thousands unless indicated otherwise)

Interim consolidated statement of changes in equity

34p8(c), 34p20(c)	Attributable to owners of the parent						Non- cont- rolling interest	Total equity
	Notes	Share capital	Other reserves	Retained earnings	Total	Total		
Balance at 1 January 2011		24,032	3,056	1,552	28,640	2,975	31,615	
Profit for the period		–	–	3,431	3,431	450	3,881	
Other comprehensive income		–	322	81	403	–	403	
Total comprehensive income		–	322	3,512	3,834	450	4,284	
Transactions with owners								
– Value of employee services		–	–	700	700	–	700	
– Proceeds from shares issued		600	–	–	600	–	600	
Purchase of treasury shares ⁴		–	(195)	–	(195)	–	(195)	
Convertible bond – equity component		–	77	–	77	–	77	
Dividends		–	–	(961)	(961)	(237)	(1,198)	
Acquisition of associate	10	–	30	(30)	–	–	–	
		600	(88)	(291)	221	(237)	(16)	
Balance at 30 June 2011 (unaudited)		24,632	3,290	4,773	32,695	3,188	35,883	
Balance at 1 January 2010		23,917	1,297	523	25,737	2,379	28,116	
Profit for the period		–	–	2,935	2,935	505	3,440	
Other comprehensive income		–	263	(153)	110	–	110	
Total comprehensive income		–	263	2,782	3,045	505	3,550	
Transactions with owners								
Employees share option scheme:								
– Value of employee services		–	–	500	500	–	500	
– Proceeds from shares issued		800	–	–	800	–	800	
Dividends		–	–	(1,659)	(1,659)	(252)	(1,911)	
		800	–	(1,159)	(359)	(252)	(611)	
Balance at 30 June 2010 (unaudited)		24,717	1,560	2,146	28,423	2,632	31,055	

The notes on pages 11 to 27 are an integral part of these interim consolidated financial statements.

⁴ For equity shares purchased for holding in treasury, national law may require that this amount is deducted from distributable profits. In the absence of any legal requirement, the amount is debited to a separate component of equity. Paid-in capital is not reduced

Interim consolidated statement of cash flows

(All amounts in C thousands unless indicated otherwise)

Interim consolidated statement of cash flows

34p8(d), 34p20(d)	Six months ended	
	June 2011	June 2010
	Notes	Unaudited
Cash flows from operating activities		
Continuing operations:		
Cash generated from operations		9,624
Interest paid		(603)
Income taxes paid		(1,147)
Discontinued operations ⁵	8	1,166
Cash flows from operating activities – net		9,040
Cash flows from investing activities		
Continuing operations:		
– acquisition of subsidiary, net of cash acquired		–
– purchases of property, plant and equipment		(6,204)
– proceeds on disposal of property, plant and equipment		60
– other investing cash flow – net		275
Discontinued operations ⁵	8	(92)
Cash flows from investing activities – net		(5,961)
Cash flows from financing activities		
Continuing operations:		
– dividends paid		(1,911)
– issue of convertible bonds		–
– repayments of borrowings		(225)
– other finance cash flows – net		63
– purchase of treasury shares		–
Discontinued operations ⁵	8	(103)
Cash flows from financing activities – net		(2,176)
Net increase in cash, cash equivalents and bank overdrafts		903
Cash, cash equivalents and bank overdrafts at start of period		977
Exchange gains/(losses)		(17)
Cash, cash equivalents and bank overdrafts at end of period		1,863
Bank overdrafts		145
Cash and cash equivalents		2,008

The notes on pages 11 to 27 are an integral part of these interim consolidated financial statements.

⁵ The net cash flows relating to the operating, investing and financing activities of discontinued operations may either be presented on the face of the statement of cash flows or in the notes.

(All amounts in C thousands unless indicated otherwise)

Notes to the interim financial information

1 General information

34p8(e) IFRS GAAP plc ('the company') and its subsidiaries (together, 'the group') manufacture distribute and sell shoes through a network of independent retailers.

**1p138(a)-
(b)** The group has manufacturing plants around the world and sells mainly in countries within the UK, US and Europe.

**1p138(a)-
(b)** The company is a public limited company, which is listed on the GlobalMoney Stock Exchange and incorporated and domiciled in Step-land. The address of its registered office is Nice Walk Way, Step-land.

This condensed consolidated interim financial information was approved for issue on 24 August 2011.

This condensed consolidated interim financial information has been reviewed, not audited⁶.

2 Basis of preparation

**34p15,
34p19** This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRSs.

2.1 Going-concern basis

The group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group's products; and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.⁷

⁶ Local legislation may require interim financial information to be reviewed or audited.

⁷ The directors should report in annual and half-yearly financial statements that the business is a going concern, with supporting assumptions or qualifications as necessary.

Notes to the interim financial information

(All amounts in C thousands unless indicated otherwise)

3 Accounting policies

34p28, The accounting policies adopted are consistent with those of the previous financial year,
34p16A except as described below.

(a)

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

34pB12 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

PwC observation:

New standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption).

The adoption of IFRS for reporting purposes may be subject to a specific legal process. In some jurisdictions (for example, in the European Union and Australia), the effective date may be different from the IASB's.

34p16A(a) IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised C15 of such gains in other comprehensive income.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39, 'Financial instruments: Recognition and measurement', and have not been changed. The group has not yet decided when to adopt IFRS 9.

4 Estimates

34p41 The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

34p16A(d) In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010, with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of exceptional items (see Note 3).

(All amounts in C thousands unless indicated otherwise)

5 Financial risk management

5.1 Financial risk factors

IFRS7p31 The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. For one non-current borrowing of C1,500 with maturity date 30 September 2014, the group expects early settlement in 2013 due to the continuing positive cash flows from operating activities.

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

IFRS7 p27B(a) The following table presents the group's assets and liabilities that are measured at fair value at 30 June 2011.

	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives	–	459	220	679
Derivatives used for hedging	–	375	–	375
Available-for-sale financial assets				
– Equity securities	553	–	–	553
– Debt investments	3,423	236	–	3,659
Total assets	3,976	1,070	–	5,266
Liabilities				
Derivatives used for hedging	–	109	–	109
Total liabilities	–	109	–	109

Notes to the interim financial information

(All amounts in C thousands unless indicated otherwise)

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives	–	754	–	754
Derivatives used for hedging	–	871	–	871
Available-for-sale financial assets				
– Equity securities	446	–	–	446
– Debt investments	3,311	242	–	3,553
Total assets	3,757	1,867		5,624
Liabilities				
Derivatives used for hedging	–	334	–	334
Total liabilities	–	334	–	334

**IFRS7
p27B(e)** In 2011, the group transferred a held-for-trading forward foreign exchange contract from level 2 into level 3. This is because the counterparty for the derivative encountered significant financial difficulties, which resulted in a significant increase to the discount rate due to increased counterparty credit risk, which is not based on observable inputs. If the change in the credit default rate for that derivative would be shifted +/- 5%, the impact on profit or loss would be C20.

**IFRS7
p20(a)(ii)** The group reclassified available-for-sale investments losses of C87 (2010: C35) from other comprehensive income into the income statement. Losses in the amount of C55 (2010: C20) were due to impairments.

34p15B(h) In 2011 there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets and financial liabilities.

34p15B(l) In 2011 there were no reclassifications of financial assets.

Commentary – financial risk management

Annual improvements project 2010

- 34p15B
(k)** 1. The 2010 annual improvements project amended IAS 34 and introduced the requirement to disclose significant transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.
2. Each entity must assess if the disclosure of the fair value hierarchy required for the annual financial statements is material to an understanding of the interim financial information.
- The group determined the fair value hierarchy as relevant and significant for the user of its interim financial information. The group therefore included the above information as well.
- 34p15B
(h)** 3. The 2010 improvements project amended IAS 34 and introduced the requirement to disclose significant changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost.
- 34p15B
(l)** 4. The 2010 annual improvements project amended IAS 34 and introduced the requirement to disclose significant changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

(All amounts in C thousands unless indicated otherwise)

6 Seasonality of operations

34p16A(b) Due to the seasonal nature of the US and UK retail segment, higher revenues and operating profits are usually expected in the second half of the year than the first six months. Wholesale revenues and operating profits are more evenly spread between the two half years. In the financial year ended 31 December 2010, 39% of revenues accumulated in the first half of the year, with 61% accumulating in the second half.

7 Operating segment information

34p16A(g)(v) Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

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

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

The reportable operating segments derive their revenue primarily from the manufacture and sale of shoes on a wholesale basis, with the exception of the UK and US, which are further segregated into retail shoe and leather goods sales.

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

34p16A(g)(iii) The strategic steering committee assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group. As the strategic steering committee reviews adjusted EBITDA, the results of discontinued operations are not included in the measure of adjusted EBITDA.

Sales between segments are carried out at arms' length. The revenue from external parties reported to the Board is measured in a manner similar to transaction with third parties.

The following table presents revenue and profit information regarding the groups operating segments for the six months ended 30 June 2011 and 2010 respectively.

Notes to the interim financial information

(All amounts in C thousands unless indicated otherwise)

	UK		US		Russia	China	Europe	All other segments	Total
	Wholesale	Retail	Wholesale	Retail					
34p16A (g)(ii)	Six months ended 30 June 2011								
Total segment revenue	10,984	6,731	3,183	2,500	2,324	2,600	3,560	1,196	33,078
Inter-segment revenue	(978)	-	-	-	-	-	-	-	(978)
34p16A (g)(i)	Revenue from external customers								
	10,006	6,731	3,183	2,500	2,324	2,600	3,560	1,196	32,100
34p16A (g)(iii)	Adjusted EBITDA								
	6,185	3,190	1,681	1,724	980	1,300	2,050	430	17,540
34p16A (g)(ii)	Six months ended 30 June 2010								
Total segment revenue	12,866	4,711	3,044	2,949	1,200	2,450	2,350	1,510	31,080
Inter-segment revenue	(906)	-	-	-	-	-	-	-	(906)
34p16A (g)(i)	Revenue from external customers								
	11,960	4,711	3,044	2,949	1,200	2,450	2,350	1,510	30,174
34p16A (g)(iii)	Adjusted EBITDA								
	5,110	2,964	1,316	1,923	771	680	1,320	111	14,195

34p16A (g)(vi) A reconciliation of total adjusted EBITDA to total profit before income tax and discontinued operations is provided as follows:

	30 June 2011	30 June 2010
Adjusted EBITDA for reportable segments	17,110	14,084
Other segments EBITDA	430	111
Total segments	17,540	14,195
Corporate overheads	(319)	(250)
Depreciation	(8,422)	(6,318)
Amortisation	(293)	(182)
Impairments	(1,300)	(1,700)
Inventory write-downs	(730)	-
Restructuring costs	-	(1,200)
Legal claims	(1,279)	-
Operating profit	5,197	4,545
Finance income	1	1
Finance costs	(779)	(609)
Share of post tax profits of associates	295	55
Profit before income tax and discontinued operations	4,714	3,992

(All amounts in C thousands unless indicated otherwise)

PwC observation:

IFRS 8 does not provide guidance as to whether segment disclosures apply to discontinued operations. The group has not disclosed the results within the segment disclosures. This decision was based on the fact that the CODM did not separately review the results of the leather accessories division since its decision to dispose of the division. The discontinued operation could be presented within the segment note if it meets the quantitative threshold for disclosure and if the CODM reviews the results of the division.

8 Discontinued operations and disposal groups

34p16A 8.1 Discontinued operations (c),(i), 34p10, DV

On 6 March 2011, the group announced its intention to sell the leather accessories division. The group initiated an active programme to locate a buyer and complete the sale during the first half of the year. The business was sold on 23 May 2011 for cash consideration of C3,710 (net of C200 cash disposed of); its results are presented in this interim financial information as a discontinued operation.

Financial information relating to the leather accessories operations for the period to the date of disposal is set out below. The income statement and statement of cash flow distinguish discontinued operations from continuing operations. Comparative figures have been restated.

IFRS5p33 8.2 Income statement and cash flow information

		Six months ended 30 June	
		2011	2010
	Revenue	4,200	3,100
	Expenses	(3,852)	(2,976)
	Profit before income tax from discontinued operation	348	124
12p81	Income tax	(90)	(39)
	Profit after income tax from discontinued operations	258	85
	Pre-tax loss recognised on disposal of discontinued operation	(289)	–
12p81	Income tax	91	–
	Post tax loss recognised on disposal of discontinued operation	(198)	–
	Profit from discontinued operations	60	85

Cash flows from discontinued operations

		Six months ended 30 June	
		2011	2010
	Net cash generated in operating activities	720	1,166
	Net cash from investing activities	3,633	(92)
	(includes an inflow of C3,710 from the sale of the division)		
	Net cash from financing activities	(113)	(103)
	Effect on cash flows	4,240	971

Notes to the interim financial information

(All amounts in C thousands unless indicated otherwise)

34p16A(c), 8.3 Disposal group

34p10, DV

The assets and liabilities related to company Shoes Limited (part of the UK wholesale segment) have been presented as held for sale following shareholder approval of the decision to dispose of this operation. The completion date for the transaction is expected to be before September 2011. Shoes Limited assets and liabilities are a disposal group. However, Shoes Limited is not a discontinued operation at 30 June 2011, as it does not represent a major line of business.

Shoes Limited's assets and liabilities were remeasured to the lower of carrying amount and fair value less costs to sell at the date of held-for-sale classification. The inventory was written down by C100 to C630.

The major classes of assets and liabilities of Shoes Limited disposal group are as follows:

	30 June 2011
IFRS5p38 Assets classified as held for sale:	
– property, plant and equipment	410
– intangible assets	150
– inventory	630
– cash and cash equivalents	200
– other current assets	10
Total assets of the disposal group	1,400
Liabilities directly associated with assets classified as held for sale:	
– trade and other payables	346
– borrowings	200
– other current liabilities	74
– provisions	120
Total liabilities of the disposal group	740
Total net assets of the disposal group	660

9 Business combinations

IFRS3p B64(a-d) On 1 March 2011, the group acquired 90% of the share capital of Shoe Shop Ltd, a shoe and leather goods retailer operating in the US and most western European countries. The total consideration was C7,050. As a result of the acquisition, the group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale. None of the goodwill is expected to be deductible for tax purposes.

IFRS3p B64(e) The goodwill of C2,049 arises from a number of factors such as expected synergy's through combining a highly skilled workforce and obtaining economies of scale and unrecognised assets such as the workforce.

IFRS3p B64(k) The following table summarises the consideration paid for Shoe Shop Ltd, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

(All amounts in C thousands unless indicated otherwise)

	Consideration	1 March 2011
	Cash	6,900
IFRS3p B64(g)(i)	Contingent consideration	150
IFRS3p B64(f)	Total consideration	7,050
IFRS3p B64(m)	Acquisition-related costs (included in administrative expenses in the income statement for the period ended 30 June 2011)	100
IFRS3p B64(i)	Recognised amounts of identifiable assets acquired and liabilities assumed	
		Provisional fair value
	Cash and cash equivalents	150
	Property, plant and equipment	1,970
	Intangibles:	
	– Customer relationships	250
	Brand	1812
	Inventories	1,648
	Trade and other receivables	610
	Trade and other payables	(380)
	Employee benefit liabilities, including pensions	(170)
	Borrowings	(260)
	Net deferred tax assets/(liabilities)	(240)
	Total identifiable net assets	5,390
	Non-controlling interest	(389)
	Goodwill	2,049
		7,050

PwC observation:

IFRS 3 no longer requires entities to report the book values of the acquired assets and liabilities; only the fair values are required.

**IFRS3p
B64(f)(iii),
IFRS3
B67(b),
IFRS3p
B64(g)** The contingent consideration arrangement requires the group to pay the former owners of Shoe Shop Ltd 10% of the profit of Shoe Shop Ltd, in excess of C750 for 2011, up to a maximum undiscounted amount of C500.

The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between C0 and C500.

The fair value of the contingent consideration arrangement of C150 was estimated by applying the income approach. The fair value estimates are based on a discount rate of 8% and assumed probability-adjusted profit in Shoe Shop Ltd of C1,000 to C2,000.

**IFRS3p
B64(h)** The fair value of trade and other receivables is C610 and includes trade receivables with a fair value of C520. The gross contractual amount for trade receivables due is C592, of which C72 is expected to be uncollectible.

Notes to the interim financial information

(All amounts in C thousands unless indicated otherwise)

**IFRS3p
B67(a)** The fair value of the acquired identifiable intangible assets (including the brand) of C2,062 is provisional pending receipt of the final valuations for those assets. Deferred tax of C300 has been provided in relation to these fair value adjustments.

The non-controlling interest has been recognised as a proportion of net assets acquired.

PwC observation:

IFRS 3 also allows non-controlling interests to be measured at fair value. If this entity had applied fair value measurement, the disclosures that would have been presented are as follows:

**IFRS3
B64 (o)** The fair value of the non-controlling interest in Shoe Shop Ltd, an unlisted company, was estimated by applying market approach and an income approach. The fair value estimates are based on:

- An assumed discount rate of 11%;
- An assumed terminal value based on a range of terminal EBITDA, multiples between three and five times;
- Long-term sustainable growth rate of 2%; and
- Assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interest in Shoe Shop Ltd.

**IFRS3p
B64(q)(i)** The revenue included in the consolidated income statement from 1 March 2011 to 30 June 2011 contributed by ABC Ltd was C2,300. Shoe Shop also contributed profit of C750 over the same period.

**IFRS3p
B64(q)(ii)** Had Shoe Shop Ltd been consolidated from 1 January 2011, the consolidated income statement for the six months ended 30 June 2011 would show revenue of C32,205 and profit of C4,754.

10 Investment in associates

On the 15 February 2011, IFRS GAAP Plc increased its investment in Soles Ltd from 10% to 30%, which resulted in the investment being classified from an available-for-sale holding to an associate.

The carrying value of the available-for-sale investment was C150, fair value movements of C30 in relation to the available-for-sale investment were reversed in other reserves as a result of the increased stake in Soles Ltd. The cash consideration for the increase in the investment was C400. Transaction costs of C5 have been treated as part of the investment in the associate. Notional goodwill of C100 has been identified as a result of this investment.

	Six months ended 30 June 2011
Beginning of the year	290
Addition ⁸	555
Share of profit from associate	150
Total	995

⁸ Included within this amount is C120 of cost, which was in relation to the previously held available-for-sale investment, C100 of notional goodwill.

(All amounts in C thousands unless indicated otherwise)

PwC observation:

There are two approaches that may be adopted when an investor increases its stake in an entity and an existing investment becomes an associate for the first time. Those two methods are:

- 'Cost of each purchase' method. The cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of investee's profits and other equity movements (for example, revaluation). Any acquisition-related costs are treated as part of the investment in the associate.
- 'Fair value as deemed cost' method (by analogy with IFRS 3). The cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. As this method is based on the analogy with the revised IFRS 3 guidance on step acquisitions of subsidiaries, any acquisition-related costs are expensed in the periods in which the costs are incurred. This is different to acquisition-related costs on initial recognition, as those costs form part of the carrying amount of an associate.

The group's share of the results in Sole Ltd and its aggregated assets and liabilities are shown below:

	Six months ended 30 June 2011
Assets	3,500
Liabilities	2,000
Revenues	800
Share of profit	110
Percentage held	30%

11 Exceptional items

Items that are material either because of their size or their nature or that are non-recurring are presented within their relevant consolidated income statement category, but highlighted separately in the income statement. The separate reporting of exceptional items helps provide a better picture of the group's underlying performance.

An analysis of the amounts presented as exceptional items in these financial statements is given below.

	Six months ended 30 June	
	2011	2010
Operating items		
Impairment charge relating to property, plant and equipment and intangible assets	1,300	1,785
Inventory write-down	790	–

Non-financial assets that have an indefinite life are not subject to amortisation but are tested for impairment annually at year-end (31 December) or whenever there is any indication of impairment. There was no indication of impairment for non-financial assets with indefinite lives during the period.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment charge of C1,300 in the period relates to the impairment of a machine that produces leather accessories (belonging to the US wholesale segment) that do not meet European security criteria, with the recoverable amount being the fair value less costs to

Notes to the interim financial information

(All amounts in C thousands unless indicated otherwise)

sell. The fair value less cost to sell for the machine was determined with reference to an active market. The impairment charge of C1,785 in the six months ended 30 June 2010 related mainly to the restructuring of the wholesale division, with the recoverable amount being value in use, discounted at a pre-tax rate of 7.5%.

Financial assets were reviewed for impairment as at 30 June 2011. There was no indication of impairment.

The inventory write-down of C790 mainly relates to leather accessories that do not meet European security criteria. There has been a change in One-Land laws relating to the manufacture process of grain leather. The leather accessories are no longer saleable and hence have been written down by the group.

12 Income taxes

34p30(c) Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2011 is 35% (the estimated tax rate for the six months ended 30 June 2010 was 33%). This increase is mainly due to an increase of 7% in the income tax rate in One-Land. This increase is applicable from 1 January 2011.

13 Dividends

34p16A(f) A dividend that relates to the period to 31 December 2010 and that amounts to C961 was paid in May 2011 (2010: C1,659).

DV In addition, an interim dividend of 5 cents per share (2010: 5 cents per share) was proposed by the board of directors on 20 July 2011 and approved by shareholders on 1 August 2011. It is payable on 31 October 2011 to shareholders who are on the register at 30 September 2011. This interim dividend, amounting to C765 (2010: C750), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year to 31 December 2011.

14 Property, plant and equipment and intangible assets

34p16A(c), 34p15B(d) In May 2011, the group acquired a new machine to test new shoe technology at a cost of C6,000.

	Property, plant and equipment	Intangible assets
DV		
Six months ended 30 June 2010		
Opening net book amount as at 1 January 2010	15,722	3,504
Additions	6,204	-
Disposals	(351)	-
Depreciation and amortisation	(6,318)	(182)
Impairment	(1,785)	-
Closing net book amount as at 30 June 2010	13,472	3,322
DV		
Six months ended 30 June 2011		
Opening net book amount as at 1 January 2011	16,595	3,140
Acquisition of subsidiary (Note 9)	1,970	561
Additions	7,977	-
Disposals	(352)	-
Discontinued operations – sale of Shoes Limited (Note 8)	(760)	(325)
PPE and intangibles classified as held for sale – Shoes Limited (Note 8)	(410)	(150)
Depreciation and amortisation	(8,422)	(293)
Impairment	(1,300)	-
Closing net book amount as at 30 June 2011	15,298	2,933

(All amounts in C thousands unless indicated otherwise)

15 Goodwill

	30 June 2011
At the beginning of the period	–
Exchange differences	–
Acquisition of subsidiaries	3,549
Disposal of subsidiaries	–
Impairment	–
At the end of the period	3,549

16 Share capital

	Number of shares (thousands)	Ordinary shares	Share premium	Total
DV				
Opening balance as at 1 January 2010	14,700	14,700	9,217	23,917
Proceeds from shares issued – employee share option scheme	300	300	500	800
At 30 June 2010	15,000	15,000	9,717	24,717
34p16A(e) Opening balance as at 1 January 2011	15,000	15,000	9,032	24,032
Proceeds from shares issued – employee share option scheme	400	400	200	600
At 30 June 2011	15,400	15,400	9,232	24,632

34p16A(e) The group acquired 100,000 of its own shares through purchases on the EuroMoney Stock Exchange on 1 April 2011. The total amount paid to acquire the shares, net of income tax, was C195 and has been deducted from shareholders' equity. The shares are held as 'Treasury shares'. The company has the right to re-issue these shares at a later date. All shares issued were fully paid.

34p16A(e) Employee share option scheme: options exercised during the period to 30 June 2011 resulted in 400,000 shares being issued (30 June 2010: 300,000 shares), with exercise proceeds of C600 (30 June 2010: C800). The related weighted average price at the time of exercise was C2.50 (30 June 2010: C2.45) per share.

17 Borrowings and loans

	30 June 2011	31 December 2010	30 June 2010
DV			
Non-current	5,230	5,110	3,571
Current	827	603	514
	6,057	5,713	4,085

Notes to the interim financial information

(All amounts in C thousands unless indicated otherwise)

34p16A(c) Movements in borrowings are analysed as follows:

Six months ended 30 June 2010	
Opening amount as at 1 January 2010	4,210
Acquisition of subsidiary	100
Repayments of borrowings	(225)
Closing amount as at 30 June 2010	4,085
Six months ended 30 June 2011	
Opening amount as at 1 January 2011	5,713
Acquisition of subsidiary (Note 9)	260
Borrowings classified as held for sale	(200)
Borrowings from discontinued operation	(450)
Repayments of borrowings	(163)
Convertible bonds – liability component	897
Closing amount as at 30 June 2011	6,057

The group issued one thousand 5.0% convertible bonds at a total nominal value of C1,100 on 1 May 2011. The bonds mature five years from the issue date at their nominal value of C1,100 or can be converted into shares at the holder's option at the rate of 33 shares per C1. The value of the liability component (C897) and the equity conversion component (C107), net of transaction costs of C100, were determined at issuance of the bond. The fair value of the liability component included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves, net of deferred tax of C30.

The group has the following undrawn borrowing facilities:

	30 June 2011	31 December 2010	30 June 2010
Floating rate:			
– expiring beyond one year	9,000	9,000	–

These facilities have been arranged to help finance ongoing investment in new stores.

34p6, 15 Although global market conditions (the 'credit crunch') have affected market confidence and consumer spending patterns, the group remains well placed to grow revenues through ongoing product innovation and the recent acquisition of Shoe Shop Ltd. The group does not have any exposure to sub-prime lending or collateralised debt obligations. The group has sufficient headroom to enable it to conform to covenants on its existing borrowings. The group has sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investment in new stores.

18 Retirement benefit obligations

34p16A(c) On 21 February 2011, a change in legislation in One-Land resulted in the group being required to settle a significant proportion of its defined benefit pensions obligations in that country. The cost of settling the obligation exceeded the amount recognised as a defined benefit obligation. The settlement resulted in an additional expense of C265.

(All amounts in C thousands unless indicated otherwise)

DV The amounts recognised within administrative expenses in the income statement were as follows:

	Six months ended	
	June 2011	June 2010
Current service costs	751	498
Interest costs	431	314
Expected return on plan assets	(510)	(240)
Past service costs	18	16
Losses on settlement	265	-
	955	588

DV The amounts recognised in the balance sheet were as follows:

	June 2011	December 2010	June 2010
Present value of funded obligations	6,155	6,999	7,697
Fair value of plan assets	(5,991)	(6,853)	(7,736)
Present value of unfunded obligations	2,218	2,742	3,158
Unrecognised past service cost	(145)	(163)	(182)
Liability in the balance sheet	2,237	2,725	2,937

The changes in the present value of funded obligations and fair value of plan assets were mainly due to the acquisition of Shoe Shop Ltd (Note 9) and the settlement of plans in One-Land. The One-Land settlement resulted in a decrease of C1,842 in the present value of funded obligations and a decrease of C2,089 in the fair value of plan assets.

19 Provisions for other liabilities and charges

	Legal claims	Restructuring	Other	Total
Six months ended 30 June 2010				
DV Opening net book amount at 1 January 2010	60	-	210	270
Additional provisions	80	1,200	90	1,370
Unused amount reversed	(10)	-	(80)	(90)
Closing net book amount at 30 June 2010	130	1,200	220	1,550
Six months ended 30 June 2011				
34p16A(c) Opening net book amount at 34p15B(c) 1 January 2011	285	1,200	430	1,915
Additional provisions	1,279	-	-	1,279
Unused amount reversed	-	(180)	(330)	(510)
Utilised during the period	-	(1,020)	-	(1,020)
Closing net book amount at 30 June 2011	1,564	-	100	1,664

34p16A(i), A provision of C1,200 was recognised in respect of the restructuring of the leather accessories segment as at 30 June 2010. This restructuring was completed in April 2011, at which point C180 of the restructuring provision was reversed as unutilised.

34p15B(f) The legal claims provision of C285 as at 1 January 2011 relates to certain legal claims brought against the group by customers. The balance as at 30 June 2011 is expected to be utilised in September 2011. A new legal claim arose in May 2011 brought against the group by customers of the US retail segment. A provision of C1,279 was consequently recognised in profit or loss within administrative expenses. The provision is not expected

Notes to the interim financial information

(All amounts in C thousands unless indicated otherwise)

to be utilised in less than one year. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided for at 30 June 2011.

34p15B(f) Other provisions include provisions for onerous contracts, for lease commitments relating to abandoned premises, and for environmental issues.

20 Contingent liabilities

A claim for unspecified damages was lodged against the group during the period. The group has disclaimed liability and is defending the action. No provision in relation to this claim has been recognised in this condensed interim financial information, as legal advice indicates that it is not probable that a significant liability will arise. There were no contingent liabilities as at 31 December 2010 or at 30 June 2010. Further claims for which provisions have been made are reflected in Note 19.

21 Related-party transactions

34p15B(j) During the six months to 30 June 2011, sales of C972 (six months to 30 June 2010: C1,020) were made to Blue Shoes Inc, a company in which Mr Name A, a director of Red Shoes Inc, is also a director and shareholder. At 30 June 2011, an amount of C224 (31 December 2010: C182) was due from Blue Shoes Inc in respect of those sales.

34p15B(j) A loan to Mrs Name X, a key management executive of Green Shoes Inc, has been advanced in May 2011. The loan's term and conditions are as follows:

Name	Amount of loan	Term	Amount reimbursed as at 30 June 2011	Interest rate
Mrs Name	70	Repayable monthly over 2 years	6	6.3%

34p15B(j) A termination benefit of C600 was granted to Mr Name B, the director of Shoes Ltd. Shoes Ltd is now classified as a disposal group. See Note 8.

Key management compensation amounted to C2,916 for the six months ended 30 June 2011 (30 June 2010: C2,200). See below.

		30 June 2011	30 June 2010
DV	Salaries and other short-term benefits	1,998	1,985
	Termination benefits	600	–
	Settlement of defined benefit plan	12	–
	Post-employment benefits	123	85
	Other long-term benefits	33	23
	Share-based payments	150	107
		2,916	2,200

(All amounts in C thousands unless indicated otherwise)

22 Events occurring after the reporting period

34p16A(h) Details of the interim dividend proposed are given in Note 13.

34p16A(h) On 12 of June 2011, the group announced its intention to acquire all of the shares of Supa Boots Ltd for C2,200 thousand. The transaction still has to be approved by the group's shareholders and by regulatory authorities. Approvals are not expected until late 2011 or early 2012.

34p16A(h) On 15 July 2011 a shop was broken into and a number of goods (shoes and other leather goods) with a net book value of C12,000 were stolen. The group has submitted an insurance claim for the replacement of these items. The group expects to be only partially reimbursed for the incurred loss.

34p16A(h) On 2 August 2011 there was severe flooding in one of the group's major eastern European leather goods factories. Refurbishment costs are expected to exceed the insurance claim payout by C900.

Commentary – Notes to the consolidated interim financial statements

34p15 1. Significant events and transactions

In June 2010, the IASB clarified the requirements regarding the types of disclosure that should be included in interim financial reports as part of its annual improvements project. In particular, it confirmed the overriding principle that interim financial reports should include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period.

34p15B Examples of events or transactions that may require specific disclosures are:

- (a) a write-down of inventories to net realisable value and the reversal of such a write-down;
- (b) recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets or other assets, and the reversal of such an impairment loss;
- (c) the reversal of any provisions for the costs of restructuring;
- (d) acquisitions and disposals of items of property, plant and equipment;
- (e) commitments for the purchase of property, plant, and equipment;
- (f) litigation settlements;
- (g) corrections of prior-period errors;
- (h) changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost;
- (i) any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period;
- (j) related-party transactions;
- (k) transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments;
- (l) changes in the classification of financial assets as a result of a change in the purpose or use of those assets; and
- (m) changes in contingent liabilities or contingent assets.

Notes to the interim financial information

(All amounts in C thousands unless indicated otherwise)

Amend-ments to IAS 34(BC3) The amendments to IAS 34 apply to annual reporting periods beginning on or after 1 January 2011; they are therefore mandatory for half-years ending 30 June and 31 December 2011.

34p16 2. Other disclosures

In addition to disclosing significant events and transactions as explained above, management should include the information set out in paragraph 16A of IAS 34 in the notes in the interim financial report, unless the information is not material or disclosed elsewhere in the interim financial report. The information should normally be reported on a financial year to date basis.

34p16A(a) 3. Accounting policies

The interim financial report should include a statement that the same accounting policies and methods of computation are followed in the interim financial report as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.

Where an entity prepares its first interim financial report and there is no previous annual report, we believe that a complete disclosure of significant accounting policies should be provided.

Impact of standards issued but not yet applied

While not explicitly required under IAS 34, entities should also consider explaining the impact of the future adoption of an accounting standard that has been issued but does not yet need to be applied by the entity. This would be the case in particular where adoption of the standard will have a significant impact on the amounts recognised in the financial statements. IFRS 9, 'Financial instruments', is an example of a standard that may require disclosure, depending on the circumstances of the entity.

34p16A(g) 4. Segment information

IAS 34 requires disclosure of segment information if an entity is within the scope of IFRS 8, 'Segment reporting'. This includes:

- (a) the following amounts, if they are included in the measure of segment profit or loss reviewed by the chief operating decision-maker or otherwise regularly provided to the chief operating decision-maker:
 - (i) revenues from external customers; and
 - (ii) intersegment revenues;
- (b) a measure of segment profit or loss;
- (c) total assets for which there has been a material change from the amount disclosed in the last annual financial statements;
- (d) a description of the differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss; and
- (e) a reconciliation of the total of the reportable segment measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations (this can be done on an after-tax basis if tax is allocated to reportable segments).

(All amounts in C thousands unless indicated otherwise)

34p16A(i) 5. Changes in the composition of the entity

IAS 34 requires interim financial reports to disclose the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinued operations. In the case of business combinations, the entity should disclose the information required to be disclosed under paragraphs 59-62 and B64-B67 of IFRS 3, 'Business combinations'. If the goodwill relating to the acquisition is material, the disclosure should also include a reconciliation of goodwill as per paragraph B67(d) of IFRS 3.

6. Materiality

Materiality is defined in IAS 1p7 as follows:

"Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement, judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

IAS 34p23 requires that, in deciding how to recognise measure, classify or disclose an item for interim financial reporting purposes, materiality should be assessed in relation to the interim period financial data. In making assessments of materiality, interim measurements may rely on estimates to a greater extent than measurements of annual financial data.

PwC observation:

While materiality judgements are always subjective, the overriding concern is to ensure that an interim financial report includes all of the information that is relevant to understanding the financial position and performance of the entity during the interim period. Therefore, it is generally inappropriate to base quantitative estimates of materiality on projected annual figures.

34p11A 7. Earnings per share

Entities that are within the scope of IAS 33, 'Earnings per share' present basic and dilutive earnings per share (EPS) for the interim period as follows:

- in the statement of comprehensive income – if the entity presents a single statement; or
- in the income statement – if the entity presents a separate income statement and statement of comprehensive income.

IAS 34 does not specifically require disclosure of EPS for profit from continuing and discontinued operations. However, where there are discontinued operations, we recommend that they be disclosed separately as required in an annual statement by IAS 33.

Auditors' review report

(All amounts in C thousands unless indicated otherwise)

Auditors' review report – ISRE 2410

ISRE 2410

PricewaterhouseCoopers LLP
Address
Country
Telephone
Facsimile

Report on review of interim financial information to IFRS GAAP plc

Introduction

We have reviewed the accompanying interim consolidated balance sheet of IFRS GAAP plc as of 30 June 2011 and the related interim consolidated statements of income, changes in equity and cash flows for the half-year period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

PricewaterhouseCoopers LLP
Chartered Accountants
[Location]
[Date]

Notes:

- (a) The format of the report will need to be tailored to reflect the legal framework of particular countries. In some countries, there is no requirement for auditors to report on interim financial information.
- (b) For reports issued on companies in the European Union, a different wording may be more appropriate, such as 'in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (IAS 34)'.

Appendix I – Alternative presentation of income statement – by nature of expense

(All amounts in C thousands unless indicated otherwise)

Appendix I – Alternative presentation of income statement – by nature of expense

34p20(b)	Notes	2011	Half-year 2010
Revenue from continuing operations		32,100	30,174
Other income		485	1,361
Changes in inventories of finished goods and work in progress		(136)	250
Raw materials and consumables used		(10,080)	(9,460)
Employee benefits expense		(11,933)	(12,035)
Depreciation and amortisation expense		(833)	(797)
Impairment of goodwill		–	(410)
Impairment of inventory write-down ¹¹	11	(790)	–
Impairment charge relating to PPE and intangible assets ¹¹	11	(1,300)	(1,785)
Write off of assets damaged by fire		–	(1,210)
Other expenses		(2,307)	(1,543)
Finance costs		(787)	(608)
Share of post-tax profits of associates and joint venture		295	55
Profit before income tax		4,714	3,992
Income tax expense		(893)	(637)
Profit from continuing operations		3,821	3,355
Profit from discontinued operation	8	60	85
Profit for the half-year		3,881	3,440
Profit is attributable to:			
Owners of IFRS GAAP plc		3,431	2,935
Non-controlling interests		450	505
		3,881	3,440

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

34p11	Basic earnings per share		
	From continuing operations	0.26	0.23
	From discontinued operations	0.02	0.02
		0.28	0.25
34p11	Diluted earnings per share		
	From continuing operations	0.22	0.21
	Discontinued operations	0.02	0.02
	Total	0.24	0.23

The notes on pages 11 to 27 are an integral part of these interim consolidated financial statements.

¹¹ Further detail of the inventory write-down and the impairment charge relating to PPE and intangible assets is given in Note 11 Exceptional items.

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

Appendix II – Example disclosures for first-time adopters

This appendix presents the illustrative financial statements of a first-time adopter. This entity is not part of IFRS GAAP Plc. The disclosures are taken from PwC's publication *Transitioning from Canadian GAAP in First-Time IFRS Interim Financial Statements – An Illustration*.

PwC observation. IFRS 1.23 requires companies to explain how the transition from previous Canadian GAAP to IFRS affected its financial position, performance and cash flows. To comply with this requirement, an entity must disclose reconciliations of its equity as previously reported under Canadian GAAP to IFRS as at (a) the date of the transition to IFRS, (b) the preceding annual year-end, and (c) the end of the comparative interim period. The entity must also disclose reconciliations of comprehensive income for the preceding annual year and the comparative interim period (IFRS 1.24). Reconciliations for annual periods can be excluded from an entity's first-time interim IFRS financial statements if the reconciliations are included in another published document and the interim financial statements include a cross-reference to that document (IFRS 1.32(b)).

IFRS 1 does not prescribe a particular method of presentation for reconciliations, except that the starting point for the reconciliation of comprehensive income shall be the total of comprehensive income in accordance with Canadian GAAP for the same period. Canadian securities regulators to date also have not established more specific requirements for reconciliations. These illustrative financial statements present two basic reconciliation formats. One format, illustrated in note 1(iii), reconciles total equity and total comprehensive income reported under Canadian GAAP to the totals reported under IFRS. This format is similar to the approach often used by Canadian companies that reconcile Canadian GAAP to US GAAP in SEC filings. The second format, illustrated in note 1(iii), provides a line by line reconciliation of items presented on the statements of financial position and comprehensive income. This approach is suggested in Example 11 of the IASB's implementation guidance to IFRS 1. In both cases it is necessary to provide explanatory notes for individual reconciling items, also illustrated below. Other formats are also possible.

IFRS 1 specifies that reconciliations must provide sufficient detail to enable users to understand the material adjustments to the statements of financial position and comprehensive income. Entities should carefully consider whether this condition has been met. This determination is a question of professional judgment and depends on the individual facts and circumstances. Factors that may be relevant to the determination include the nature, volume and complexity of material adjustments.

The question arises whether reconciliations also must include material adjustments other than those that affect equity or comprehensive income (e.g., balance sheet reclassifications affecting assets and liabilities, but not equity). The basis for conclusions to IFRS 1 states:

Paragraphs 24(a) and (b) of the IFRS requires reconciliations of total equity and total comprehensive income. The Board concluded that users would also find it helpful to have information about the other adjustments that affect the opening IFRS balance sheet but do not appear in these reconciliations. Because a reconciliation could be voluminous, the IFRS requires disclosure of narrative information about these adjustments, as well as other about adjustments to the cash flow statements (paragraph 25 of the IFRS). (IFRS 1, BC92)

The reconciliation in note 1(iii), and the discussion of reconciling items, includes reclassification adjustments as well as adjustments that affect equity and comprehensive income.

IAS 34.16 requires an entity to discuss the nature and effect of significant changes to accounting policies arising in the period, if material. Providing this information as part of the notes to the reconciliation and explaining individual reconciling items, as illustrated below, is one way of meeting this requirement.

(All amounts in millions of Canadian dollars)

Sample Co.

Notes to Consolidated Interim Financial Statements For the three months ended March 31, 2011 and 2010 (Unaudited)

1 Transition to IFRS

The effect of the company's transition to IFRS is summarized in this note as follows:

- (i) Transition elections
- (ii) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS
- (iii) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS (alternative format)
- (iv) Adjustments to the statement of cash flows

(i) Transition elections

The company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

	As described in note 1(iii)
Deemed cost of property, plant and equipment	(b)
Employee benefits – treatment of actuarial gains and losses	(g)
Cumulative translation adjustment	(n)
Business combinations	(p)
Hedge accounting	(q)

PwC observation. IFRS 1 does not explicitly require a summary of the transition exemptions and elections that an entity applies, but providing this information is common. It is a question of preference whether a discussion of the nature and effect of these exemptions and exceptions is included here or, as illustrated below, as part of the reconciliations of equity and comprehensive income.

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

(ii) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

Equity	1 (iii)	Dec 31, 2010	Mar 31, 2010	Jan 1, 2010
		\$	\$	\$
Equity as reported under Canadian GAAP		1,439	1,219	1,206
IFRS adjustments increase (decrease):				
Securitized trade receivables	a	2	3	2
Property, plant and equipment:				
– Revaluation	b	109	122	125
– Impairment	c	(23)	–	–
		86	122	125
Revaluation of available-for-sale equity investments	d	12	9	15
Share of IFRS adjustments relating to associate	e	25	26	27
Restructuring liability	f	(30)	–	–
Employee future benefits – actuarial gains and losses	g	(14)	(19)	(19)
Employee future benefits – past service costs	h	(19)	(21)	(23)
		(33)	(40)	(42)
Deferred income tax	i	(14)	(33)	(33)
Warrants	j	(81)	(74)	(72)
Non-controlling interests	k	252	250	243
Equity as reported under IFRS		1,658	1,482	1,471

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

Comprehensive income		Year ended Dec 31, 2010	Three months ended Mar 31, 2010
	1(iii)	\$	\$
As reported under Canadian GAAP		208	5
<hr/>			
Increase (decrease) in net income for:			
Adjustment on securitization of receivables	a	–	1
Depreciation on revaluation of property, plant and equipment	b	(16)	(3)
Impairment of property, plant and equipment	c	(23)	–
Share of IFRS adjustments relating to associate	e	(2)	(1)
Restructuring expenses	f	(30)	–
Employee future benefits – past service costs	h	4	2
Deferred income tax	i	32	(1)
Fair value adjustment on warrants	j	(9)	(2)
Non-controlling interest	k	9	7
Share-based payments amortization	l	2	1
Impairment of debt securities	o	(44)	–
Change in fair value of cash flow hedges	q	6	3
		<hr/>	<hr/>
		(71)	7
Increase (decrease) in other comprehensive income for:			
Change in fair value of equity investments	d	(3)	(6)
Employee future benefits – actuarial gains and losses	g	5	–
Deferred income tax	i	(13)	1
Impairment of debt securities	o	44	–
Change in fair value of cash flow hedges	q	(6)	(3)
		<hr/>	<hr/>
		27	(8)
As reported under IFRS		<hr/>	<hr/>
		164	4

PwC observation. Sample Co. has elected to provide separate reconciliations of net income and other comprehensive income within its overall reconciliation of comprehensive income. IFRS 1 does not specifically require this distinction to be made. It does, however, assist readers in understanding the financial statements.

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

(iii) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS (alternative format)

		December 31, 2010			March 31, 2010			January 1, 2010		
		Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
Assets										
Current assets										
Cash and cash equivalents		251	–	251	46	–	46	136	–	136
Marketable securities		144	–	144	107	–	107	151	–	151
Trade receivables	a	193	103	296	142	107	249	195	100	295
Inventories		331	–	331	623	–	623	402	–	402
Other current assets	a	67	(5)	62	66	(6)	60	63	(5)	58
		986	98	1,084	984	101	1,085	947	95	1,042
Non-current assets										
Debt and equity securities	d, o	101	12	113	145	9	154	147	15	162
Property, plant and equipment	b, c	1,246	86	1,332	1,292	122	1,414	1,232	125	1,357
Investments in associates	e	370	25	395	317	26	343	306	27	333
Intangible assets		141	–	141	101	–	101	108	–	108
Goodwill		217	–	217	217	–	217	217	–	217
		3,061	221	3,282	3,056	258	3,314	2,957	262	3,219
Liabilities										
Current liabilities										
Trade payables		122	–	122	131	–	131	108	–	108
Short-term debt	a	302	96	398	520	98	618	329	93	422
Current portion of long-term debt		115	–	115	120	–	120	123	–	123
Income tax liabilities		53	–	53	9	–	9	49	–	49
Warrants	j	–	81	81	–	74	74	–	72	72
Other derivative liabilities	q	12	–	12	9	–	9	6	–	6
Deferred income tax liabilities	i	10	(10)	–	10	(10)	–	11	(11)	–
Other liabilities	f	24	30	54	66	–	66	147	–	147
		638	197	835	865	162	1,027	773	154	927
Non-current liabilities										
Long-term debt		238	–	238	293	–	293	303	–	303
Deferred income tax liabilities	i, m	165	24	189	106	43	149	94	44	138
Post-employment benefit obligations	g, h	329	33	362	323	40	363	338	42	380
		1,370	254	1,624	1,587	245	1,832	1,508	240	1,748
Non-controlling interests	k	252	(252)	–	250	(250)	–	243	(243)	–
Equity										
Share capital		250	–	250	250	–	250	250	–	250
Contributed surplus	l	107	3	110	90	4	94	82	5	87
Warrants	j	50	(50)	–	50	(50)	–	50	(50)	–
Accumulated other comprehensive income	r	(55)	41	(14)	(37)	6	(31)	(31)	14	(17)
Retained earnings	s	1,087	(37)	1,050	866	42	908	855	41	896
Non-controlling interest	k	–	262	262	–	261	261	–	255	255
		1,439	219	1,658	1,219	263	1,482	1,206	265	1,471
		3,061	221	3,282	3,056	258	3,314	2,957	262	3,219

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

		Year ended			Three months ended		
		December 31, 2010			March 31, 2010		
		Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
	1(iii)	2,153	–	2,153	278	–	278
Revenues							
Cost of sales	b, h, c	1,670	35	1,705	216	5	221
Gross profit		483	(35)	448	62	(5)	57
General and administration	f, l	(132)	(28)	(160)	(25)	1	(24)
Sales and marketing		(107)	–	(107)	(14)	–	(14)
Research and development		(18)	–	(18)	(4)	–	(4)
Other gains and losses (net)	a, j, o	94	(23)	71	6	6	12
Share of income of associates	e	64	(2)	62	11	(1)	10
		384	(88)	296	36	1	37
Interest income		17	–	17	3	–	3
Interest expense	a, q	(46)	(24)	(70)	(11)	(4)	(15)
Net interest expense		(29)	(24)	(53)	(8)	(4)	(12)
Income before income tax		355	(112)	243	28	(3)	25
Non-controlling interest	k	(9)	9	–	(7)	7	–
Income tax	i	(114)	32	(82)	(10)	3	(7)
Net income (loss) for the period		232	(71)	161	11	7	18
Attributable to:							
Owners of the parent				154			12
Non-controlling interests				7			6
Other comprehensive income (net of tax):							
Cumulative translation adjustment		29	–	29	(5)	–	(5)
Changes in fair value of available-for-sale investments	d	(46)	28	(18)	(2)	(5)	(7)
Changes in the fair value of cash flow hedges	q	5	(4)	1	3	(3)	–
Share of other comprehensive income of associates		(12)	–	(12)	(2)	–	(2)
Actuarial gain (loss) on post-employment benefit obligations	g	–	3	3	–	–	–
Other comprehensive income (loss) for the period		(24)	27	3	(6)	(8)	(14)
Comprehensive income (loss)		208	(44)	164	5	(1)	4

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

Explanatory notes

PwC observation. The following explanatory notes describe:

- Material adjustments to the statements of financial position and comprehensive income arising from the adoption of IFRS;
- Significant differences between Canadian GAAP and IFRS applicable to Sample Co.; and
- The transition elections and exemptions Sample Co. applied in preparing its opening IFRS balance sheet.

How much detail to provide in explanatory notes is a question of judgment that will depend, in part, on the reconciliation approach that an entity uses. As explained earlier, the reconciliation, in combination with the explanatory notes, should be sufficient to enable users to understand the material adjustments to the statements of financial position and statements of comprehensive income, including material adjustments that did not affect equity or comprehensive income. In some cases, the reconciliation format in 1(iii) may provide the most effective way of communicating the required information.

The explanatory notes discuss the effect of individual adjustments on individual line items on the statements of financial position and comprehensive income. This disclosure would not be required if it is already apparent from the reconciliations themselves.

- (a) Securitizations of trade receivables that were accounted for as sales under Canadian GAAP have been accounted for as collateralized borrowings under IFRS. Under IFRS, the company accounts for transfers of trade receivables as sales only if substantially all of the risks and rewards of ownership are transferred. If not, the transfer is treated as a financing. Under Canadian GAAP, sales were recognized when the company transferred control of the receivables. At January 1, 2010, this adjustment increased trade receivables and short-term debt by \$100 and \$93 (\$107 and \$98 at March 31, 2010, and \$103 and \$96 at December 31, 2010) and eliminated the company's retained interest in transferred receivables of \$5, included in other assets (\$6 at March 31, 2010 and \$5 at December 31, 2010). Losses on transfers, included in other gains and losses (net) on the statement of income under Canadian GAAP of \$5 for the three months ended March 31, 2010 and \$24 for the year ended December 31, 2010 have been eliminated and interest expense on the borrowings of \$4 at March 31, 2010 and \$24 at December 31, 2010 has been recognized under IFRS.
- (b) In accordance with IFRS transitional provisions, the company elected to revalue by \$125 certain property, plant and equipment to its fair value of \$857 at January 1, 2010. The resulting increased depreciation expense of \$3 for the three months ended March 31, 2010 and \$16 for the year ended December 31, 2010 was included in cost of sales. Adjustments to the consolidated statement of financial position at March 31, 2010 and December 31, 2010 of \$122 and \$109 are net of accumulated depreciation.

PwC observation. If an entity elects on transition to use fair value as deemed cost for an item of property, plant and equipment, an investment property or an intangible asset, IFRS 1.30 requires it to disclose, for each line item in the opening IFRS statement of financial position, the aggregate of those fair values and the aggregate adjustment to the carrying amounts reported under Canadian GAAP.

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

- (c) An impairment loss of \$23 relating to property, plant and equipment was recognized in cost of sales at December 31, 2010 for property, plant and equipment for which an impairment indicator existed at December 31, 2010 (see note 2). This impairment was not recognized under Canadian GAAP. This adjustment arose because under IFRS the recoverable amount used in recognizing and measuring an impairment is the higher of the asset's fair value less costs to sell and its value in use. Under Canadian GAAP, the recoverable amount used to determine whether recognition of an impairment loss is required is the undiscounted future cash flows expected from its use and eventual disposition.
- (d) Under IFRS, available-for-sale equity investments not quoted in an active market must be measured at fair value, unless fair value cannot be reliably measured. Under Canadian GAAP, such assets were measured at cost. The adjustments to the carrying value of the investment to recognize this difference were \$15 at January 1, 2010, \$9 at March 31, 2010 and \$12 at December 31, 2010. Declines in fair value from January 1, 2010 of \$6 for the three months ended March 31, 2010 and \$3 for the year ended December 31, 2010 are recognized in other comprehensive income until the investment is sold or written down as impaired.
- (e) The adjustment to the investment in associate of \$27 at January 1, 2010 (\$26 at March 31, 2011 and \$25 at December 31, 2011) recognizes the company's share of the investee's adjustments arising from its transition from Canadian GAAP to IFRS (relating primarily to the investee's election to revalue property, plant and equipment at the date of transition to IFRS). The company's share of the resulting increase in depreciation expense, net of applicable income tax, of \$1 for the three months ended March 31, 2010 and \$2 for the year ended December 31, 2010 has been included in the company's share of income of associates. Adjustments to the consolidated statement of financial position at March 31, 2010 and December 31, 2010 are net of accumulated depreciation.
- (f) On December 30, 2010, the company announced its decision to streamline certain head office functions and eliminate certain management positions. The company offered severance packages to certain employees which they may voluntarily accept prior to January 28, 2011. In accordance with IFRS, restructuring charges of \$30 related to termination benefits for employees expected to accept the offer have been accrued at December 31, 2010. Restructuring costs are included within general and administrative expenses. Under Canadian GAAP, termination benefits for voluntary terminations are accrued only when employees accept the offer. No offers had been accepted at December 31, 2010 and consequently no restructuring costs were recognized.
- (g) Under IFRS, the company recognizes actuarial gains and losses arising from the re-measurement of employee future benefit obligations in other comprehensive income as they arise. Under Canadian GAAP, the company applied the corridor method of accounting for such gains and losses. Under this method, gains and losses are recognized only if they exceed specified thresholds. The carrying value of the net liability for employee future benefit obligations has been increased by \$19 to recognize cumulative net actuarial gains and losses accumulated as at January 1, 2010, which was reduced to \$14 at December 31, 2010 to recognize the actuarial gain of \$5 for the year (\$3 net of income tax). No actuarial gains and losses were recognized under Canadian GAAP using the corridor approach.
- (h) Under IFRS, the company expenses the cost of past service benefits awarded to employees under post-employment benefit plans over the periods in which the benefits vest, which usually corresponds to the period in which the benefits are granted. Under Canadian GAAP, the company expensed past service costs over the weighted average service life of active employees remaining in the plan. This adjustment increased the net liability for employee future benefits in the statement of financial position by \$23 at January 1, 2010, \$21 at March 31, 2010 and \$19 at December 31, 2010 and reduced cost of sales by \$2 and \$4 for the three months ended March 31, 2010 and year ended December 31, 2010 respectively.

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

- (i) Deferred income tax liabilities have been adjusted to give effect to adjustments as follows:

	Ref	Dec 31, 2010	Mar 31, 2010	Jan 1, 2010
Property, plant and equipment:				
– Revaluation	b	36	40	41
– Impairment	c	(8)	–	–
Revaluation of available-for-sale equity investments	d	2	1	2
Share of IFRS adjustments relating to associate	e	4	4	4
Restructuring liability	f	(10)	–	–
Employee future benefits – actuarial gains and losses	g	(4)	(6)	(6)
Employee future benefits – past service costs	h	(6)	(6)	(8)
		14	33	33

The above adjustments increased (decreased) deferred income tax expense recognized in the income statement by \$1 for the three months ended March 31, 2010 and (\$32) for the year ended December 31, 2010. The adjustments increased (decreased) deferred income tax expense recognized in other comprehensive income by (\$1) for the three months ended March 31, 2011 and \$13 for the year ended December 31, 2010.

- (j) The warrants entitle the holder to acquire a fixed number of common shares for a fixed US dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of income as they arise. The company has recorded these changes in other gains and losses. Under Canadian GAAP, the warrants were classified as equity and changes in fair value were not recognized. This change in accounting increased liabilities at January 1, 2010 by \$72 (\$74 at March 31, 2010 and \$81 at December 31, 2010) and reduced other gains and losses by \$2 and \$9 for the three months ended March 31, 2010 and the year ended December 31, 2010, respectively.
- (k) Under IFRS, the non-controlling interests' share of the net assets of subsidiaries is included in equity and their share of the comprehensive income of subsidiaries is allocated directly to equity. Under Canadian GAAP, non-controlling interests were presented as a separate item between liabilities and equity in the statement of financial position and the non-controlling interests' share of income and other comprehensive income were deducted in calculating net income and comprehensive income of the entity. Non-controlling interest of \$243 at January 1, 2010 (\$250 at March 31, 2010 and \$252 at December 31, 2010) as determined under Canadian GAAP has been reclassified to equity.

The non-controlling interests' cumulative share of adjustments recognized on the adoption of IFRS was \$12 at January 1, 2010, \$11 at March 31, 2010 and \$10 at December 31, 2010. The non-controlling interests' share of net income of \$7 for the three months ended March 31, 2010 and \$9 for the year ended December 31, 2010 has been eliminated in the statement of income.

- (l) Under IFRS the company accrues the cost of employee stock options over the vesting period using the graded method of amortization rather than the straight-line method, which was the company's policy under Canadian GAAP. This increased contributed surplus and reduced retained earnings at the date of transition and increased general and administration expenses by \$1 for the three months ended March 31, 2010 and \$2 for the year ended December 31, 2010.
- (m) Under IFRS, it is not appropriate to classify deferred income tax balances as current, irrespective of the classification of the assets or liabilities to which the deferred income tax

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

- relates or the expected timing of reversal. Under Canadian GAAP, deferred income tax relating to current assets or current liabilities must be classified as current. Accordingly, current deferred income tax reported under Canadian GAAP of \$11 at January 1, 2010 (\$10 at March 31, 2010 and December 31, 2010) has been reclassified as non-current under IFRS.
- (n) In accordance with IFRS transitional provisions, the company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS. Accumulated other comprehensive income has been increased and retained earnings has been reduced by \$14.
- (o) The company recognized an impairment loss of \$44 on available-for-sale debt securities under IFRS but not Canadian GAAP at December 31, 2010. Under IFRS, an impairment loss must be recognized for an investment in an available-for-sale debt security if there is objective evidence of impairment. Under Canadian GAAP, impairment losses are not recognized unless a decline in fair value occurred that is other than temporary. This adjustment reduced retained earnings and increased accumulated other comprehensive income at December 31, 2010 by the same amount.
- (p) In accordance with IFRS transitional provisions, the company elected to apply IFRS relating to business combinations prospectively from January 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward without adjustment.
- (q) The company held interest rate swaps at the transition date as hedges of cash flow risk related to the company's variable rate debt instruments. Under Canadian GAAP, the swaps were accounted for as hedges. Changes in their fair value were initially recognized in other comprehensive income and transferred to the statement of income as the variable interest expense was recognized on the debt instrument. The method of assessing hedge effectiveness used under Canadian GAAP did not qualify these instruments for hedge accounting under IFRS and the company has discontinued hedge accounting prospectively on transition to IFRS. As a result, changes in the fair value of the swap occurring after January 1, 2010 under IFRS are recognized directly in other gains and losses (net). This increased other gains by \$3 for the three months ended March 31, 2010 and \$6 for the year ended December 31, 2010. In accordance with IFRS transition requirements, gains and losses on the swaps arising prior to January 1, 2010 continue to be recognized in accumulated other comprehensive income pending the occurrence of the hedged transactions.
- (r) The following is a summary of transition adjustments to the company's accumulated other comprehensive income from Canadian GAAP to IFRS:

	Ref	Dec 31, 2010	Mar 31, 2010	Jan 1, 2010
Accumulated other comprehensive income as reported under Canadian GAAP		(55)	(37)	(31)
IFRS adjustments increase (decrease):				
Revaluation of available-for-sale equity investments	d	12	9	15
Employee future benefits – actuarial gains and losses	g	(14)	(19)	(19)
Deferred income tax	i	(9)	5	4
Cumulative translation adjustment	n	14	14	14
Impairment of debt securities	o	44	–	–
Cash flow hedges	q	(6)	(3)	–
		41	6	14
Accumulated other comprehensive income as reported under IFRS		(14)	(31)	(17)

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

- (s) The following is a summary of transition adjustments to the company's retained earnings from Canadian GAAP to IFRS:

	Ref	Dec 31, 2010	Mar 31, 2010	Jan 1, 2010
Retained earnings as reported under Canadian GAAP		1,087	866	855
IFRS adjustments increase (decrease):				
Securizations of trade receivables	a	2	3	2
Property, plant and equipment:				
– Revaluation	b	109	122	125
– Impairment	c	(23)	–	–
		86	122	125
Share of IFRS adjustments relating to associate	e	25	26	27
Restructuring liability	f	(30)	–	–
Impairment of debt securities	o	(44)	–	–
Employee future benefits – past service costs	h	(19)	(21)	(23)
Deferred income tax	i	(3)	(38)	(37)
Warrant liability	j	(31)	(24)	(22)
Non-controlling interest	k	(10)	(11)	(12)
Amortization of employee stock options	l	(3)	(4)	(5)
Cumulative translation adjustment	n	(14)	(14)	(14)
Cash flow hedges	r	4	3	–
		(37)	42	41
Retained earnings as reported under IFRS		1,050	908	896

(All amounts in millions of Canadian dollars)

(iv) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the company except that, under IFRS, cash flows relating to interest are classified as operating, investing or financing in a consistent manner each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.

2 Additional IFRS information for the year ended December 31, 2010

PwC observation. IFRS 1.33 states that if a first-time adopter did not, in its most recent annual financial statements in accordance with previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report should disclose that information or include a cross-reference to another published document that includes that information. The basis for conclusions on IFRS 1 explains this requirement further, as follows:

“ ... an entity’s interim financial report in accordance with IAS 34 is less helpful to users if the entity’s latest annual financial statements were prepared using previous GAAP than if they were prepared in accordance with IFRS. Therefore, the Board concluded that a first-time adopter’s first interim financial report in accordance with IAS 34 should include sufficient information to enable users to understand how the transition to IFRS affected previously reported annual, as well as interim figures ... (IFRS 1, BC96).”

The following items are examples of disclosures required in annual IFRS financial statements that were not disclosed previously under Canadian GAAP, or for which amounts have been significantly affected as a result of the transition to IFRS. We are providing this information solely to illustrate some of the types of disclosures that might be necessary should an entity conclude that the information is material. **It should not be inferred from these illustrations that such disclosures are always appropriate or that other disclosures are unnecessary.**

The following IFRS disclosures relating to the year ended December 31, 2010 are material to an understanding of these interim financial statements.

(i) Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are estimates and judgments not previously made under Canadian GAAP that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Critical accounting estimates

i. Fair value of property, plant and equipment

On January 1, 2010, the company increased the carrying value of certain of its property, plant and equipment to its fair value of \$857(note 1(iii)(b)). The fair value of the property, plant and equipment was determined by recent market transactions for similar assets. Based on these transactions, management estimated that the range of reasonably possible values for the assets would be between \$834 and \$901.

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

ii. Estimated impairment of property, plant and equipment

An impairment charge of \$23 arose in the manufacturing CGU “Factory A” which is the company’s manufacturing plant in Ontario, Canada, following a decision in December 2010 to reduce the manufacturing output allocated to the operation. This was a result of the company’s reallocation of manufacturing volumes due to decreasing demand in Factory A’s region. The company reassessed the depreciation policies in the CGU and concluded that the useful life and residual values of property, plant and equipment will not be affected following this decision. The impairment charge is included in other gains and losses within the statement of income and in the segment reporting for Canada in note 9.

The recoverable amount of this CGU was estimated based on value-in-use calculations as this was determined to be higher than fair value less costs to sell. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rates for the manufacturing business in which the CGU operates. The following are key assumptions used in the value-in-use calculation:

Budgeted gross margin	27.5%
Weighted average growth rate used to extrapolate cash flows beyond the budget period	1.2%
Pre-tax discount rate applied in cash flow projections	10.5%

Management determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks in relation to the relevant CGU.

A change in management’s gross margin estimate by 10% would increase the impairment by \$2.5. If management reduces the growth rate by 10%, impairment would increase by \$0.4. An increase in the discount rate by 10% would increase impairment by \$1.8.

iii. Fair value of available-for-sale equity securities

The fair value of the company’s available-for-sale equity securities that are not traded in an active market are determined using valuation techniques. The company has used an earnings approach to value these securities, based on earnings multiples for recent transactions involving similar businesses. If the applicable multiples were to increase or decrease by 0.5, the value of the securities would be an estimated \$6 higher, or lower.

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

(b) Critical accounting judgments

i. Cash and cash equivalents

The company holds investments in highly liquid money market investment funds. The determination of whether a money market fund qualifies as a cash equivalent requires significant judgment. In determining whether such investments qualify as cash equivalents, the company considers the following criteria: whether all investments held by the fund qualify individually as cash equivalents, the fund's management and investment policies and any position papers issued by the associated financial institution or others.

(ii) Fair value of financial instruments

The following table summarizes the classification of the company's financial instruments that are measured at fair value under IFRS, which were previously measured on a different basis under Canadian GAAP:

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Available-for-sale investments:				
Equity securities	-	-	59	59
	-	-	59	59
Derivative liabilities:				
Warrants	81	-	-	81
	81	-	-	81

The fair value of the company's available-for-sale equity securities has been measured using an earnings based valuation approach that assumes an EBITDA multiple of 4.5, which was estimated based on multiples for recent transactions involving similar companies.

PwC observation. Entities that have significant changes in the basis of measurement of financial assets and financial liabilities as the result of adopting IFRS should consider whether these changes would require the entity to update 2010 market risk and other financial instrument disclosures.

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

The following gains and losses have been included in net income for the year ended December 31, 2010, that were not previously included in net income under Canadian GAAP:

	Year ended December 31, 2010 \$
Financial instruments held for trading:	
-- Fair value losses	(3)
-- Fair value gains	6
Impairment loss on:	
-- Available-for-sale investments	(44)

(iii) Property, plant and equipment

Net book value	Year ended December 31, 2010			
	Land \$	Buildings \$	Plant and equipment \$	Total \$
At January 1, 2010:				
Cost	100	704	938	1,742
Accumulated depreciation	–	(172)	(213)	(385)
	100	532	725	1,357
At January 1, 2010:	100	532	725	1,357
Additions	–	–	104	104
Disposals	–	(33)	–	(33)
Depreciation for the year	–	(20)	(37)	(57)
Exchange differences	(2)	(6)	(8)	(16)
Impairment	–	–	(23)	(23)
At December 31, 2010	98	473	761	1,332
At December 31, 2010:				
Cost	98	663	1,008	1,769
Accumulated depreciation	–	(190)	(247)	(437)
	98	473	761	1,332

(All amounts in millions of Canadian dollars)

(iv) Intangible assets

Net book value	Year ended December 31, 2010 \$
At January 1, 2010:	
Cost	137
Accumulated amortization	(29)
	108
At January 1, 2010:	108
Additions	45
Disposals	–
Amortization for the year	(11)
Exchange differences	(1)
Impairment	–
At December 31, 2010	141
At December 31, 2010:	
Cost	181
Accumulated amortization	(40)
	141

(v) Investments in associates

The following summarizes financial information about the company’s share of assets, liabilities, revenue and profit or loss of its unlisted associate for the year ended December 31, 2010. The amounts disclosed include adjustments made to the carrying amount of the assets and liabilities of the associate on its acquisition and therefore may differ from the amounts recorded in the books and records of the associate.

	\$
Assets	762
Liabilities	367
Revenues	725
Profit or loss	62

PwC observation. IAS 28, *Investments in Associates* (“IAS 28”), specifies annual disclosures related to investments in associates, including summarized financial information of associates for aggregated assets, liabilities, revenue, and profit or loss. IAS 28 does not specify whether this summarized financial information is the total amount of the associate’s aggregated assets, liabilities, revenue and profit or loss that needs to be disclosed or the investor’s share. IAS 28 also does not specify whether the disclosure should be based on IFRS book values in the financial statements of the associate or the IFRS carrying values notionally recognized by the investor as a result of the notional purchase price allocation. We believe either approach is acceptable but it must be consistently applied and explained clearly.

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

(vi) Other liabilities

	Restructuring \$	Warranties \$	Legal claims \$	Total \$
At January 1, 2010	–	42	105	147
Additional provisions	30	18	2	50
Unused amounts reversed	–	(2)	–	(2)
Utilized during the period	–	(31)	(107)	(138)
Exchange differences	–	(3)	–	(3)
At December 31, 2010	30	24	–	54

On December 30, 2010, the company announced its decision to streamline certain head office functions and eliminate redundancies in management and administrative positions. As part of this initiative, the company expects to incur one-time restructuring charges of \$30 primarily related to termination benefits for employees expected to be paid out over the next fourteen months. Restructuring costs are included within general and administrative expenses in the consolidated statement of income.

(vii) Compensation of key management

Compensation awarded to key management included:

	Year ended December 31, 2010 \$
Salaries and short-term employee benefits	62
Post-employment benefits	3
Share-based payments	9
Termination benefits	30
	104

(viii) Expense by nature

	Year ended December 31, 2010 \$
Changes in inventories of finished goods and work in progress	71
Raw materials and consumables used	802
Depreciation, amortization and impairment charges	67
Employee benefits (ix)	598
Transportation	301
Advertising	14
Other expenses	28
	1,881

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

(ix) Employee benefits

	Year ended December 31, 2010
	\$
Salaries and wages	475
Pension costs – defined contribution plans	22
Pension costs – defined benefit plans	41
Stock-based compensation	23
Termination benefits – restructuring (note 6)	30
Other	7
	598

PwC observation. IAS 1.104 requires that an entity classifying expenses by function should disclose additional information on the nature of expenses, including depreciation and amortization expense and employee benefits expense. In this connection, employee benefits include all forms of consideration given by an entity in exchange for services rendered by employees. IAS 1.05 explains that an entity should select the presentation (i.e., function or nature) that is reliable and more relevant, taking into account historical and industry factors and the nature of the entity. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is necessary when the functional expense classification is used.

(x) Earnings per share

i. Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31, 2010
Net income attributable to owners of the parent	154
Weighted average number of ordinary shares in issue	257,131,000
Basic earnings per share	\$0.60

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

ii. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: warrants and stock options. For both, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the company's outstanding shares for the period) based on the monetary value of the subscription rights attached to the warrants and stock options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the warrants and stock options.

	Year ended December 31, 2010
Net income attributable to owners of the parent	154
Weighted average number of ordinary shares in issue	257,131,000
Adjustments for:	
Warrants	50,000,000
Stock options	7,261,353
Weighted average number of ordinary shares for diluted earnings per share	314,392,353
Diluted earnings per share	\$0.49

(All amounts in millions of Canadian dollars)

3 Debt

PwC observation. This and the following notes are examples of notes describing significant events and transactions that are significant to an understanding of changes in Sample Co.'s financial position and performance since the end of the last reporting period. Disclosure of these events and transactions is required by IAS 34.16. IAS 34 also requires an entity to provide segment information in interim financial statements if IFRS 8, *Operating Segments*, requires this disclosure in annual financial statements and, if a business combination has occurred during the interim period, the disclosures required by IFRS 3, *Business Combinations*. Our publication *Illustrating Interim Financial Information for Existing IFRS Preparers* provides comprehensive examples of IAS 34 interim financial reporting requirements.

	March 31, 2011 \$	December 31, 2010 \$
Short-term debt:		
Opening balance at January 1	398	422
New debt	312	1,208
Repayment of debt	(616)	(1,232)
Closing balance	94	398
Long-term debt:		
Opening balance at January 1	353	426
New debt	550	242
Transaction costs	(19)	(7)
Repayment of debt	(353)	(308)
Closing balance	531	353
Current portion	–	115
Non-current portion	531	238
	531	353

On March 27, 2011, Sample Co. restructured its long-term debt by entering into a credit agreement with a Canadian chartered bank providing for a senior secured credit facility in the amount of \$1,500 with a maturity date of July 27, 2013. Outstanding amounts drawn on the line of credit are collateralized by the assets of Sample Co. and its subsidiaries. Interest is based on prime plus a margin. At March 31, 2011, \$550 was drawn on the facility at a blended interest rate of 3.83%. No gain or loss was recognized on the settlement of the company's previously outstanding debt as it was settled for an amount that approximated its amortized cost at the date of settlement.

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

4 Restructuring liability

Included in other liabilities are restructuring costs of \$20 as at March 31, 2011 (\$30 as at December 31, 2010). During the period, the company incurred an additional \$5 million of restructuring expenses, included in general and administration expenses, and paid out \$15 million to settle existing restructuring obligations.

PwC observation. IAS 1.97 states that when an item of income or expense is material, the nature and amount should be disclosed separately. Similarly, IAS 34.16(c) requires disclosure of the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence. Examples of such disclosures include write-downs of inventories, or property, plant and equipment, reversals of write-downs, restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring, disposals of property, plant and equipment, disposals of investments, discontinued operations, litigations settlements and other reversals of provisions.

In accordance with its “by function” basis of expense classification, during the three months ended March 31, 2011, Sample Co. has included “unusual items” consisting of an additional restructuring charge of \$5 million (described in the note above) and an impairment of an available-for-sale investment of \$18 million (described in note 5 below) in general and administration expense and other gains and losses (net) (similar items relating to 2010 activities are disclosed in note 1). The question arises whether such items might be displayed separately in the statement of income. This may be possible in some circumstances, by using a “boxed presentation” format, but this presentation should be used with caution.

5 Share capital

	Number of shares (000s)	\$
Opening balance at January 1, 2010	257,131	250
Issued in financing	–	–
Issued on exercise of employee stock options	–	–
Balance at March 31, 2010	257,131	250
Opening balance at January 1, 2011	257,131	250
Issued in financing	3,846	50
Issued on exercise of employee stock options	455	5
Balance at March 31, 2011	261,432	305

On March 15, 2011, Sample Co. completed a private placement of equity, issuing a total of 3,846,154 shares for proceeds of \$50 (net of share issue costs of \$3).

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

6 Compensation of key management

Key management include the company's directors, members of the Executive Committee and the Head of Internal Audit. Compensation awarded to key management included:

	For the period ended March 31, 2011	For the period ended March 31, 2010
	\$	\$
Salaries and short-term employee benefits	14	12
Post-employment benefits	1	1
Share-based payments	4	2
Termination benefits	5	–
	24	15

PwC observation. In accordance with IAS 34.16 and 17(j), this disclosure would be required in interim financial statements when transactions with key management are material to an understanding of the current interim period or are unusual because of their nature, size or incidence. Compensation paid to key management represents related party transactions under IFRS, which should be taken into account in materiality assessments.

7 Income tax

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ended December 31, 2010 and the three months ended March 31, 2011 was 33%.

8 Financial instruments

During the period, the company's available-for-sale debt securities ceased being quoted in an active market and the fair value of the securities was reduced to \$36 from \$54 at December 31, 2010. As the securities were impaired at December 31, 2010, this further decrease in fair value of \$18 has been recorded in net income during the period.

The fair value of the debt securities is measured using a discounted cash flow approach that incorporates available market information. As the market is not active, the company must estimate certain inputs to the valuation model, including the timing and amount of expected future cash flows, liquidity discount and credit spread used to determine the applicable discount factor to apply to the expected cash flows. In estimating the credit spread, the company reviewed various comparable debt securities and determined that the reasonably possible range of spreads applicable to the debt securities was 19.7% to 24.3%. A credit spread of 21% was applied in measuring the securities' fair value at March 31, 2011. If the company had used alternative credit spreads within the range, the effects on fair value would be as follows:

Credit spread %	Fair value \$	Increase (decrease) from reported \$
19.7	38	2
21.0	36	–
24.3	33	(3)

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

As a result of the change in the observability of market information, the debt securities were reclassified from Level 2 to Level 3 during the period.

PwC observation. Existing IAS 34 does not provide any specific guidance about significant events and transactions affecting financial instruments that would require disclosure in interim financial statements. However, in its August, 2009 Exposure Draft, *Improvements to IFRS*, the IASB has proposed amending IAS 34 to explicitly consider financial instruments. The proposed amendments include examples of circumstances that would require financial instruments disclosures, such as significant changes in business or economic conditions affecting the fair values of an entity's financial instruments and significant transfers of an entity's financial instruments between levels of the fair value hierarchy. In its November, 2009 Exposure Draft, *Fair Value Measurement*, the IASB has proposed requiring annual fair value disclosures related to financial instruments in interim financial statements.

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

9 Segment reporting

The company is only involved in the manufacturing and sale of widgets. Segment information is provided on the basis of geographic segments as the company manages its widget business through three geographic regions – Canada, the United States and Europe. The business segments presented reflect the management structure of the company and the way in which the company's management reviews business performance. The company evaluates the performance of its operating segments primarily based on operating profit, as defined below.

Segment revenue

	March 31, 2011			
	Canada \$	USA \$	Europe \$	Total \$
External revenue	124	187	22	333
Inter-segment revenue	17	(14)	(3)	–
Total segment revenue	141	173	19	333

	March 31, 2010			
	Canada \$	USA \$	Europe \$	Total \$
External revenue	101	157	20	278
Inter-segment revenue	14	(12)	(2)	–
Total segment revenue	115	145	18	278

Segment profit

	March 31, 2011			
	Canada \$	USA \$	Europe \$	Total \$
Gross profit	32	47	6	85
General and administration	(8)	(18)	(1)	(27)
Sales and marketing	(8)	(11)	–	(19)
Research and development	(6)	(3)	–	(9)
Other gains and losses (net)	5	8	–	13
Segment profit	15	23	5	43

Appendix II – Example disclosures for first-time adopters

(All amounts in millions of Canadian dollars)

	March 31, 2010			
	Canada	USA	Europe	Total
	\$	\$	\$	\$
Gross profit	19	34	4	57
General and administration	(7)	(16)	(1)	(24)
Sales and marketing	(5)	(9)	–	(14)
Research and development	(3)	(1)	–	(4)
Other gains and losses (net)	5	7	–	12
Segment profit	9	15	3	27

Reconciliation of operating profit to income (loss) before income tax

	March 31, 2011			
	Canada	USA	Europe	Total
	\$	\$	\$	\$
Segment profit	15	23	5	43
Net interest expense	(4)	(2)	–	(6)
Share of income of associates	6	–	–	6
Income before income tax	17	21	5	43

	March 31, 2010			
	Canada	USA	Europe	Total
	\$	\$	\$	\$
Segment profit	9	15	3	27
Net interest expense	(9)	(3)	–	(12)
Share of income of associates	10	–	–	10
Income before income tax	10	12	3	25

Assets by geography

	March 31, 2011			
	Canada	USA	Europe	Total
	\$	\$	\$	\$
Total assets	1,080	1,871	164	3,115

	March 31, 2010			
	Canada	USA	Europe	Total
	\$	\$	\$	\$
Total assets	1,158	1,996	160	3,314

(All amounts in millions of Canadian dollars)

10 Seasonality

The company's financial results for any individual quarter are not necessarily indicative of results to be expected for the full year. Interim period revenues and earnings are typically sensitive to regional and local weather, market conditions, and in particular, to cyclical variations in construction spending. Typically, the first quarter is the weakest quarter as construction and infrastructure activity requiring widgets is constrained in the winter months. This is followed by a pickup in the second quarter as construction and other contracts begin to be put out for bid and companies begin to prepare for summer activity. The third quarter generally tends to be slower, however, fourth quarter activity generally strengthens as companies make year-end capital spending decisions.

PwC observation. For an entity whose business is highly seasonal, IAS 34.21 encourages (but does not require) the reporting of financial information for the twelve months ending on the interim reporting date, with comparatives. Applying this requirement in the year of initial adoption of IFRS could affect the selection of an entity's date of transition to IFRS.

11 Dividends

A dividend of \$0.50 per share, declared in January 2010, was paid in February 2011 (2010: \$nil per share).

12 Acquisition of non-controlling interest

On March 31, 2011, the company acquired an additional 20% of the common shares of a subsidiary, X Limited, raising its equity interest to 80%, for cash consideration of \$80. The carrying value of the net assets represented by the additional interest acquired was \$50, which resulted in a charge of \$30 to retained earnings.

13 Subsequent events

Subsequent to March 31, 2011, the fair value of the company's available-for-sale debt securities increased and, on April 15, 2011, the company disposed of the investments for proceeds of \$45, which resulted in a gain of \$9.

Appendix III – Example disclosures for entities that early adopt IFRS 9

(All amounts in millions of Canadian dollars)

Appendix III – Example disclosures for entities that early adopt IFRS 9, ‘Financial instruments’

Commentary – IFRS 9

This appendix presents PwC’s guidance on the requirements of IFRS 9, ‘Financial instruments’.

**IFRS9
p8.2.12** IFRS 9 allows for early adoption but is retrospectively applicable for annual periods beginning on or after 1 January 2013. If an entity adopts IFRS 9 for annual periods beginning before 1 January 2012, it does not need to restate prior periods (but can do so if it so chooses).

This appendix provides guidance on IFRS 9 interim disclosures for entities that choose to adopt IFRS 9 before 1 January 2011.

For entities that decide to early adopt IFRS 9 after 31 December 2010, Appendix V – IFRS 9, Financial instruments in our ‘Illustrative IFRS corporate financial statements for 2010 year ends’ contains more comprehensive disclosures for first-time adopters.

The main assumptions applied in this illustrative appendix are as follows:

1. The group adopted IFRS 9 at 31 December 2010; applied the limited exemption in IFRS9p8.2.12; and has not restated prior periods in its year of the initial application.
 2. The group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available for sale, because these investments do not meet the definition of held for trading of IAS39p1 and IAS39p9.
 3. Debt securities and debentures were considered to meet the criteria to be classified at amortised cost in accordance with IFRS 9, because the objective of the group’s business model is to hold these debt securities in order to collect their contractual cash flows and the contractual cash flows solely represent payments of principal and interest on the principal outstanding. They were therefore reclassified from available for sale to financial assets at amortised cost.
 4. The group did not designate any financial asset as at fair value through profit or loss on initial application in accordance with IFRS9p4.5.
 5. The group does not have unquoted equities or derivatives on unquoted equities.
- IFRS9
App C26**

Interim consolidated income statement – IFRS 9

No impact on presentation.

Interim consolidated statement of comprehensive income – IFRS 9

Given that comparatives are not restated, there should be a line item disclosure relating to ‘Available-for-sale financial assets’ for the six-month period ended 30 June 2010. In addition, the statement of other comprehensive income should include a line item ‘Gain arising on revaluation of financial assets at fair value through other comprehensive income’, which is only applicable for their equity investments.

Appendix III – Example disclosures for entities that early adopt IFRS 9

(All amounts in millions of Canadian dollars)

Interim consolidated balance sheet – IFRS 9

Instead of previously including a line item disclosure relating to ‘Available-for-sale financial assets’, balance sheet disclosure will now include a line item ‘Financial assets at fair value through other comprehensive income’, which is only applicable for their equity investments. Debts instruments previously classified as available-for-sale financial assets should now be included in other non-current financial assets or should be disclosed separately.

Notes to the financial statements

Instead of ‘Available-for-sale financial equity’, disclose ‘Financial assets at fair value through other comprehensive income’.

IFRS7^{p27}, 27A **Fair value hierarchy**

Each entity must assess if the disclosure of the fair value hierarchy required for the annual financial statements is material to an understanding of the interim financial information. Due to the reclassification of the available-for-sale debt assets to ‘Financial assets at amortised cost’ under IFRS 9, the group determined the fair value hierarchy to be not relevant or significant for the user of its interim financial information.

PwC also recommends considering the notes disclosures below.

Financial assets at fair value through other comprehensive income

IFRS7 p11A

If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by IFRS 9^{p5.4.4}, it should disclose:

- which investments in equity instruments have been designated to be measured at fair value through other comprehensive income;
- the reasons for using this presentation alternative;
- the fair value of each such investment at the end of the reporting period;
- dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period; and
- any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

	30 June 2011	31 December 2010
Listed securities:		
– Equity securities UK	24	98
– Equity securities – Europe	384	410
– Equity securities – US	38	45
Financial assets at fair value through other comprehensive income	446	553

The group has designated the above equity investments at fair value through other comprehensive income, because they are held for long-term investment rather than for trading.

Appendix III – Example disclosures for entities that early adopt IFRS 9

(All amounts in millions of Canadian dollars)

Dividends recognised during the first half of 2011 related to this equity investments amount to C12. No dividends were recognised for investments derecognised during the reporting period.

The group transferred C8 from other reserves to retained earnings in the period due to disposals.

If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it should disclose:

- (a) the reasons for disposing of the investments;
- (b) the fair value of the investments at the date of derecognition;
- (c) the cumulative gain or loss on disposal.

The group disposed UK equity securities during the reporting period due to management decisions to reduce their exposure to GBP equity investments. The fair value at the date of derecognition was C85 and the cumulative gain C8.

Items of income expense, gains or losses

**IFRS7
p20(a)**

An entity should disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure should include the reasons for derecognising those financial assets.

The group disposed during the reporting period C120 of financial assets at amortised less than three months to maturity and realised a gain of C1 from the sale recognised within 'Finance income' in the income statement.

Interim reporting disclosure checklist

This disclosure checklist outlines the minimum disclosures required by IAS 34, 'Interim financial reporting', and other IFRSs published by the IASB up to and including March 2010 insofar as they affect interim reports.

When preparing interim reports, consideration should be given to whether disclosure of the minimum information required by IAS 34 is sufficient for the purposes of communication with investors. Additional IFRS-compliant information should be included when the information is necessary to help explain the current interim period's performance.

This checklist is intended for general reference purposes only; it is not a substitute for reading the standards and interpretations themselves, or for professional judgement as to the fairness of presentation. Further specific information may be required in order to ensure fair presentation under IFRS depending on the circumstances.

This disclosure checklist does not deal with the measurement requirements of IFRS; a thorough understanding of international standards and interpretations that are relevant to the reporting entity's circumstances will be necessary. This checklist is presented in a format designed to facilitate the collection and review of disclosures for each component of the interim report. All disclosures have been grouped by subject, where appropriate. The references in the left-hand margin of the checklist refer to the paragraphs of the standards in which the disclosure requirements appear. Additional notes and explanations in the checklist are shown in *italics*.

The boxes in the right-hand margin of each page are designed to assist in completing the checklist. In the left-hand box (headed 'Y-NA-NM') one of the following should be entered for each disclosure item:

- **Y** ('Yes') – the appropriate disclosure has been made;
- **NA** ('Not applicable') – the item does not apply to the reporting entity; or
- **NM** ('Not material') – the item is regarded as not material to the interim report of the reporting entity.

Materiality is defined in IAS 1 paragraph 7, and in paragraphs 29 and 30 of the IASB's 'Framework for the preparation and presentation of financial statements'. Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the item. IAS 1 paragraph 31 states that a specific disclosure requirement in a standard or an interpretation need not be satisfied if the information is not material. IAS 34 paragraph 23 requires that materiality, for the purpose of preparing the interim financial report, is assessed in relation to the results of the interim period and not in relation to the annual results.

The right-hand box on each page (headed 'Ref') can be used to insert a reference to the relevant part of the financial statements (such as 'Note 7') for all items that have been marked 'Y' in the left-hand box.

Interim reporting disclosure checklist

		Y-NA-NM	Ref
	General		
IAS 34 para 5, 10	An entity should publish in its interim report either:		
	(a) a complete set of financial statements (described in IAS 1); or		
	(b) a set of condensed financial statements (described in IAS 34).		
	<p><i>Notes:</i></p> <p>(a) <i>If a complete set of financial statements is published in the interim report, the form and content of those statements should conform to the requirements of IAS 1 for a complete set of financial statements. All disclosures required by IAS 34 as well as all those required by other standards should be included.</i></p> <p>(b) <i>If a condensed set of financial information is published in the interim report, as a minimum, disclosures required by IAS 34 should be included. Disclosures required by other IFRSs are not required for condensed interim financial information, except where they are material to an understanding of the current interim period.</i></p>		
IAS 34 para 14	If the most recent annual financial statements were consolidated financial statements, is the interim report also prepared on a consolidated basis?		
	Where the interim report contains comparative information in respect of the previous financial year, does the interim report contain the following statements:		
	<ul style="list-style-type: none"> ■ That the interim report is not the group's statutory accounts? 		
	<ul style="list-style-type: none"> ■ Whether or not the statutory accounts for the preceding financial year have been filed with the Registrar? 		
	<ul style="list-style-type: none"> ■ Whether or not the auditors have reported on the statutory accounts for the preceding financial year? 		
	Statement of comprehensive income		
IAS 34 paras 8, 20	Does the interim report include a condensed statement of comprehensive income prepared for the interim period and cumulatively for the current financial year to date presented as either:		
	(a) a condensed single statement; or		
	(b) a condensed separate income statement and a condensed statement of comprehensive income?		
	<p><i>Notes:</i></p> <p>(a) <i>The same format should be followed in the interim statement of comprehensive income as was followed in the most recent annual financial statements (that is either as a single statement or a separate income statement and a statement of comprehensive income).</i></p> <p>(b) <i>Where a condensed income statement is presented, this should be immediately before the statement of comprehensive income.</i></p>		
IAS 34 para 10	Does the condensed statement of comprehensive income include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements?		
IAS 34 para 10	Does the condensed statement of comprehensive income include additional line items, without which the interim report would be misleading?		

Interim reporting disclosure checklist

		Y-NA-NM	Ref
IAS 34 para 20	Does the condensed statement of comprehensive income contain comparative information for the comparable interim periods (current period and financial year to date, if different) of the immediately preceding year?		
IAS 34 para 11	If IAS 33 is applicable, are basic and diluted earnings per share presented in the condensed statement of comprehensive income?		
IAS 34 para 11A	If an entity presents the components of profit or loss in a separate income statement it should present basic and diluted earnings per share in that separate statement.		
	Balance sheet		
IAS 34 paras 8, 20	Does the interim report include a condensed balance sheet prepared as at the end of the interim period?		
IAS 34 para 10	Does the condensed balance sheet include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements?		
IAS 34 para 10	Does the condensed balance sheet include additional line items, without which the interim report would be misleading?		
IAS 34 para 20	Does the condensed balance sheet contain comparative information as at the end of the immediately preceding financial year?		
	Statement of changes in equity		
IAS 34 para 8	Does the interim report include a condensed statement of changes in equity showing all changes in equity?		
IAS 34 para 8A	If an entity presents the components of profit or loss in a separate income statement as described in IAS 1 para 81 (as revised in 2007), it presents interim condensed information from that separate statement.		
IAS 34 para 10	Does the condensed statement of changes in equity include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements?		
IAS 34 para 10	Does the condensed statement of changes in equity include additional line items, without which the interim report would be misleading?		
IAS 34 para 20	Is the condensed statement of changes in equity prepared cumulatively for the financial year to date?		
IAS 34 para 20	Is a comparative statement of changes in equity for the comparable year-to-date period of the immediately preceding financial year included in the interim report?		
	Statement of cash flows		
IAS 34 para 8, 20	Does the interim report include a condensed statement of cash flows prepared cumulatively for the current financial year to date?		
IAS 34 para 10	Does the condensed statement of cash flows include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements?		
IAS 34 para 10	Does the condensed statement of cash flows include additional line items, without which the interim report would be misleading?		
IAS 34 para 20	Does the condensed statement of cash flows show comparative information for the comparable year-to-date period of the immediately preceding financial year?		

Interim reporting disclosure checklist

		Y-NA-NM	Ref
	Explanatory notes		
IAS 34 para 15	<i>IAS 34 assumes that a reader of the interim report will also have access to the most recent annual financial statements. It is not necessary for the notes to duplicate information already given in the most recent annual financial statements. Instead, an explanation of material events and transactions that are significant to an understanding of the changes in financial position and performance since the last annual financial statements should be given.</i>		
IAS 34 paras 6, 15	Does the interim report focus on new activities, events and circumstances and provide explanations of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the last annual reporting date?		
IAS 34 para 6, List! 18	Does the interim report include a discussion of the effect of economic turbulence and market conditions, liquidity difficulties or any going concern issues, together with management's plans for addressing them?		
IAS 34 para 19	Does the interim report contain a basis of preparation paragraph that states clearly whether the interim report has been prepared in accordance with IAS 34?		
IAS 34 para 19	<i>Note: An interim report should not be described as complying with IFRS unless it complies with all the requirements of each applicable standard and each applicable IFRIC interpretation.</i>		
IAS 34 para 16A(a)	Does the interim report contain a statement that the same accounting policies, methods of computation and presentation have been followed in its preparation as were applied in the most recent annual financial statements; or, if those policies, methods or presentation have been changed, include a description of the nature and effect of the change?		
IAS 34 para 43	<i>Note: A change in accounting policy, other than one for which the transition is specified by a new Standard or Interpretation should be effected by restating the comparative information presented in the interim report in accordance with IAS 8.</i>		
IAS 34 para 16A(b)	Does the interim report contain explanatory comments about the seasonality or cyclicity of interim operations?		
IAS 34 para 21	<i>Note: Financial information for the 12 months ending on the interim reporting date and comparative information for the prior 12-month period may be useful for an entity whose business is highly seasonal. Such entities are encouraged to consider reporting such information in addition to the information required by IAS 34 para 20.</i>		
IAS 34 para 16A(c)	Does the interim report contain the nature and amount of items occurring in the financial year-to-date affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence?		
IAS 34 para 15B(d)	Does the interim report contain details of any property, plant and equipment acquired or disposed of during the financial year to date?		
IAS 34 para 15B(e)	Does the interim report contain details of any commitments to purchase property, plant and equipment after the end of the interim period?		
IAS 34 para 16A(d)	Does the interim report contain the nature and amount of changes in estimates of amounts reported in prior interim periods of the current year, or in prior years, if those changes have a material effect in the current interim period (for example,		

Interim reporting disclosure checklist

		Y-NA-NM	Ref
	changes in estimates relating to inventory write-downs, impairment losses, provision re-estimates etc)?		
IAS 34 paras 16A(j), 15B(f)	Does the interim report contain details of changes in contingent liabilities and contingent assets, including litigation settlements, since the last annual balance sheet date?		
IAS 34 para 15B(i)	Does the interim report contain details of any loan default or breach of a loan agreement since the last annual balance sheet date that has not been remedied on or before the end of the interim period?		
IAS 34 para 16A(e)	Does the interim report contain details of issuances, repurchases, and repayments of debt and equity securities since the last annual balance sheet date?		
IAS 34 para 16A(f)	Does the interim report contain details of dividends paid (aggregate or per share), separately for ordinary shares and other shares during the financial year to date?		
IAS 34 para 16A(h)	Does the interim report contain details of material events subsequent to the end of the interim period that have not been reflected in the interim financial statements?		
IAS 34 para 16 A (i)	Does the interim report detail the effect of changes in the composition of the entity during the interim period (for example, business combinations, acquisitions and disposals of subsidiaries and long-term investments, restructurings and discontinued operations)?		
IAS 34 para 15B(g)	Does the interim report contain details of the correction of prior period errors (as defined in IAS 8)?		
IAS 34 para 15B(j)	Does the interim report contain details of related-party transactions (as defined in IAS 24) for the financial year-to-date?		
IAS 34 para 15B(k)	Does the interim report contain details of transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments?		
IAS 34 para 15B(l)	Does the interim report contain details of changes in the classification of financial assets as a result of a change in the purpose or use of those assets?		
IAS 34 para 15B(m)	Does the interim report contain details of changes in contingent liabilities or contingent assets?		
IAS 34 para 16A	Does the interim report contain details of any other events or transactions that are material to an understanding of the current interim period?		
	Segment information		
	Does the interim report contain:		
IAS 34 para 16A(g)(i)	<ul style="list-style-type: none"> ■ Revenues from external customers, if included in the measure of segment profit or loss provided to the chief operating decision maker? 		
IAS 34 para 16A(g)(ii)	<ul style="list-style-type: none"> ■ Intersegment revenues, if included in the measure of segment profit or loss provided to the chief operating decision maker? 		
IAS 34 para 16A(g)(iii)	<ul style="list-style-type: none"> ■ A measure of segment profit or loss? 		
IAS 34 para 16(g)(iv)	<ul style="list-style-type: none"> ■ Total assets for which there has been a material change from the amount disclosed in the last annual financial statements? 		
IAS 34 para 16A(g)(v)	<ul style="list-style-type: none"> ■ A description of the differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss? 		

Interim reporting disclosure checklist

		Y-NA-NM	Ref
IAS 34 para 16A(g)(vi)	<ul style="list-style-type: none"> ■ A reconciliation of the total of the reportable segments' profit or loss to the entity's profit or loss before tax and discontinued operations, with material reconciling items separately identified and described? 		
IFRS 8 para 29	<p><i>Notes:</i></p> <p>(a) <i>If an entity changes the structure of its internal organisation such that the composition of its reportable segments change, the corresponding information for earlier periods, including interim periods, should be restated unless the information is not available and the cost to develop it would be excessive.</i></p>		
IFRS 8 para 30	<p>(b) <i>Following a change in reportable segments, an entity should disclose whether it has restated the corresponding amounts. If corresponding amounts are not restated, the entity shall disclose current period segment information on both the old and new bases, unless the information is not available and the cost to develop it would be excessive.</i></p>		
	IFRS 3		
	For each business combination that was effected during the period does the entity disclose:		
IFRS 3 para B64(a)	<ul style="list-style-type: none"> ■ The name and a description of the acquiree? 		
IFRS 3 para B64(b)	<ul style="list-style-type: none"> ■ The acquisition date? 		
IFRS 3 para B64(c)	<ul style="list-style-type: none"> ■ The percentage of voting equity interests acquired? 		
IFRS 3 para B64(d)	<ul style="list-style-type: none"> ■ The primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree? 		
IFRS 3 para B64(e)	<ul style="list-style-type: none"> ■ A qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, and intangible assets that do not qualify for separate recognition or other factor? 		
IFRS 3 para B64(f)	For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue) does the entity disclose the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration?		
	<i>This includes items such as:</i>		
	(a) <i>Cash;</i>		
	(b) <i>Other tangible or intangible assets, including a business or subsidiary of the acquirer;</i>		
	(c) <i>Liabilities incurred – for example, a liability for contingent consideration; and</i>		
	(d) <i>Equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of determining the fair value of those instruments or interests.</i>		
	For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), for contingent consideration arrangements and indemnification assets, does the entity disclose:		
IFRS 3 para B64(g)	<ul style="list-style-type: none"> ■ The amount recognised as of the acquisition date? 		

Interim reporting disclosure checklist

		Y-NA-NM	Ref
IFRS 3 para B64(g)	<ul style="list-style-type: none"> ■ A description of the arrangement and the basis for determining the amount of the payment? 		
IFRS 3 para B64	<ul style="list-style-type: none"> ■ An estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated? If the maximum amount of the payment is unlimited, the acquirer discloses that fact. 		
	For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), for acquired receivables does the entity disclose:		
	<i>Note:</i> <i>The disclosures should be provided by major class of receivable, such as loans, direct finance leases and any other class of receivables.</i>		
IFRS 3 para B64(h)	<ul style="list-style-type: none"> ■ The fair value of the receivables? 		
IFRS 3 para B64(h)	<ul style="list-style-type: none"> ■ The gross contractual amounts receivable? 		
IFRS 3 para B64(h)	<ul style="list-style-type: none"> ■ The best estimate at the acquisition date of the contractual cash flows not expected to be collected? 		
IFRS 3 para B64(i)	For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue) does the entity disclose the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed?		
	For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), and for each contingent liability recognised in accordance with IFRS 3 do the financial statements include:		
IFRS 3 para B64(j)	<ul style="list-style-type: none"> ■ A brief description of the nature of the obligation and of the expected timing of any resulting outflows of economic benefits? 		
	<i>Note:</i> <i>This would normally be expected to include disclosure of likely settlement period and discount rate (if used).</i>		
IFRS 3 para B64(j)	<ul style="list-style-type: none"> ■ An indication of the uncertainties about the amount or timing of those outflows (where necessary to provide adequate information, disclose the major assumptions made concerning future events)? 		
IFRS 3 para B64(j)	<ul style="list-style-type: none"> ■ The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement? 		
IFRS 3 para B64(j)	<ul style="list-style-type: none"> ■ Except where the possibility of any outflow in settlement is remote, the following information about each class of contingent liability: 		
	(a) A brief description of the nature of the contingent liability;		
	(b) Where practicable		
	(i) an estimate of its financial effect, measured under IAS 37 paragraphs 36-52,		
	(ii) an indication of the uncertainties about the amount or timing of any outflow, and		
	(iii) the possibility of any reimbursement; and		
	(c) Where relevant, the fact that the information is not disclosed because it is not practicable to do so?		

Interim reporting disclosure checklist

		Y-NA-NM	Ref
IFRS 3 para B64(k)	For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), does the entity disclose the total amount of goodwill that is expected to be deductible for tax purposes?		
	For each business combination that was effected during the period, for transactions that are recognised separately from the acquisition of assets and assumption of liabilities in the business combination in accordance with IFRS 3 para 51, does the entity disclose:		
IFRS 3 para B64(l)	<ul style="list-style-type: none"> ■ A description of each transaction? 		
IFRS 3 para B64(l)	<ul style="list-style-type: none"> ■ How the acquirer accounted for each transaction? 		
IFRS 3 para B64(l)	<ul style="list-style-type: none"> ■ The amounts recognised for each transaction and the line item in the financial statements in which each amount is recognised? 		
IFRS 3 para B64(l)	<ul style="list-style-type: none"> ■ If the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount? 		
IFRS 3 para B64(m)	<p>The disclosure of separately recognised transactions includes the amount of acquisition-related costs and, separately, the amount of those costs recognised as an expense and the line item or items in the statement of comprehensive income in which those expenses are recognised.</p> <p>Are the amount of any issue costs not recognised as an expense and how they were recognised disclosed?</p>		
	For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), and which resulted in a bargain purchase, does the entity disclose:		
IFRS 3 para B64(n)	<ul style="list-style-type: none"> ■ The amount of any gain recognised in accordance with IFRS 3 para 34 and the line item in the statement of comprehensive income in which the gain is recognised? 		
IFRS 3 para B64(n)	<ul style="list-style-type: none"> ■ A description of the reasons why the transaction resulted in a gain? 		
	For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), for each business combination in which the acquirer holds less than 100% of the equity interest in the acquiree at the acquisition date, does the entity disclose:		
	<i>Note:</i> <i>A non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly to a parent.</i>		
IFRS 3 para B64(o)	<ul style="list-style-type: none"> ■ The amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount? 		
IFRS 3 para B64(o)	<ul style="list-style-type: none"> ■ For each non-controlling interest in an acquiree measured at fair value, the valuation techniques and key model inputs used for determining that value? 		
	For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), does the entity disclose:		
IFRS 3 para B64(p)	<ul style="list-style-type: none"> ■ The acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date? 		

Interim reporting disclosure checklist

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IFRS 3 para B64(p)	<ul style="list-style-type: none"> ■ The amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination and the line item in the statement of comprehensive income in which that gain or loss is recognised? 		
	For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), does the entity disclose:		
IFRS 3 para B64(q)	<ul style="list-style-type: none"> ■ The amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period? 		
IFRS 3 para B64(q)	<ul style="list-style-type: none"> ■ The revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period? 		
	<i>Note: If obtaining any of the information required is impracticable, the acquirer discloses that fact and explains why the disclosure is impracticable.</i>		
	For adjustments recognised in the current reporting period or previous reporting periods in relation to a business combination, does the acquirer disclose the following for each material business combination or in aggregate for individually immaterial business combinations that are material collectively:		
IFRS 3 para B67(a)	<ul style="list-style-type: none"> ■ If the initial accounting for a business combination is incomplete for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognised in the financial statements for the business combination have been determined only provisionally: 		
	(a) The reasons why the initial accounting for the business combination is incomplete;		
	(b) The assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete; and		
	(c) The nature and amount of any measurement period adjustments recognised during the reporting period?		
IFRS 3 para B67(b)	<ul style="list-style-type: none"> ■ For each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires: 		
	(a) Any changes in the recognised amounts, including any differences arising upon settlement;		
	(b) Any changes in the range of outcomes (undiscounted) and the reasons for those changes; and		
	(c) The valuation techniques and key model inputs used to measure contingent consideration?		
	Does the acquirer disclose for contingent liabilities recognised in a business combination, the following information for each class of provision:		
IFRS 3 para B67(c)	<ul style="list-style-type: none"> ■ For each class of provision, an entity discloses: 		
	(a) The carrying amount at the beginning and end of the period;		
	(b) Additional provisions made in the period, including increases to existing provisions;		

Interim reporting disclosure checklist

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	(c) Amounts used (that is, incurred and charged against the provision) during the period;		
	(d) Unused amounts reversed during the period; and		
	(e) The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.		
IFRS 3 para B64(j)	<ul style="list-style-type: none"> ■ A brief description of the nature of the obligation and of the expected timing of any resulting outflows of economic benefits? 		
	<i>Note:</i> <i>This is normally expected to include disclosure of likely settlement period and discount rate (if used).</i>		
IFRS 3 para B64(j)	<ul style="list-style-type: none"> ■ An indication of the uncertainties about the amount or timing of those outflows (where necessary to provide adequate information, disclose the major assumptions made concerning future events)? 		
	<ul style="list-style-type: none"> ■ The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement? 		
	For adjustments recognised in the current reporting period or previous reporting periods in relation to a business combination, and for each material business combination or in aggregate for individually immaterial business combinations that are material collectively, does the acquirer disclose a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period showing separately:		
IFRS 3 para B67(d)	<ul style="list-style-type: none"> ■ The gross amount and accumulated impairment losses at the beginning of the reporting period? 		
IFRS 3 para B67(d)	<ul style="list-style-type: none"> ■ Additional goodwill recognised during the reporting period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with IFRS 5? 		
IFRS 3 para B67(d)	<ul style="list-style-type: none"> ■ Adjustments resulting from the subsequent recognition of deferred tax assets during the reporting period in accordance with IFRS 3 para 67? 		
IFRS 3 para B67(d)	<ul style="list-style-type: none"> ■ Goodwill included in a disposal group classified as held for sale in accordance with IFRS 5 and goodwill derecognised during the reporting period without having previously been included in a disposal group classified as held for sale? 		
IFRS 3 para B67(d)	<ul style="list-style-type: none"> ■ Impairment losses recognised during the reporting period in accordance with IAS 36? 		
IFRS 3 para B67(d)	<ul style="list-style-type: none"> ■ If any portion of the goodwill recognised in a business combination during the period has not been allocated to a cash-generating unit (group of units) at the reporting date, does the acquirer disclose the amount of the unallocated goodwill together with the reasons why that amount remains unallocated? 		
IFRS 3 para B67(d)	<ul style="list-style-type: none"> ■ Net exchange rate differences arising during the reporting period in accordance with IAS 21? 		
IFRS 3 para B67(d)	<ul style="list-style-type: none"> ■ Any other changes in the carrying amount during the reporting period? 		
IFRS 3 para B67(d)	<ul style="list-style-type: none"> ■ The gross amount and accumulated impairment losses at the end of the reporting period? 		
IFRS 3 para B67(e)	For adjustments recognised in the current reporting period or previous reporting periods in relation to a business combination, and for each material business combination or in the aggregate for individually immaterial business combinations that are		

Interim reporting disclosure checklist

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	material collectively, does the acquirer disclose the amount and an explanation of any gain or loss recognised in the current reporting period that both:		
	(a) Relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or previous reporting period; and		
	(b) Is of such a size, nature or incidence that disclosure is relevant to understanding the combined entity's financial statements?		
IFRS 3 para B63	If the specific disclosures required by this and other IFRSs do not enable users of the financial statements to evaluate the nature and financial effect of business combinations and of the impact of any adjustments arising from them, does the acquirer disclose whatever additional information is necessary to meet those objectives?		

This publication is designed for the information of readers. While every effort has been made to ensure accuracy, information contained in this publication may not be comprehensive or may have been omitted that may be relevant to a particular reader. In particular, this checklist is not intended as a study of all aspects of IFRS, or as a substitute for reading the standards and interpretations when dealing with specific issues. No responsibility for loss to any person acting or refraining from acting as a result of any material in this checklist can be accepted by PricewaterhouseCoopers. Recipients should not act on the basis of this checklist without seeking professional advice.

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