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# ***VALUE IFRS Plc***

*Interim financial reporting  
June 2017*



This publication presents the sample interim financial reports of a fictional listed company, VALUE IFRS Plc. It illustrates the financial reporting requirements that would apply to such a company under International Financial Reporting Standards as issued at 31 October 2016. Supporting commentary is also provided. For the purposes of this publication, VALUE IFRS Plc is listed on a fictive Stock Exchange and is the parent entity in a consolidated entity.

VALUE IFRS Plc – Interim financial reporting June 2017 is for illustrative purposes only and should be used in conjunction with the relevant financial reporting standards and any other reporting pronouncements and legislation applicable in specific jurisdictions.

Global Accounting Consulting Services  
PricewaterhouseCoopers LLP

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

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## Introduction

This publication presents illustrative interim financial statements for a fictitious listed company, VALUE IFRS Plc, for the six months to 30 June 2017. The financial statements comply with International Financial Reporting Standards (IFRS) as issued at 31 October 2016 and that apply to annual reporting periods commencing on or after 1 January 2017, including IAS 34 *Interim Financial Reporting*.

### New requirements for 2017

There are only a limited number of amendments to the accounting standards that become applicable from 1 January 2017 and that will therefore need to be considered in the preparation of interim reports for periods commencing after that date. The standards are listed in the [commentary to the notes](#) (paragraph 25 on page 34). As they are primarily clarifications, we have assumed that none of them required a change in VALUE IFRS Plc's accounting policies. However, this assumption will not necessarily apply to all entities. Where there has been a change in policy, this will need to be disclosed in the notes.

We have illustrated such a disclosure in note 17, by assuming that VALUE IFRS Plc has early adopted the amendments to IFRS 2 *Share-based Payment* that were made in June 2016. In addition, we have also revised the disclosures describing the expected impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. Both standards will become effective from 1 January 2018 and regulators will expect to see more specific disclosures about the estimated impact of adopting the new rules, considering that retrospective adjustments may need to be recognised in the financial statements for 2017.

In October 2016, the European Securities and Markets Authority (ESMA) listed disclosures about the impact of new standards as one of their top three enforcement priorities for 2016 financial statements. To help preparers determining the level of information that must be provided, ESMA has issued separate public statements on the implementation of IFRS 9 and IFRS 15. These statements provide an illustrative timeline and good practices of disclosures for 2016 and 2017 financial reports. While IAS 34 does not specifically require the disclosure of information about the impact of new standards in interim reports, ESMA believes that entities should provide an update of the information provided in the 2016 annual financial report where the impact is expected to be significant. This applies in particular where entities had not been able to reliably estimate the impact in their last annual financial report, but are now able to provide more specific information.

### Using this publication

The source for each disclosure requirement is given in the reference column. Shading in this column indicates revised requirements that become applicable for the first time this year. There is also commentary that (i) explains some of the more challenging areas and (ii) lists disclosures that have not been included because they are not relevant to VALUE IFRS Plc.

As VALUE IFRS Plc is an existing preparer of IFRS consolidated financial statements, IFRS 1 *First-time Adoption of International Financial Reporting Standards* does not apply. Guidance on interim financial statements for first-time adopters of IFRS is available in [Chapter 2 of our Manual of Accounting](#).

The example disclosures are not the only acceptable form of presenting financial statements. Alternative presentations may be acceptable if they comply with the specific disclosure requirements prescribed in IFRS. This illustrative report does also not cover all possible disclosures that IFRS require. Readers may find our [IFRS interim disclosure checklist](#) useful to identify other disclosures that may be relevant under the circumstances but are not illustrated in this publication.

Some of the disclosures in this publication would likely be immaterial if VALUE IFRS Limited was a 'real life' company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are for illustration purposes only. Disclosures should not be included where they are not relevant or not material in specific circumstances.

Preparers of interim financial reports should also consider local legal and regulatory requirements which may stipulate additional disclosures that are not illustrated in this publication.

## Top interim reporting pitfalls

Our experience of reviewing interim reports suggests that the following errors or omissions are the most frequent:

- Incorrect or no disclosure of new standards, amendments and IFRIC interpretations that are effective for the first time for the interim period and required a change in accounting policy.
- Basis of preparation note is incorrect, eg does not refer to IAS 34 or IFRSs.
- No disclosure 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.
- No explanations of the effect of seasonality on operations.
- Incomplete IFRS 7 and IFRS 13 financial instruments disclosures.

## Management commentary guidance

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 which provides principles for the presentation of a narrative report on an entity's financial performance, position and cash flows. For details about this and other guidance available in relation to management commentaries (or operating and financial reviews) please refer to Appendix A of our *VALUE IFRS Plc Illustrative IFRS consolidated financial statements December 2016* publication.

# VALUE IFRS Plc

## Interim report – Six months ended 30 June 2017

Condensed consolidated statement of profit or loss	5
Condensed consolidated statement of comprehensive income	6
Condensed consolidated balance sheet	7
Condensed consolidated statement of changes in equity	9
Condensed consolidated statement of cash flows	10
Notes to the condensed consolidated financial statements	13
1 Significant changes in the current reporting period	13
2 Segment information	13
3 Profit and loss information	15
4 Dividends	15
5 Property, plant and equipment	16
6 Intangible assets	16
7 Current provisions	18
8 Borrowings	19
9 Equity securities issues	20
10 Business combination	20
11 Discontinued operation	22
12 Interests in associates and joint ventures	23
13 Contingencies	23
14 Events occurring after the reporting period	24
15 Related party transactions	24
16 Fair value measurements	25
17 Basis of preparation of half-year report	28
Commentary on the notes to the financial statements	30
Independent auditor's review report to the members	35

IAS34(6)  
Not mandatory

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by VALUE IFRS Plc during the interim reporting period. <sup>1</sup>

IAS34(8)(e)  
IAS1(138)(a)

VALUE IFRS Plc is a company limited by shares, incorporated and domiciled in Oneland. Its registered office and principal place of business is at 350 Harbour Street, 1234 Nice Town. Its shares are listed on the Oneland Stock Exchange.

These condensed interim financial statements were approved for issue on 29 August 2017.

The financial statements have been reviewed, not audited.

### Commentary

#### Interim report to be read in conjunction with annual report

1. See paragraph 20 of the [commentary to the notes](#) to the consolidated financial statements (page 32) for our thoughts on why this disclosure should be retained.

## Condensed consolidated statement of profit or loss<sup>1-10,14</sup>

IAS34(8)(b)		Notes	Half-year	
			2017 CU'000	2016 CU'000
	<b>Continuing operations</b>			
IAS1(82)(a)	Revenue	2	103,660	87,724
IAS1(99), IAS2(36)(d)	Cost of sales of goods		(24,667)	(25,123)
	Cost of providing services		(27,932)	(22,791)
	<b>Gross profit</b>		<b>51,061</b>	<b>39,810</b>
IAS1(99)	Distribution costs		(22,710)	(11,638)
IAS1(99)	Administrative expenses		(11,855)	(5,819)
	Other income		4,455	3,703
	Other gains/(losses) – net		325	1,036
	<b>Operating profit</b>	3	<b>20,276</b>	<b>27,092</b>
	Finance income		855	572
IAS1(82)(b)	Finance costs		(3,553)	(3,121)
	Finance costs – net		(2,698)	(2,549)
	Share of net profits of associates and joint ventures accounted for using the equity method	12	205	340
	<b>Profit before income tax</b>		<b>17,783</b>	<b>24,883</b>
	Income tax expense	3(b)	(5,966)	(7,909)
	Profit from continuing operations	3(a)	11,817	16,974
	(Loss)/profit from discontinued operation	11(b)	(32)	664
	<b>Profit for the half-year</b>		<b>11,785</b>	<b>17,638</b>
	Profit is attributable to:			
	Owners of VALUE IFRS Plc		11,355	17,185
	Non-controlling interests		430	453
			<b>11,785</b>	<b>17,638</b>
			<b>Cents</b>	<b>Cents</b>
IAS34(11)	<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:<sup>11,12</sup></b>			
	Basic earnings per share		21.1	29.4
	Diluted earnings per share		20.4	28.1
IAS34(11)	<b>Earnings per share for profit attributable to the ordinary equity holders of the company:<sup>11,12</sup></b>			
	Basic earnings per share		21.0	30.6
	Diluted earnings per share		20.3	29.3

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

IAS34(8)(b)

## Condensed consolidated statement of comprehensive income <sup>1-10</sup>

IAS34(20)(b)	Notes	Half-year	
		2017 CU'000	2016 CU'000
		<b>11,785</b>	17,638
		<b>Profit for the half-year</b>	
		<b>Other comprehensive income</b>	
IAS1(82A)		<i>Items that may be reclassified to profit or loss</i>	
		Changes in the fair value of available-for-sale financial assets	(114) (129)
		Exchange differences on translation of foreign operations	(38) (101)
	11(b)	Exchange differences on translation of discontinued operation	- 170
		Changes in the fair value of cash flow hedges	157 (222)
		Net investment hedge	85 -
IAS1(91)		Income tax relating to these items	(14) 106
IAS1(82A)		<i>Items that will not be reclassified to profit or loss</i>	
	5	Gain on revaluation of land and buildings	1,495 1,460
		Remeasurements of retirement benefit obligations	81 (143)
IAS1(91)		Income tax relating to these items	(473) (395)
		<b>Other comprehensive income for the half-year, net of tax</b>	<b>1,180</b> 746
		<b>Total comprehensive income for the half-year</b>	<b>12,965</b> 18,384
Total comprehensive income for the half-year is attributable to:			
		Owners of VALUE IFRS Plc	12,466 17,876
		Non-controlling interests	499 508
		<b>12,965</b>	<b>18,384</b>
Total comprehensive income for the period attributable to owners of VALUE IFRS Plc arises from:			
IFRS5(33)(d)		Continuing operations	12,498 17,042
	11	Discontinued operations	(32) 834
		<b>12,466</b>	<b>17,876</b>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated balance sheet <sup>1-9</sup>

		30 June 2017 CU'000	31 December Restated* 2016 CU'000
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	146,305	131,410
Investment properties		12,510	13,300
Intangible assets	6	27,265	24,550
Deferred tax assets		6,751	7,323
Investments accounted for using the equity method	12	4,230	3,775
Held-to-maturity investments		1,300	1,210
Available-for-sale financial assets	16	11,010	11,110
Derivative financial instruments	16	310	308
Receivables		2,370	2,226
Total non-current assets		212,051	195,212
<b>Current assets</b>			
Inventories		26,780	22,153
Trade and other receivables		20,027	18,935
Derivative financial instruments	16	1,634	1,854
Financial assets at fair value through profit or loss	16	11,150	11,300
Cash and cash equivalents (excluding bank overdrafts)		36,294	55,310
		95,885	109,552
Assets classified as held for sale		-	250
Total current assets		95,885	109,802
<b>Total assets</b>		<b>307,936</b>	<b>305,014</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	8	96,902	91,289
Deferred tax liabilities		9,907	12,360
Employee benefit obligations		7,155	6,749
Provisions		1,668	1,573
Total non-current liabilities		115,632	111,971

\* See note 17 for details regarding the restatement as a result of a change in accounting policy.



IAS34(20)(a)

		30 June 2017 CU'000	31 December Restated * 2016 CU'000
	Notes		
<b>Current liabilities</b>			
Trade and other payables		15,452	16,700
Current tax liabilities		1,234	1,700
Borrowings	8	8,690	9,155
Derivative financial instruments	16	1,136	1,376
Employee benefit obligations		800	690
Provisions	7	3,926	3,111
Deferred revenue		550	595
Total current liabilities		31,788	33,327
<b>Total liabilities</b>		147,420	145,298
<b>Net assets</b>		160,516	159,716
<b>EQUITY</b>			
Share capital and share premium	9	83,692	83,054
Other equity		1,636	1,774
Other reserves		19,174	18,168
Retained earnings		46,818	47,258
Capital and reserves attributable to the owners of VALUE IFRS Plc		151,320	150,254
Non-controlling interests		9,196	9,462
<b>Total equity</b>		160,516	159,716

\* See note 17 for details regarding the restatement as a result of a change in accounting policy.

*The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.*

*The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

## Condensed consolidated statement of cash flows <sup>1-9,14</sup>

		Half-year	
		2017	2016
	Notes	CU'000	CU'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		20,632	42,136
Interest received		855	572
Interest paid		(3,759)	(3,616)
Income taxes paid		(8,666)	(14,679)
<b>Net cash inflow from operating activities</b>		<b>9,061</b>	<b>21,413</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of subsidiary, net of cash acquired	10	(10,175)	(2,600)
Payments for property, plant and equipment	5	(9,060)	(2,411)
Payments for investment property		-	(1,150)
Payment for acquisition of associate	12	(405)	-
Payments for available-for-sale financial assets		(473)	(227)
Payments for held-to-maturity investments		(90)	(1,150)
Payments for patents and trademarks	6	(320)	(9)
Payment of software development costs	6	(725)	(58)
Loans to related parties		(641)	(330)
Proceeds from sale of engineering division **	11	-	3,110
Proceeds from sale of property, plant and equipment		3,700	7,495
Proceeds from sale of available-for-sale financial assets		694	185
Repayment of loans by related parties		658	300
Distributions received from joint ventures and associates		300	170
Dividends received		160	150
Interest received on available-for-sale financial assets		115	108
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(16,262)</b>	<b>3,583</b>
<b>Cash flows from financing activities</b>			
IAS34(16A)(e) Proceeds from issues of shares and other equity securities	9	241	-
IAS34(16A)(e) Proceeds from borrowings	8	12,628	18,353
Acquisition of treasury shares	9	(1,270)	(1,217)
Share issue cost		-	(50)
IAS34(16A)(e) Repayment of borrowings		(8,450)	(25,300)
IAS34(16A)(e) Finance lease payments		(60)	(75)
IAS34(16A)(f) Dividends paid to company's shareholders	4	(11,592)	(11,412)
Dividends paid to non-controlling interests in subsidiaries		(2,485)	(1,710)
<b>Net cash outflow from financing activities</b>		<b>(10,988)</b>	<b>(21,411)</b>
<b>Net (decrease)/increase in cash and cash equivalents *</b>		<b>(18,189)</b>	<b>6,585</b>
Cash and cash equivalents at the beginning of the half-year *		52,660	32,593
Effects of exchange rate changes on cash and cash equivalents		(217)	(384)
<b>Cash and cash equivalents at end of the half-year *</b>		<b>34,254</b>	<b>38,794</b>

\* Cash and cash equivalents are net of bank overdrafts (CU2,040,000 at 30 June 2017 and CU2,250,000 at 30 June 2016)

\*\* For cash flows of discontinued operations see [note 11](#) <sup>13</sup>

*The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## 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. If an entity publishes condensed financial statements in its interim financial report, these condensed financial statements shall 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 as required by IAS 34 *Interim Financial Reporting*.
3. The interim financial report for VALUE IFRS Plc contains condensed financial statements, in that 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 is common and considered best practice.
4. 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.
5. Additional line items or notes shall be included if their omission would make the condensed interim financial report misleading. Certain transactions may not be significant in the context of the annual report, but may need to be separately disclosed in the interim report. An example could be costs that are incurred unevenly during the year and that require separate presentation in the interim statement of profit or loss, but not in the annual financial statements.

### Periods covered

6. The following tables summarise which statements need to be presented by entities that prepare half-yearly or quarterly reports.

#### Half-yearly reporting for period ending 30 June 2017

Statement	Current	Comparative
Balance sheet at	30 June 2017	31 December 2016
Statement of comprehensive income (and separate statement of profit or loss, where applicable) :		
- 6 months ended	30 June 2017	30 June 2016
Statement of changes in equity:		
- 6 months ended	30 June 2017	30 June 2016
Statement of cash flows:		
- 6 months ended	30 June 2017	30 June 2016

#### Quarterly reporting – second quarter interim report for period ending 30 June 2017

Statement	Current	Comparative
Balance sheet at	30 June 2017	31 December 2016
Statement of comprehensive income (and separate statement of profit or loss, where applicable) :		
- 6 months ended	30 June 2017	30 June 2016
- 3 months ended	30 June 2017	30 June 2016
Statement of changes in equity:		
- 6 months ended	30 June 2017	30 June 2016
Statement of cash flows:		
- 6 months ended	30 June 2017	30 June 2016

## Consolidated interim financial statements

IAS34(20)(b)

7. For a half-year report, the current interim period and the annual reporting period 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 annual reporting period to date and the comparative annual reporting period to date for the corresponding interim period (see table in paragraph 6 above).
8. This interim report is for half-year period. 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 (eg 'For the quarter ended 31 March 2017' or 'For the third quarter ended 30 September 2017') and the heading for the figures should indicate whether they are presented for a quarter, a half-year or the annual reporting period to date, as appropriate.

### *Third balance sheet*

IAS1(BC33)

9. 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.

### **Separate statement of profit or loss**

IAS1(10A)  
IAS34(8A)

10. IAS 1 permits entities to present the components of profit or loss either as part of a single statement of comprehensive income or in a separate statement of profit or loss. If an entity has decided to retain a separate statement of profit or loss in its annual financial statements it shall also use this format for its interim report.

### **Earnings per share**

IAS34(11),(11A)

11. Entities that are within the scope of IAS 33 *Earnings per Share* shall 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 statement of profit or loss – if the entity presents a separate statement of profit or loss and statement of comprehensive income.

IAS33(68)

12. IAS 34 does not specifically require disclosure of EPS for profit from continuing and discontinued operations, but where there are significant discontinued operations we recommend that they be disclosed separately as required in an annual statement by IAS 33. The EPS from discontinued operations could be disclosed as part of the discontinued operations note, as done in this illustrative interim report (see [note 11](#)).

### **Cash flows relating to discontinued operations**

IFRS5(33)(c)

13. 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. VALUE IFRS Plc has chosen to disclose this information in the notes.

### **Alternative formats for financial statements**

14. Appendix B in our [VALUE IFRS Plc Illustrative IFRS consolidated financial statements December 2016](#) publication shows the following alternative formats for the financial statements:
  - (a) Statement of profit or loss: classification of expenses by nature
  - (b) Statement of cash flows prepared using the direct method.

## Notes to the condensed financial statements <sup>24,25</sup>

### 1 Significant changes in the current reporting period <sup>1,2</sup>

IAS34(6),(15)

Although global market conditions 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 Complete Office Furniture Limited. The group does not have any exposure to sub-prime lending or collateralised debt obligations. It has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments.

Not mandatory

The financial position and performance of the group was particularly affected by the following events and transactions during the six months to 30 June 2017:

- a significant increase in revenue from the furniture retail and electronic equipment divisions as a result of business combinations that occurred in the current and previous financial year (see [note 10](#)). This more than offset a reduction in revenue in the furniture manufacturing segments (see [note 2](#) below).
- an impairment loss of CU1,390,000 for the European IT consulting division as a result of a loss of two major contracts and increased cost (see [note 6](#))
- an increase in the provision for legal claims against the Oneland furniture manufacturing division (see [note 7](#))
- an increase in warranty claims following problems with certain parts used in the manufacture of electronic equipment (see [note 7](#))
- the acquisition of a vacant parcel of land to expand the production facilities of VALUE IFRS Electronics Group (see [note 5](#))
- the renegotiation of the group's main borrowing facility, to secure funding for the construction of the new production plant for the electronic equipment division (see [note 8](#))
- an increase of the contingent consideration payable in relation to the acquisition of Better Office Furnishings Limited (see [note 10](#)), and
- the increase of the investment in Cedar Limited from 10% to 30% (see [note 12](#)).

Since the end of the interim reporting period, the group has acquired 100% of the issued capital of Complete Office Furniture Limited (see [note 14](#)).

For a detailed discussion about the group's performance and financial position please refer to our review of operations on pages [x] to [y].

### 2 Segment information <sup>5,23</sup>

IAS34(8)(e),  
(16A)(g)(v)

#### (a) Description of segments

VALUE IFRS Plc is a diversified group which derives its revenues and profits from a variety of sources. The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, considers the business from both a product and a geographic perspective and has identified six reportable segments.

- 1,2 Furniture manufacturing – Oneland and China: the manufacture and sale of commercial office furniture, hardwood side boards, chairs and tables in Oneland and in China. The committee monitors the performance in those two regions separately.
- 3 Furniture – retail: Since January 2014, the manufacturing business has been supplemented by a chain of retail stores in Oneland.
- 4,5 IT consulting – Business IT management, design, implementation and support services are provided in the US and Europe. Performance is monitored separately for those two regions.
- 6 Electronic equipment – Although this segment is not large enough to be required to be reported separately under the accounting standards, it has been included here as it is seen to be a potential growth segment which is expected to materially contribute to group revenue in the future. This segment was established following the acquisition of VALUE IFRS Electronics Group in April 2016.

IAS34(16A)(g)(v)

All other segments – The development of residential land, currently in the Someland Canal Estate in Nicetown and the Mountain Top Estate in Alpvile, the purchase and resale of commercial properties, principally in Nicetown and Harbournity and the management of investment properties are not reportable operating segments, as they are not separately included in the reports provided to the strategic steering committee. The results of these operations are included in 'all other segments'.

**(a) Description of segments**

IAS34(16A)(g)(v)

The engineering division was sold effective from 1 March 2016. Information about this discontinued segment is provided in [note 11](#).

IFRS8(23)

**(b) Segment information provided to the strategic steering committee <sup>5</sup>**

The segment information provided to the strategic steering committee for the reportable segments for the half-year ended 30 June 2017 is as follows:

Half-year 2017	Furniture - manufacture		Furniture - retail	IT consulting		Electronic equipment	All other segments	Total
	Oneland	China	Oneland	US	Europe	Oneland		
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
IAS34(16A)(g)(i) Total segment revenue	31,700	20,165	17,290	13,905	9,370	9,800	3,330	105,560
IAS34(16A)(g)(ii) Inter-segment revenue	(250)	(150)	(650)	(250)	(200)	(200)	(200)	(1,900)
Revenue from external customers	31,450	20,015	16,640	13,655	9,170	9,600	3,130	103,660
IAS34(16A)(g)(iii) Adjusted EBITDA	7,915	5,534	8,403	4,702	(1,520)	2,996	2,147	30,177
<b>Half-year 2016 <sup>5</sup></b>								
IAS34(16A)(g)(i) Total segment revenue	32,434	21,200	6,422	12,049	10,900	4,300	3,119	90,424
IAS34(16A)(g)(ii) Inter-segment revenue	(600)	(300)	(400)	(500)	(300)	(300)	(300)	(2,700)
Revenue from external customers	31,834	20,900	6,022	11,549	10,600	4,000	2,819	87,724
IAS34(16A)(g)(iii) Adjusted EBITDA	8,503	6,403	5,710	8,301	3,450	2,260	2,202	36,829
<b>Total segment assets</b>								
IAS34(16A)(g)(iv) 30 June 2017	67,049	50,700	62,910	26,970	19,825	31,990	18,522	277,966
31 December 2016	61,830	45,500	51,600	31,640	23,510	32,355	26,824	273,209
<b>Total segment liabilities</b>								
IAS34(16A)(g)(iv) 30 June 2017	7,405	5,100	5,600	2,800	2,200	4,938	3,409	31,452
31 December 2016	7,005	4,800	5,950	3,900	2,600	5,259	1,079	30,593

The strategic steering committee uses adjusted EBITDA as a measure to assess the performance of the segments. This excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. It 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.

IAS34(16A)(g)(vi)

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	Notes	Half-year	
		2017	2016
		CU'000	CU'000
<b>Adjusted EBITDA</b>		<b>30,177</b>	36,829
Intersegment eliminations		(270)	(160)
Finance costs – net		(2,698)	(2,549)
Depreciation and amortisation expense	5,6	(5,920)	(4,835)
Impairment of goodwill and other assets	6	(1,390)	(3,620)
Legal expenses		(1,375)	-
Unrealised financial instrument gains/(losses)		180	105
Share options and rights granted to directors and employees		(1,226)	(995)
Other		305	108
<b>Profit before income tax from continuing operations</b>		<b>17,783</b>	24,883

Sales between segments are carried out at arm's length and are eliminated on consolidation. The amounts provided to the strategic steering committee with respect to segment revenue and segment assets are measured in a manner consistent with that of the financial statements. Segment assets are allocated based on the operations of the segment and the physical location of the asset.

### 3 Profit and loss information 8,12-14

#### (a) Significant items

Half-year  
2017      2016  
CU'000      CU'000

Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:

#### Gains

IAS34(16A)(c)	Gain on sale of freehold land (included in other income)	-	1,270
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#### Expenses

IAS34(16A)(c)	Impairment of goodwill (see note 6)	1,390	2,410
IAS34(16A)(c)	Provision for legal claim (included in other expenses – see note 7)	1,375	-
	Re-estimation of warranty provision (see note 7)	505	-
	Acquisition-related costs from the business combination (note 10)	750	-
	Remeasurement of contingent consideration (see note 10)	540	-
IAS34(16A)(c)	Write off of assets destroyed by fire		
	Office and warehouse building	-	465
	Plant and equipment	-	210
	Inventories	-	535
		-	1,210
	Less: Insurance recovery	-	(300)
	Net loss incurred in relation to the fire	-	910

#### (b) Income tax

IAS34(30)(c)  
IAS34(B12)

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2017 is 27%, compared to 25% for the six months ended 30 June 2016. The lower tax rate in prior years was the result of unrecognised carried forward losses which have now been mostly utilised.

### 4 Dividends

Half-year  
2017      2016  
CU'000      CU'000

#### (a) Ordinary shares

IAS34(16A)(f)	Dividends provided for or paid during the half-year	11,989	11,586
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#### (b) 6% cumulative redeemable preference shares

Dividends on these shares of CU330,000 (2016 - CU330,000) have been recognised in the balance sheet as payables and have been charged to profit or loss as interest and finance charges because the shares are classified as liabilities.

Half-year  
2017      2016  
CU'000      CU'000

#### (c) Dividends not recognised at the end of the half-year

Not mandatory

In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 23 cents per fully paid ordinary share (2016 - 20 cents). The aggregate amount of the proposed dividend expected to be paid on 10 October 2017 out of retained earnings at 30 June 2017, but not recognised as a liability at the end of the half-year, is

		12,432	10,603
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## 5 Property, plant and equipment 4,8,9

IAS34(15B)(d),(e),(15C)

In June 2017, the group acquired a block of vacant land in Springfield at a cost of CU3,000,000. The land will be used for the construction of additional production facilities for the electronic equipment division and the group has entered into new capital commitments of CU12,300,000 in relation to these facilities. Construction is expected to start in October 2017.

		Freehold land CU'000	Freehold buildings CU'000	Furniture, fittings and equipment CU'000	Machinery and vehicles CU'000	Assets under construction CU'000	Total CU'000
	At 31 December 2016						
IAS16(73)(d)	Cost or fair value	22,570	38,930	31,790	93,285	3,450	190,025
IAS16(73)(d)	Accumulated depreciation	-	-	(11,970)	(46,645)	-	(58,615)
	Net book amount	22,570	38,930	19,820	46,640	3,450	131,410
	<b>Half-year ended 30 June 2017</b>						
IAS16(73)(e)	Opening net book amount	22,570	38,930	19,820	46,640	3,450	131,410
IAS16(73)(e)(viii)	Exchange differences	-	-	(10)	(20)	-	(30)
IAS16(73)(e)(iv)	Revaluation surplus	920	575	-	-	-	1,495
IAS16(73)(e)(iii)	Acquisition of subsidiary (note 10)	-	1,000	1,300	9,795	-	12,095
IAS16(73)(e)(i),(74)(b)	Additions	6,850	80	600	1,530	-	9,060
IAS16(73)(e)(ii)	Disposals	(1,070)	(660)	(900)	(940)	-	(3,570)
	Transfers	-	3,450	-	-	(3,450)	-
IAS16(73)(e)(vii)	Depreciation charge	-	(750)	(1,025)	(2,380)	-	(4,155)
IAS16(73)(e)	Closing net book amount	29,270	42,625	19,785	54,625	-	146,305
	At 30 June 2017						
IAS16(73)(d)	Cost or fair value	29,270	42,625	31,880	102,850	-	206,625
IAS16(73)(d)	Accumulated depreciation	-	-	(12,095)	(48,225)	-	(60,320)
	Net book amount	29,270	42,625	19,785	54,625	-	146,305

## 6 Intangible assets 4,8-10

IAS34(15B)(d),(15C)

The intangible assets held by the group increased primarily as a result of the acquisition of Better Office Furnishings Limited. See note 10 for further information.

IFRS3(B67)(d)(i)  
IAS38(118)(e)

		Goodwill <sup>22</sup> CU'000	Patents, trademarks and other rights CU'000	Internally generated software CU'000	Customer lists and contracts CU'000	Total CU'000
	At 31 December 2016					
	Cost	10,715	12,430	3,855	3,180	30,180
	Accumulated amortisation and impairment	(2,410)	(1,300)	(710)	(1,210)	(5,630)
	Net book amount	8,305	11,130	3,145	1,970	24,550
	<b>Half-year ended 30 June 2017</b>					
	Opening net book amount	8,305	11,130	3,145	1,970	24,550
IFRS3(B67)(d)(ii)	Additions	-	320	725	-	1,045
	Acquisition of subsidiary (note 10)	1,360	-	-	3,465	4,825
	Impairment charge (a)	(1,390)	-	-	-	(1,390)
	Amortisation charge **	-	(410)	(150)	(1,205)	(1,765)
	Closing net book amount	8,275	11,040	3,720	4,230	27,265
	At 30 June 2017					
	Cost	12,075	12,750	4,580	6,645	36,050
	Accumulated amortisation and impairment	(3,800)	(1,710)	(860)	(2,415)	(8,785)
IAS1(77)	Net book amount	8,275	11,040	3,720	4,230	27,265

**(a) Goodwill impairment <sup>10</sup>**

Following the loss of two major contracts in the European IT consulting division and an unexpected significant increase in costs due to instability in the industry in both Europe and the US, management has recalculated the recoverable amount of the two CGUs as at 30 June 2017. An impairment loss of CU1,390,000 was recognised for the European CGU, reducing the carrying amount of the goodwill for this CGU to CU1,480,000. The recoverable amount of the entire European CGU at 30 June 2017 was CU19,963,000.

The recoverable amount of the IT consulting CGU in the US was estimated to be CU27,153,000 as at 30 June 2017 (31 December 2016 – CU36,275,000) which exceeded the carrying amount of the CGU by CU123,000 (31 December 2016 – CU4,560,000). No impairment was therefore required for this CGU.

IAS36(134)(d)(i)

The recoverable amount of the two CGUs was determined based on value-in-use calculations, consistent with the methods used as at 31 December 2016, see note 8(c) of our Annual report for details. The following table sets out the key assumptions for the two CGUs where the impairment calculations were updated as at 30 June 2017:

IAS36(130)(g),  
(134)(d)(i),(iv),(v)

	30 June 2017		31 Dec 2016	
	US	Europe	US	Europe
Sales volume (% annual growth rate)	2.1	1.5	3.2	4.1
Sales price (% annual growth rate)	1.5	0.9	1.7	1.8
Budgeted gross margin (%)	45	40	60.0	55.5
Other operating costs (CU'000)	9,300	7,200	8,400	5,600
Annual capital expenditure (CU'000)	500	280	500	230
Long term growth rate (%)	1.9	1.7	2.2	2.0
Pre-tax discount rate (%)	14.5	15.3	14.0	14.8

IAS36(134)(f)(ii),  
(iii)

The recoverable amount of the IT consulting CGU in the US would equal its carrying amount if the key assumptions were to change as follows:

	30 June 2017		31 Dec 2016	
	From	To	From	To
Sales volume (% annual growth rate)	2.1	1.8	3.2	2.0
Budgeted gross margin (%)	45	42	60	43
Long-term growth rate (%)	1.9	1.7	2.2	1.3
Pre-tax discount rate (%)	14.5	14.9	14.0	15.3

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any other instances that could cause the carrying amount of the US IT Consulting CGU to exceed its recoverable amount.

As there were no indicators for impairment of any of the other CGUs, management has not updated any of the other impairment calculations.

## 7 Current provisions <sup>8-9,12-14</sup>

	30 June 2017 CU'000	31 December 2016 CU'000
Legal claims	1,835	460
Service warranties	1,064	635
Volume discounts and returns	459	414
Restructuring costs	320	900
Make good provision	248	225
Contingent liability	-	477
	<b>3,926</b>	<b>3,111</b>

IAS34(16A)(c),(d)

The group has received new legal advice in relation to the claim which alleges that VALUE IFRS Manufacturing Limited had breached certain registered patents of a competitor. The advice now states that it is probable that the entity will be required to pay some compensation in relation to this matter. While the entity is still vigorously defending the claim, it has recognised a provision of CU1,375,000 for this claim as at 30 June 2017.

IAS34(15B)(f),  
(16A)(d)

The lawsuit against VALUE IFRS Electronics Group alleging defects on products supplied to certain customers was settled in April 2017 with a payment of CU460,000. The unused amount of CU17,000 was reversed to profit or loss.

IAS34(16A)(d)

In May 2017, the group discovered problems with certain parts used in the manufacture of electronic equipment which resulted in an increase of warranty claims. As a consequence, the estimated rate of claims has been increased in calculating the warranty provision as at 30 June 2017. This resulted in an increase of the provision by CU505,000 in addition to the normal movements in the provision.

	Contingent liability CU'000	Restructuring obligations CU'000	Service warranties CU'000	Legal claims CU'000	Other CU'000	Total CU'000
<b>Current</b>						
Carrying amount at 1 January 2017	477	900	635	460	639	3,111
Charged/(credited) to profit or loss		-	-	-		-
additional provisions recognised	-	-	652	1,375	249	2,276
unused amounts reversed	(17)	-	-	-		(17)
unwinding of discount	-	-	-	-		-
Amounts used during the half-year	(460)	(580)	(223)	-	(181)	(1,444)
Carrying amount at 30 June 2017	-	320	1,064	1,835	707	3,926

## 8 Borrowings <sup>8-9,11</sup>

IAS34(16A)(c),(e)

In February 2017, the group renegotiated its existing loan facility to finance the construction of the new production plant for the electronic equipment division. The total available amount under the facility was increased by CU20,000,000 of which CU7,000,000 were drawn down as at 30 June 2017. The full facility is now repayable in three annual instalments, commencing 1 June 2022.

IAS34(15C)

The loan is a fixed rate, Oneland-currency denominated loan which is carried at amortised cost. The renegotiation did therefore not have any impact on the entity's exposure to foreign exchange and interest rate risk.

IAS39(43)

Facility fees of CU250,000 were payable to the lender upon signing the new loan agreement. These were debited as transaction cost to the loan account to the extent the loan was drawn down as at 30 June 2017. An amount of CU162,500 is carried forward in other current assets and will be recognised as a transaction cost when the balance of the facility is drawn down. This is expected to occur within the next six months, as construction payments become due and payable.

IAS39(40),(AG62)

As the terms and conditions of the facility remained largely unchanged, the refinancing did not result in the recognition of a settlement gain or loss.

As at 30 June 2017, the contractual maturities of the group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities At 30 June 2017	Less than 6 months CU'000	6 – 12 months CU'000	Between 1 and 2 years CU'000	Between 2 and 5 years CU'000	Over 5 years CU'000	Total contractual cash flows CU'000	Carrying Amount (assets)/ liabilities CU'000
<b>Non-derivatives</b>							
Trade payables	11,757	-	-	-	-	11,757	11,757
Contingent consideration (note 10)	-	600	650	700	-	1,950	1,820
Borrowings (excluding finance leases)	4,245	4,540	9,500	31,490	55,725	105,500	101,838
Finance lease liabilities	333	332	920	2,528	398	4,511	3,757
<b>Total non-derivatives</b>	<b>16,335</b>	<b>5,472</b>	<b>11,070</b>	<b>34,718</b>	<b>56,123</b>	<b>123,718</b>	<b>119,172</b>
Contractual maturities of financial liabilities At 31 December 2016 <sup>3,4</sup>	Less than 6 months CU'000	6 – 12 months CU'000	Between 1 and 2 years CU'000	Between 2 and 5 years CU'000	Over 5 years CU'000	Total contractual cash flows CU'000	Carrying Amount (assets)/ liabilities CU'000
<b>Non-derivatives</b>							
Trade payables	15,130	-	-	-	-	15,130	15,130
Borrowings (excluding finance leases)	4,439	4,639	9,310	46,195	40,121	104,704	97,050
Finance lease liabilities	427	428	855	2,365	-	4,075	3,394
<b>Total non-derivatives</b>	<b>19,996</b>	<b>5,067</b>	<b>10,165</b>	<b>48,560</b>	<b>40,121</b>	<b>123,909</b>	<b>115,574</b>

#### Loan covenants <sup>9</sup>

The new loan agreement also made changes to the loan covenants:

- (a) the gearing ratio must now be below 45% (reduced from 50%), and
- (b) the ratio of net finance cost to EBITDA must not exceed 10% (reduced from 12%).

The group complied with these ratios throughout the reporting period. As at 30 June 2017, the gearing ratio was 36% (21% at 31 December 2016) and the ratio of net finance cost to EBITDA was 9% (7% at 31 December 2016).

#### Financing arrangements <sup>9</sup>

The group's undrawn borrowing facilities were as follows:

	30 June 2017 CU'000	31 December 2016 CU'000
Fixed rate – expiring beyond one year	13,000	-
Floating rate		
Expiring within one year (bank overdraft and bill facility)	12,400	12,400
Expiring beyond one year (bank loans)	6,160	9,470
	<b>31,560</b>	<b>21,870</b>

## 9 Equity securities issued

	2017 Shares (thousands)	2016 Shares (thousands)	2017 CU'000	2016 CU'000
<b>Issues of ordinary shares during the half-year</b>				
IAS34(16A)(e) Exercise of options issued under the VALUE IFRS Employee Option Plan	46	-	241	-
Acquisition of subsidiary, net of transaction costs and tax		1,698	-	9,730
Issued for no consideration:				
IAS34(16A)(e) Dividend reinvestment plan issues	64	59	397	174
	<b>110</b>	<b>1,757</b>	<b>638</b>	<b>9,904</b>

	2017 Shares (thousands)	2016 Shares (thousands)	2017 CU'000	2016 CU'000
<b>Movements in treasury shares during the half-year</b>				
IAS34(16A)(e) Acquisition of shares by the VALUE IFRS Employee Share Trust	(201)	(207)	(1,270)	(1,217)
IAS34(16A)(e) Employee share scheme issue	183	186	1,132	1,091
Net movement	(18)	(21)	(138)	(126)

IAS34(16A)(i)

## 10 Business combination 3,12,15,23

### (a) Current period

IFRS3(B64)(a)-(d)

On 15 February 2017 VALUE IFRS Plc acquired 87.5% of the issued shares in Better Office Furnishings Limited, a retailer of office furniture and equipment, for consideration of CU12,030,000. The acquisition is expected to increase the group's market share and reduce cost through economies of scale.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

CU'000

IFRS3(B64)(f)

Purchase consideration	
Cash paid	10,750
Contingent consideration (ii)	1,280
Total purchase consideration	12,030

IFRS3(B64)(i)

The assets and liabilities recognised as a result of the acquisition are as follows:

Fair value  
CU'000

Cash and cash equivalents	575
Property, plant and equipment (note 5)	12,095
Customer list (note 6)	2,285
Customer contracts (note 6)	1,180
Inventories	1,010
Receivables	685
Payables	(2,380)
Employee benefit obligations	(230)
Borrowings	(3,250)
Net deferred tax assets	420
Net identifiable assets acquired	12,390
Less: non-controlling interest	(1,720)
Add: goodwill	1,360
	12,030

IFRS3(B64)(e),(k)

The goodwill is attributable to Better Office Furnishings Limited's strong position and profitability in trading in the office furniture and equipment market and synergies expected to arise after the company's acquisition of the new subsidiary. It has been allocated to the furniture-retail segment. None of the goodwill is expected to be deductible for tax purposes. See note 6 above for the changes in goodwill as a result of the acquisition.

IFRS3(B67)(a)

The fair value of the acquired customer list and customer contracts of \$3,465,000 is provisional pending receipt of the final valuations for those assets. Deferred tax of \$1,040,000 has been provided in relation to these fair value adjustments.

**(a) Current period****(i) Acquisition-related costs**

IFRS3(B64)(m) Acquisition-related costs of CU750,000 are included in other expenses in profit or loss.

**(ii) Contingent consideration**

IFRS3(B64)(g) The contingent consideration arrangement requires the group to pay the former owners of Better Office Furnishings Limited 20% of the average profit of Better Office Furnishing Limited in excess of CU2,000,000 for three years from 2017 to 2019, up to a maximum undiscounted amount of CU2,000,000. There is no minimum amount payable.

The fair value of the contingent consideration arrangement of CU1,280,000 was estimated calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 8% and assumed probability-adjusted profit in Better Office Furnishing Limited of CU4,200,000 to CU4,400,000.

IFRS3(B67)(b),(58) As at 30 June 2017, there was an increase of CU540,000 recognised in profit or loss for the contingent consideration arrangement as the assumed probability-adjusted profit in Better Office Furnishings Limited was recalculated to be in the region of CU5,000,000 to CU5,300,000. The liability is presented within trade and other payables in the balance sheet.

**(iii) Acquired receivables**

IFRS3(B64)(h) The fair value of trade and other receivables is CU685,000 and includes trade receivables with a fair value of CU623,000. The gross contractual amount for trade receivables due is CU705,000, of which CU82,000 is expected to be uncollectible.

**(iv) Non-controlling interest**

IFRS3(B64)(o) The group has chosen to recognise the non-controlling interest at its fair value for this acquisition. The fair value of the non-controlling interest in Better Office Furnishings Limited, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:

- (a) an assumed discount rate of 8%
- (b) an assumed terminal value based on a range of terminal EBITDA multiples between three and five times
- (c) long-term sustainable growth rate of 2%
- (d) assumed financial multiples of companies deemed to be similar to Better Office Furnishings Limited, and
- (e) assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interest in Better Office Furnishing Limited.

**(v) Revenue and profit contribution**

IFRS3(B64)(q) The acquired business contributed revenues of CU16,230,000 and net profit of CU2,675,000 to the group for the period from 15 February 2017 to 30 June 2017. If the acquisition had occurred on 1 January 2017, consolidated revenue and consolidated profit after tax for the half-year ended 30 June 2017 would have been CU109,070,000 and CU12,676,000 respectively.

**(b) Prior period 3**

On 1 April 2016 the parent entity acquired 70% of the issued share capital of VALUE IFRS Electronics Group. Details of this business combination were disclosed in note 14 of the group's annual financial statements for the year ended 31 December 2016.

**11 Discontinued operation 3,12,15****(a) Description**

IAS34(16A)(c),(i) On 30 October 2015 the group announced its intention to exit the machinery hire business and initiated an active program to locate a buyer for its German subsidiary, VALUE IFRS Engineering GmbH. The subsidiary was sold on 28 February 2016 with effect from 1 March 2016 and was reported in the financial statements for the half-year ending 30 June 2016 as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. For further information about the discontinued operation please refer to note 15 in the group's annual financial statements for the year ended 31 December 2016.

**(b) Financial performance and cash flow information**

The financial performance and cash flow information presented reflects the operations for the two months ended 28 February 2016 and subsequent adjustments to the contingent consideration receivable.

	<b>Half-year</b>	
	<b>2017</b>	<b>2016</b>
	<b>CU'000</b>	<b>CU'000</b>
Revenue	-	4,200
Expenses		(3,939)
Other expenses (revaluation of contingent consideration receivable)	<b>(45)</b>	-
(Loss)/profit before income tax	<b>(45)</b>	261
Income tax benefit/(expense)	<b>13</b>	(78)
(Loss)/profit after income tax of discontinued operation	<b>(32)</b>	183
Gain on sale of subsidiary after income tax (see (c) below)	-	481
<b>(Loss)/profit from discontinued operation</b>	<b>(32)</b>	664
Exchange differences on translation of discontinued operation	-	170
<b>Other comprehensive income from discontinued operation</b>	-	170
Net cash inflow from ordinary activities	-	1,166
Net cash inflow (outflow) from investing activities (2016 includes an inflow of CU3,110,000 from the sale of the division)	-	3,110
Net cash (outflow) from financing activities	-	-
<b>Net increase in cash generated by the subsidiary</b>	-	4,276
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share from discontinued operations	0.1	1.2
Diluted earnings per share from discontinued operations	0.1	1.2

**(c) Details of the sale of the subsidiary**

	<b>Half-year</b>	
	<b>2017</b>	<b>2016</b>
	<b>CU'000</b>	<b>CU'000</b>
Consideration received or receivable:		
Cash	-	3,110
Fair value of contingent consideration	-	1,200
Total disposal consideration	-	4,310
Carrying amount of net assets sold	-	(3,380)
<b>Gain on sale before income tax and reclassification of foreign currency translation reserve</b>	-	930
Reclassification of foreign currency translation reserve		(170)
Income tax expense on gain	-	(279)
<b>Gain on sale after income tax</b>	-	481

In the event the operations of the subsidiary achieve certain performance criteria during the period 1 March 2016 to 28 February 2018 as specified in an 'earn out' clause in the sale agreement, additional cash consideration of up to CU2,400,000 will be receivable. At the time of the sale the fair value of the consideration was determined to be CU1,200,000 and was recognised as an available-for-sale financial asset. As at 30 June 2017 the fair value was estimated to be CU1,245,000 (note 16). The change in fair value of CU45,000 relates to the remeasurement of the expected cash flows and is presented in the statement of profit and loss as loss from discontinued operations, net of applicable income tax of CU13,000.

AASB5(35)  
New illustration



## 12 Interests in associates and joint ventures <sup>16</sup>

On 15 February 2017, VALUE IFRS Plc increased its investment in Cedar Limited from 10% to 30% for cash consideration of CU400,000 plus CU5,000 transaction costs. As a consequence, VALUE IFRS Plc gained significant influence over this investment and the investment was reclassified from an available-for-sale investment to an associate.

The carrying amount of the available-for-sale investment at the time of the transaction was CU150,000, including fair value gains of CU30,000 that had been recognised in other reserves. The group's accounting policy for step acquisitions of associates is to reverse fair value movements out of other reserves and recognise the initial 10% of the investment in the associate at cost of CU120,000. Added to this is the group's share of profits net of dividends since the acquisition of the original 10% holding (CU25,000; recognised in retained earnings) and transaction costs of 5,000, bringing the total amount recognised as additions to CU550,000.

The carrying amount of equity-accounted investments has changed as follows in the six months to June 2017:

	Six months ending 30 June 2017 CU'000
Beginning of the period	3,775
Additions	550
Profit/(loss) for the period	205
Dividends paid	(300)
<b>End of the period</b>	<b>4,230</b>

## 13 Contingencies <sup>8,9</sup>

### (a) Contingent liabilities

IAS34(15B)(m)

A claim for unspecified damages was lodged during the period against the furniture division. The company has disclaimed liability and is defending the action. No provision in relation to the claim has been recognised in the financial statements as legal advice indicates that it is not probable that a significant liability will arise.

IAS34(16A)(c),(15B)(f)

The claim lodged against VALUE IFRS Retail Limited in December 2015 and disclosed in the note 17 of the annual financial statements was settled through mediation. A payment of CU25,000 was made to the claimant.

## 14 Events occurring after the reporting period <sup>17</sup>

IAS34(16A)(h)

On 31 July 2017 VALUE IFRS Plc acquired all of the issued shares in Complete Office Furniture Limited, a manufacturer and retailer of premium office furniture and equipment, for cash consideration of CU4,500,000.

The provisionally determined fair value of the net identifiable assets of the company at the date of acquisition was CU4,090,000 and the purchased goodwill amounted to CU410,000.

The financial effects of the above transaction have not been brought to account at 30 June 2017. The operating results and assets and liabilities of the company will be brought to account from 31 July 2017.

Refer to [note 4](#) for dividends recommended since the end of the reporting period.

## 15 Related party transactions <sup>8-9,12-14</sup>

IAS34(15),(15B)(j)

During the half-year ended 30 June 2017, VALUE IFRS Plc entered into a contract with Combined Construction Company Proprietary Limited for the construction of the new production facilities for the electronic equipment division. Mr A L Cunningham is a director and shareholder of Combined Construction Company Proprietary Limited. The contract is a fixed price contract for the sum of CU1,300,000. It is based on normal commercial terms and conditions.



## 16 Fair value measurement of financial instruments <sup>2,11,18,23</sup>

This note provides an update on the judgements and estimates made by the group in determining the fair values of the financial instruments since the last annual financial report.

### (a) Fair value hierarchy

IAS34(15B)(h),(15C)

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2017 and 31 December 2016 <sup>4</sup> on a recurring basis:

IFRS13(93)(a),(b)

At 30 June 2017	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
<b>Assets</b>				
Financial assets at FVPL				
US unlisted equity securities	-	-	2,350	2,350
US listed equity securities	2,825	-	-	2,825
Oneland listed equity securities	5,975	-	-	5,975
Derivatives used for hedging				
Foreign exchange contracts	-	1,634	-	1,634
Interest rate swaps	-	310	-	310
Available-for-sale financial assets				
Equity securities – property sector	570	-	-	570
Equity securities – retail sector	3,288	-	-	3,288
Equity securities – biotech sector	-	-	1,150	1,150
Debentures – property sector	1,405	-	-	1,405
Debentures – retail sector	1,257	705	-	1,962
Preference shares – property sector	975	415	-	1,390
Other (contingent consideration; <a href="#">note 11</a> )	-	-	1,245	1,245
<b>Total assets</b>	<b>16,295</b>	<b>3,064</b>	<b>4,745</b>	<b>24,104</b>
<b>Liabilities</b>				
Contingent consideration payable ( <a href="#">note 10</a> )	-	-	1,820	1,820
Derivatives used for hedging – foreign exchange contracts	-	566	-	566
Trading derivatives	-	355	215	570
<b>Total liabilities</b>	<b>-</b>	<b>921</b>	<b>2,035</b>	<b>2,956</b>
At 31 December 2016 <sup>4</sup>	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
US listed equity securities	5,190	-	-	5,190
Oneland listed equity securities	6,110	-	-	6,110
Derivatives used for hedging				
Foreign exchange contracts	-	1,854	-	1,854
Interest rate swaps	-	308	-	308
Available-for-sale financial assets				
Equity securities – property sector	1,400	-	-	1,400
Equity securities – retail sector	2,768	-	-	2,768
Equity securities – biotech sector	-	-	1,332	1,332
Debentures – property sector	1,130	-	-	1,130
Debentures – retail sector	1,100	575	-	1,675
Preference shares – property sector	990	525	-	1,515
Other (contingent consideration – <a href="#">note 11</a> )	-	-	1,290	1,290
<b>Total assets</b>	<b>18,688</b>	<b>3,262</b>	<b>2,622</b>	<b>24,572</b>
<b>Liabilities</b>				
Derivatives used for hedging – foreign exchange contracts	-	766	-	766
Trading derivatives	-	275	335	610
<b>Total liabilities</b>	<b>-</b>	<b>1,041</b>	<b>335</b>	<b>1,376</b>

### (a) Fair value hierarchy

IAS34(15B)(h),  
(k),(15C),(16A)(j)  
IFRS13(93)(c),(e)(iv)

In March 2017, a major investment of VALUE IFRS Plc was delisted. As it is no longer possible to determine the fair value of this investment using quoted prices or observable market data, it has been reclassified from level 1 into level 3.

IFRS13(95)

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

IFRS13(93)(a),(b),(d)

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2017.

IFRS13(76),(91)(a)

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

IFRS13(81),(91)(a),  
(93)(d)

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

IFRS13(86),(91)(a),  
(93)(d)

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

### (b) Valuation techniques used to determine fair values

IFRS13(93)(d)

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain forward exchange contracts explained in (c) below.

### (c) Fair value measurements using significant unobservable inputs (level 3)

IAS34(15B)(k),(15C)

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2017: <sup>4</sup>

IFRS13(93)(e)

	Unlisted equity securities CU'000	Trading derivatives at fair value through profit or loss CU'000	Contingent consideration receivable CU'000	Contingent consideration payable CU'000	Total CU'000
<b>Opening balance 31 December 2016</b>	<b>1,332</b>	<b>(335)</b>	<b>1,290</b>	<b>-</b>	<b>2,287</b>
IFRS13(93)(e)(iv) Transfer from level 1	2,350	-	-	-	2,350
Disposals	(100)	-	-	-	(100)
Acquisitions	-	3	-	(1,280)	(1,277)
Gains recognised in other income *	-	117	-	(540)	(423)
Losses recognised in discontinued operations *	-	-	(45)	-	(45)
(Losses)/gains recognised in other comprehensive income	(82)	-	-	-	(82)
<b>Closing balance 30 June 2017</b>	<b>3,500</b>	<b>(215)</b>	<b>1,245</b>	<b>(1,820)</b>	<b>2,710</b>
IFRS13(93)(f) *	-	93	(45)	(540)	(492)

### (i) Transfers between levels 2 and 3 and changes in valuation techniques

IFRS13(93)(d),(h)(ii)

Other than the transfer of equity securities from level 1 to level 3 explained under (a) above there were no transfers between the levels of the fair value hierarchy in the six months to 30 June 2017. There were also no changes made to any of the valuation techniques applied as of 31 December 2016.

**(c) Fair value measurements using significant unobservable inputs (level 3)****(ii) Valuation inputs and relationships to fair value**

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 30 June 2017 CU'000	Unobservable inputs *	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Unlisted equity securities	3,500	Earnings growth factor Risk-adjusted discount rate	2.5 % - 3.5% (3%) 9% - 11% (10%)	Increased earnings growth factor (+50 basis points (bps)) and lower discount rate (-100 bps) would increase FV by CU190,000; lower growth factor (-50 bps) and higher discount rate (+100 bps) would decrease FV by CU220,000.
Trading derivatives	(215)	Credit default rate	25%	A shift of the credit default rate by +/- 5% results in a change in FV of CU60,000
Contingent consideration receivable	1,245	Risk-adjusted discount rate Expected cash inflows	14% CU1,950,000 - CU2,170,000 (CU2,020,000)	A change in the discount rate by 100 bps would increase/decrease the FV by CU200,000 If expected cash flows were 10% higher or lower, the FV would increase/decrease by CU55,000
Contingent consideration payable	(1,820)	Risk adjusted discount rate Expected revenues	8% CU5,200,000 - CU5,500,000	A change in the discount rate by 100 bps would increase/decrease the fair value by CU52,000 If expected revenues were 10% higher or lower, the fair value would increase/decrease by CU400,000

\* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

**(iii) Valuation processes**

The finance department of the group includes a team that performs the valuations of non-property assets required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the group's half-yearly reporting periods.

The main level 3 inputs used by the group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by VALUE IFRS Plc's internal credit risk management group.
- Earnings growth factor for unlisted equity securities: these are estimated based on market information for similar types of companies.
- Contingent consideration receivable and payable – expected cash inflows: these are estimated based on the terms of the sale contract, the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

**(d) Fair values of other financial instruments (unrecognised)**IAS34(16A)(j)  
IFRS7(25)  
IFRS7(29)(a)

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 30 June 2017:

	Carrying amount CU'000	Fair value CU'000
<b>Non-current receivables</b>		
Loans to key management personnel	520	455
<b>Held-to-maturity investments</b>		
Debentures	750	885
Zero coupon bonds	550	773
<b>Non-current borrowings</b>		
Bank loans	42,852	45,100
Convertible notes	16,830	17,505
Redeemable preference shares	11,000	9,240

**17 Basis of preparation of half-year report** <sup>1-2,8,19-21,24-27</sup>

IAS34(19)

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2017 has been prepared in accordance with Accounting Standard IAS 34 *Interim Financial Reporting*.

IAS34(6)  
Not mandatory

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by VALUE IFRS Plc during the interim reporting period.<sup>20</sup>

IAS34(16A)(a)

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see **note 3(b)**) and the adoption of new and amended standards as set out below: <sup>19</sup>

(Revised requirement)

**(a) New and amended standards adopted by the group** <sup>26-28</sup>

IAS8(28)(a)

A number of new or amended standards became applicable for the current reporting period. However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(Revised requirement)

**(i) Early adoption of amendments to IFRS 2 Share-based payment**

In June 2016, the IASB made amendments to IFRS 2 *Share-based payments* which clarified the effect of vesting conditions on the measurement of cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features and the accounting for a modification of the terms and conditions that changes the classification of the transaction from cash-settled to equity-settled. While the amendments do not have to be applied until reporting periods commencing on or after 1 January 2018, VALUE IFRS Plc has decided to adopt them early from 1 January 2017. As permitted by the transitional provisions, the group has applied the new policy prospectively from that date and has recognised the following amendments on 1 January 2017:

- A reclassification of CU XX from other payables to equity in relation to deferred shares granted to employees with a net settlement feature, where the employees can elect to receive a lower number of shares in exchange for the group settling the employee's tax liability in relation to the share-based payment through cash payment to the tax authority. Under the previous accounting policy, the expected amount payable by the group was accounted for as a cash-settled share-based payment transaction and recognised as a liability. From 1 January 2017, the entire share-based payment transaction is accounted for as an equity-settled share-based payment transaction.
- An increase of the liability for share-appreciation rights by CU XX as a consequence of excluding non-market vesting conditions from the measurement of the rights and adjusting the liability based on the number of rights ultimately expected to vest. Under the previous policy, the fair value of the share-appreciation rights was measured taking into account both market and non-market conditions.
- An increase in deferred tax assets of CU XX.
- A decrease of retained earnings of CU XX.

The share-based payment expense for the 6 months to 30 June 2017 was CU XX lower than under the previous policy and deferred tax expense has increased by CU XX.

**(b) Impact of standards issued but not yet applied by the entity <sup>22</sup>**IAS34(16A)  
(Revised requirement)**(i) IFRS 9 Financial instruments**

IFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- The debt instruments that are currently classified as available-for-sale (AFS) financial assets appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.
- A FVOCI election is available for the equity instruments which are currently classified as AFS.
- Equity investments currently measured at fair value through profit or loss (FVPL) will likely continue to be measured on the same basis under IFRS 9.
- Debt instruments currently classified as held-to-maturity and measured at amortised cost appear to meet the conditions for classification at amortised cost under IFRS 9.

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 new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the group does not expect to identify any new hedge relationships. The group's existing hedge relationships appear to qualify as continuing hedges upon the adoption of IFRS 9. As a consequence, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. If the group were to adopt the new rules from 1 January 2017, it estimates that it would have to increase its loss allowance for trade receivables by approximately CUXX from that date. Deferred tax assets would increase by approximately CU XX and retained earnings would decrease by CU XX.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(Revised requirement)

**(ii) IFRS 15 Revenue from contracts with customers**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. It is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected: <sup>23</sup>

- IT consulting services – the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue
- accounting for the customer loyalty programme – IFRS 15 requires that the total consideration received must be allocated to the points and goods based on relative stand-alone selling prices rather than based on the residual value method; this could result in higher amounts being allocated to the goods sold and bring forward the recognition of a portion of the revenue
- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under IFRS 15, and
- rights of return – IFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

**(b) Impact of standards issued but not yet applied by the entity <sup>22</sup>**

Had the standard had been adopted from 1 January 2017, the group estimates that it would have to make the following adjustments to the amounts recognised in the financial statements: <sup>23</sup>

- a small decrease of the liabilities for the customer loyalty programme by CUXX, a decrease of deferred tax assets by CU XX and an increase of retained earnings by CUXX, and
- the reclassification of various amounts to new balance sheet items of contract assets and contract liabilities.

(Revised requirement)

**(iii) IFRS 16 Leases**

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of CU7,090,000. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.



## Notes to the consolidated financial statements

### Structure of notes

1. We have structured our interim report using the same principles as applied in the annual report. Like the annual report, the interim report has a summary of significant events and transactions upfront, to help readers get a better picture of the entity's performance and of any changes to the entity's financial position during the interim period.
2. Focusing on the relevance of information, we have moved information to the back of the notes that we do not consider immediately relevant for an understanding of the major changes to the financial position and performance of the group during the interim period. For example, the information about the valuation of financial instruments must be disclosed in all interim reports, regardless of whether there have been significant changes during the period. For entities with only a limited amount of financial instruments and no major changes, this information will generally be of little interest and so has been moved to the back end of the report. However, this will not be the same for all, and each entity should consider what structure would be most useful in their own circumstances.

### Comparative information

#### *Narrative disclosures*

IAS34(16A)(j)

3. IAS 34 does not comment on whether narrative information that was disclosed in the interim financial report for the comparative period must be repeated in the current interim financial report. However, as per paragraph 6 of IAS 34, the interim financial report is intended to provide an update on the last complete set of annual financial statements. It should therefore focus on new activities, events and circumstances and does not need to duplicate information previously reported. On this basis we do not believe it is necessary to repeat business combination disclosures that were also included in the latest annual financial statements. However, we have chosen to retain the comparative disclosures for the discontinued operation since this disclosure explains amounts separately presented in the statement of profit or loss for the comparative period. These amounts may not necessarily be the same as the amounts reported in relation to the discontinued operation in the latest annual financial statements.

#### *Roll-forward information*

IAS34(16A)(g)

4. There is also a question as to whether comparative information is required for roll-forward information such as the table showing movements in property, plant and equipment or in relation to the financial instrument disclosures. For the same reasons as set out in the previous paragraph, we do not believe that comparative roll-forward information is required under IAS 34. However, it may be necessary in certain circumstances to provide context for a particular transaction or event that is significant to an understanding of the changes in the entity's financial position and performance.

#### *Segment information*

5. Under IAS 34, segment information must be included in interim reports for the year to date, but the standard does not specifically require the disclosure of segment information for additional periods for which a statement of profit or loss is presented in an interim report. We believe such disclosure would be helpful to the users of the interim report and it is likely to be consistent with the management commentary. Management should, therefore, consider providing segmental information for each period for which the statement of profit or loss is presented, including comparative figures.

### Materiality

IAS34(23)  
IAS1(7)

6. IAS 34(23) requires management to assess materiality in relation to the interim period financial data when deciding how to recognise, measure, classify or disclose an item for interim financial reporting purposes. In making assessments of materiality, interim measurements may rely on estimates to a greater extent than measurements of annual financial data.
7. 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 an understanding of the financial position and performance of the entity during the interim period. It is therefore generally inappropriate to base quantitative estimates of materiality on projected annual figures.

### Significant events and transactions

IAS34(15B)

8. Interim financial reports must 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. IAS 34 provides examples of events or transactions that may need to be disclosed, but please note that the list is not exhaustive.

## Notes to the consolidated financial statements

IAS34(15C)

9. The information disclosed in relation to these events and transactions shall update the relevant information presented in the most recent annual financial statements and that are required under other accounting standards (eg IFRS 7 *Financial Instruments: Disclosures*). For example, VALUE IFRS Plc has acquired a significant parcel of land in the six months to June 2017 and refinanced a major borrowing. To show the impact of the acquisition on total property, plant and equipment, we have updated the reconciliation of property, plant and equipment from the last financial statements. We have also updated the liquidity risk disclosures to reflect the revised payment terms resulting from the refinancing.
10. Similarly, if the entity has recognised an impairment loss during the interim reporting period, it should consider which of the disclosures made in the annual report would need to be updated in the interim report, to give users sufficient context and information about the uncertainties associated with the impairment calculations. We have illustrated what we would consider appropriate in the context of VALUE IFRS Plc's fictional scenario. Depending on the individual circumstances, more or less disclosures may be required.

IAS34(15C)

11. Another example of disclosures that may require updating in the interim report would be the new offsetting disclosures that are now required under IFRS 7. The disclosures provided in the annual report (see note 23) should be updated if there have been any changes to the offsetting arrangements in the interim period. Entities should remember that the disclosures also cover master netting and similar arrangements that are not currently enforceable, see the commentary to note 23 in our [VALUE IFRS Plc Illustrative IFRS consolidated financial statements December 2016](#) publication for further information.

### Other disclosures

IAS34(16A)

12. In addition to disclosing significant events and transactions as explained in paragraphs 8 to 11 above, an entity shall include the information set out in paragraph 16A of IAS 34 in the notes to the interim financial statements, unless the information is not material or disclosed elsewhere in the interim financial report. The information shall normally be reported on an annual reporting period to date basis. Where the information is disclosed elsewhere, the entity must provide a cross reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

### Unusual items

IAS34(16A)(c)

13. Disclosure is required of the nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size, or incidence.
14. Disclosure of the income tax applicable to unusual items is not required by IAS 34, but we recommend its disclosure in interim reports in the absence of detailed income tax note disclosures.

### Changes in the composition of the entity

IAS34(16A)(i)

15. 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 shall 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. See also commentary paragraph 23 below for disclosures that are not applicable to VALUE IFRS Plc and therefore are not illustrated in [note 10](#).

### Step acquisition of associates

16. 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:
- (a) '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 the investee's profits and other equity movements (for example, revaluations). Any acquisition-related costs are treated as part of the investment in the associate. This is the method used by VALUE IFRS Plc and illustrated in [note 12](#) of this interim report.



## Notes to the consolidated financial statements

- (b) '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 acquisition of subsidiaries, any acquisition-related costs are expensed in the period in which the costs are incurred. This is different from acquisition-related costs on initial recognition of an associate at cost, as they form part of the carrying amount of the associate.

### Events occurring after the reporting period

IAS34(16A)(h)

17. The interim financial report shall disclose events after the interim period that have not been reflected in the interim financial statements. Such disclosure would normally also include an indication of the financial effect of each event, where possible.

### Fair value measurement

IAS34(16A)(j)  
IFRS13(91)-(93)(h),  
(94)-(96),(98),(99)  
IFRS7(25),(26),  
(28)-(30)

18. Entities must also provide detailed information about the fair value measurements of their financial instruments, regardless of whether there have been significant changes or transactions during the interim period. This includes information about:
- (a) the recognised fair value measurements at the end of the interim period
  - (b) for financial assets and financial liabilities that are not measured at fair value – the fair value such that it can be compared with the carrying amount
  - (c) for non-recurring fair value measurements, the reason for the measurement
  - (d) the level of the fair value hierarchy within which the measurements are categorised
  - (e) the amount of transfers between level 1 and level 2 of the hierarchy, the reasons for those transfers and the entity's policy for determining when transfers have occurred
  - (f) for level 2 and level 3 measurements a description of the valuation techniques and inputs used, changes in the valuation techniques used and reasons for changes. For level 3 measurements also quantitative information about significant unobservable inputs used.
  - (g) for level 3 measurements a reconciliation from opening to closing balances, showing separately a number of specifically identified items
  - (h) for recurring level 3 measurements, the amount of unrealised gains or losses for the period that is attributable assets and liabilities held at the end of the reporting period
  - (i) for level 3 measurements, a description of the valuation processes used by the entity
  - (j) for recurring level 3 measurements, a narrative description of the sensitivity of the fair value to changes in unobservable inputs and the effect of changes to unobservable inputs if such changes have a significant effect on the fair value
  - (k) the existence of inseparable third-party credit enhancements.

Note that IAS 34 only requires this information for financial instruments, not for non-financial assets and liabilities. However, where an entity has revalued non-financial assets or liabilities to fair value during the interim reporting period, or measured non-financial assets or liabilities at fair value for the first time, it should consider providing similar disclosures if the amounts involved are material. For further commentary around the FV disclosures required under IFRS 13 see commentary 10-12 to note 7 in in our *Illustrative IFRS consolidated financial statements December 2016* publication.

### Accounting policies

IAS34(16A)(j),(15C)

19. The interim financial report shall 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 (see paragraph 26 below for details of new standards that apply to annual reporting periods commencing on or after 1 January 2017).
20. While there is no longer a requirement to prominently display an explicit statement that the interim financial report is to be read in conjunction with the most recent annual financial report, we recommend retaining it as it is a useful explanation and reminder of the nature of an interim report. Entities may also want to place this statement on the front cover of the interim financial report as illustrated on the example contents page, to make this clear to readers of the interim financial report.
21. 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.

## Notes to the consolidated financial statements

IAS34(16A)(a)

ESMA Public Statements on  
IFRS 9 and IFRS 15**Impact of standards issued but not yet applied**

22. 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 and this had not been disclosed in the previous annual financial report, or where the entity's assessment has significantly changed.. IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* are examples of standards that may require disclosure, depending on the circumstances of the entity.
23. The impact of an early adoption of IFRS 9 and IFRS 15 is illustrated in Appendices E and F in the *Illustrative IFRS consolidated financial statements December 2016* publication. The expected impact of the adoption of IFRS 15 described in this interim report is based on the fact pattern in Appendix F of the annual publication. The disclosure reflects the specific circumstances chosen for our fictive company, VALUE IFRS Plc, and will not necessarily be the same for all entities.

**Disclosures not illustrated: not applicable to VALUE IFRS Plc**

24. The following requirements are not illustrated in this publication as they are not applicable to VALUE IFRS Plc:

Issue not illustrated	Relevant disclosure or reference
Seasonal or cyclical operations	Explain how the seasonality or cyclicity affects the results and financial position for the interim report (see paragraph 24 below). Consider including financial information for the twelve months up to the end of the interim period and comparative information for the previous twelve months.
Segment disclosures: changes in basis of segmentation or measurement of segment profit or loss	Describe differences.
The entity became an investment entity or ceased to be an investment entity during the interim period	Provide the disclosures required by IFRS 12 paragraph 9B

*Business combinations*

Issue not illustrated	Relevant disclosure or reference
Contingent liabilities assumed in the business combination	Provide the disclosures required by IAS 37 paragraphs 85 and 86
Transactions recognised separately from the business combination	Disclose the details required by IFRS 3 paragraph B64(l) and (m)
Bargain purchase	Disclose the amount of any gain recognised and where it is presented, and explain why the transaction resulted in a gain.
Business combination achieved in stages	Disclose the acquisition-date fair value of the equity interest held immediately before the acquisition date, the gain/loss recognised and where it is presented.
Subsequent adjustments to incomplete initial accounting	Provide the details required by IFRS 3 paragraph B67(a)(iii)
Gains and losses recognised during the period relating to assets or liabilities acquired in a business combination in the current or previous reporting period	Disclose the amount and an explanation of any gain or loss recognised if this information is relevant to an understanding of the entity's interim report.

IAS34(16A)(i)

IFRS3(B64)(j)

IFRS3(B64)(l),(m)

IFRS3(B64)(n)

IFRS3(B64)(p)

IFRS3(B67)(a)(iii)

IFRS3(B67)(e)

## Notes to the consolidated financial statements

### Financial instruments – fair value measurements

IAS34(16A)(j)

IFRS13(93)(a)

IFRS13(93)(c)

Issue not illustrated	Relevant disclosure or reference
Non-recurring fair value measurements	Disclose the reason for the measurement
Transfers between level 1 and level 2 of the fair value hierarchy	Disclose the amount of any transfers, the reasons and the entity's policy for determining when transfers are deemed to have occurred
Liabilities measured at fair value with inseparable third-party credit enhancements	Disclose their existence and whether they are reflected in the fair value measurement of the liability
Financial assets or liabilities recognised where the transaction price is not the best evidence of fair value	Provide the information required by IFRS 7 paragraph 28.

IFRS13(98)

IFRS7(28)

### Seasonal or cyclical operations

25. Where an entity's operations are seasonal or cyclical, comments along the following lines should be included in the notes:

#### Seasonality of operations

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 2016, 39% of revenues accumulated in the first half of the year, with 61% accumulating in the second half.

### Changes in accounting policies

IAS34(16A)(a)

26. New and amended standards and interpretations must be adopted in the first interim financial statements issued after their effective date or date of early adoption. There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2017 and entities will need to consider whether any of these amendments could affect their existing accounting policies for their 2017 interim reports:
- (a) Recognition of deferred tax assets for unrealised losses (amendments to IAS 12), and
  - (b) Disclosure initiative (amendments to IAS 7).
27. The amendments and their impact are summarised in Appendix D of our *Illustrative IFRS consolidated financial statements December 2016* publication. As the amendments are only clarifications and introduce new disclosures for full financial reports (amendments to IAS 7), we have assumed that none of them required a change in VALUE IFRS Plc's accounting policies. However, this assumption will not necessarily apply to all entities. Where there has been a change in policy, this will need to be explained.
28. IAS 34 does not specify how much detail entities must provide to explain a change in policy. Where the change has a significant impact, we recommend following the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Such a disclosure was illustrated in our *Illustrative condensed Interim financial statements 2013*. Depending on the individual circumstances, in particular the impact of the change on individual line items in the financial statements, less detailed disclosures, as illustrated in **note 17(a)** in this report, may be sufficient.

## Independent auditor's review report to the members of VALUE IFRS Plc

The review or audit report (as applicable) will be provided by the entity's auditor upon completion of the review or audit of the financial report. As the wording of the report is likely to differ from country to country, we have not included an illustrative report in this publication.

### Independent auditor's review or audit report

#### Audit or review report

ISRE2410

1. Standards and guidance on the preparation of reports on reviews of interim financial information conducted in accordance with international auditing standards are given in International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.
2. In some countries, there is no requirement for auditors to report on interim financial information. Other countries may require an audit rather than a review of the interim report.
3. Where an audit report is issued, the format will be affected by the changes made to ISA 700 *Forming an Opinion and Reporting on a Financial Report* and other ISAs. The most significant changes relate to:

ISA700

- (a) A requirement for auditors of listed entities to describe key audit matters in the audit report, being matters that required significant auditor attention. The description must:
  - (i) discuss why the matter was considered to be one of most significance in the audit,
  - (ii) discuss how the matter was addressed and
  - (iii) include a reference to the related financial statement disclosures, if any.

ISA570

- (b) In relation to going concern there is
  - (i) a new requirement for the auditor to evaluate the adequacy of disclosures in 'close call' going concern situations
  - (ii) a new required description in all audit reports of both management's and the auditor's responsibilities related to going concern, and
  - (iii) a new separate section of the auditor's report which will draw attention to material uncertainties related to going concern (where the going concern disclosures are adequate).
- (c) Other enhancements relate to:
  - (i) presenting the opinion section first, unless law or regulations prescribe otherwise
  - (ii) an affirmative statement about the auditor's independence and the auditor's fulfilment of relevant ethical responsibilities, and
  - (iii) enhanced descriptions of both the responsibilities of the auditor and key features of an audit.

4. The changes became applicable for financial periods ending on or after 15 December 2016. At this stage no similar changes are planned for review reports.

## Appendix H: Abbreviations

Abbreviations used in this publication are set out below.

AfS	Available-for-sale (financial assets)
AGM	Annual General Meeting
bps	basis points
CGU	Cash-Generating Unit
CODM	Chief operating decision maker
DP	Discussion Papers
ED	Accounting Exposure Drafts
ESMA	European Securities and Markets Authority
FRS	Financial Reporting Standard (UK)
FVLCD	Fair value less cost of disposal
FVOCI	(Financial assets/liabilities at) fair value through other comprehensive income
FVPL	(Financial assets/liabilities at) fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	Interpretations issued by the IFRS Interpretations Committee of the IASB
IFRS	International Financial Reporting Standards
ISA	International Standard on Auditing issued by the IAASB
ISRE	International Standard on Review Engagements issued by the the IAASB
NCI	Non-controlling interest
OCI	Other comprehensive income
TSR	Total shareholder return

## Notes