VALUE IFRS Plc

Interim financial reporting

June 2021

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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 28 February 2021. 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 2021 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

Introduction

This publication presents illustrative interim financial statements for a fictitious listed company, VALUE IFRS Plc, for the six months to 30 June 2021. The financial statements comply with International Financial Reporting Standards (IFRS) as issued at 28 February 2021 and that apply to annual reporting periods commencing on or after 1 January 2021, including IAS 34 *Interim Financial Reporting.*

New requirements for 2021

There are only a limited number of amendments to the accounting standards that become applicable from 1 January 2021 and that entities will need to consider in the preparation of interim reports for periods commencing after that date. These are listed in the commentary to the notes (paragraph 28 on page 37). While we have assumed that none of them required a change in VALUE IFRS Plc's accounting policies, 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.

Entities with hedging relationships and entities that have exposure to interest rates where (i) the interest rates are dependent on interbank offered rates (IBORs), and (ii) these IBORs are subject to interest rate benchmark reform may need to explain the changes to their accounting policies arising from the adoption of the *Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16* effective 1 January 2021. Affected entities that voluntarily provided Phase 2 disclosures in their most recent annual report should also consider to what extent information provided about IBOR reform may need to be updated or supplemented. Where an affected entity has not made any of the Phase 2 disclosures in its last annual report, it should consider including the material disclosures required for an understanding of the adoption of the amendments that will be required to be made in the December 2021 annual report, see page 38 (commentary paragraphs 32 to 34) for details.

Similarly, entities that have received material COVID-19 related rent concessions as lessee or have provided rent concessions as lessor for the first time in this interim reporting period should make material required disclosures, see commentary paragraphs 35 to 38 on page 38.

Finally, all entities, including those that are not insurers, will also need to consider whether they have any contracts that meet the definition of insurance contracts and hence could be affected by the future adoption of IFRS 17 *Insurance Contracts*. Where this is the case, users may expect to see some information about the entity's assessments and possible plans of adoption, even if the entity has concluded that the impact will not be material.

COVID-19

Impairment of assets including receivables, information about going concern and borrowing profiles will continue to receive particular focus from stakeholders and preparers will need to explain the continuing impact of COVID-19 on their business and the key assumptions made. However, this will differ from entity to entity and we have therefore not illustrated any COVID-19 related disclosures in this publication. Our dedicated COVID-19 website provides many useful resources and continues to be updated to reflect recent developments.

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.

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.

Some of the disclosures in this publication would likely be immaterial if VALUE IFRS Plc 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. Appropriate disclosures are particularly important for major new or revised standards that will require significant changes, such as IFRS 17 *Insurance Contracts.*
- 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.
- Recognition of income and expense items in the wrong period.
- Insufficient consideration given to possible impairment issues in relation to both financial and non-financial assets.
- 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) refer to Appendix A of our *Illustrative IFRS consolidated financial statements for 2020 year-ends* publication.

VALUE IFRS Plc

Interim report – Six months ended 30 June 2021

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 2020 and any public announcements made by VALUE IFRS Plc during the interim reporting period. [1]

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 2021.

The financial statements have been reviewed, not audited.

Commentary

Interim report to be read in conjunction with annual report

1. See paragraph 22 of the commentary to the notes to the consolidated financial statements (page 35) for our thoughts on why this disclosure should be retained.

IAS34(8)(b)

Condensed consolidated statement of profit or loss [1-10,17]

IAS34(20)(b)

		Notes	Half-year 2021 CU'000	2020 CU'000
	Continuing operations			
IAS1(82)(a)	Revenue	2	**103,647**	87,704
IAS1(99), IAS2(36)(d)	Cost of sales of goods		**(41,016)**	(35,814)
	Cost of providing services		**(11,583)**	(12,100)
	Gross profit		**51,048**	39,790
IAS1(99)	Distribution costs		**(23,729)**	(12,065)
IAS1(99)	Administrative expenses		**(11,865)**	(6,032)
IAS1(82)(ba)	Net impairment losses on financial assets [13-14]		**(305)**	(222)
	Other income		**4,459**	3,703
	Other gains/(losses) – net		**50**	1,018
	Operating profit	3	**19,658**	26,192
	Finance income[13-14]		**855**	572
IAS1(82)(b)	Finance costs		**(3,704)**	(3,374)
	Finance costs – net		**(2,849)**	(2,802)
	Share of net profits of associates and joint ventures accounted for using the equity method	12	**205**	340
	Profit before income tax		**17,014**	23,730
	Income tax expense	3(b)	**(4,555)**	(7,878)
	Profit from continuing operations	3(a)	**12,459**	15,852
	(Loss)/profit from discontinued operation	11(b)	**(32)**	664
	Profit for the half-year		**12,427**	16,516
	Profit is attributable to:			
	Owners of VALUE IFRS Plc		**11,997**	16,063
	Non-controlling interests		**430**	453
			12,427	16,516
			Cents	Cents
IAS34(11)	**Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:**[11,12]			
	Basic earnings per share		**22.5**	30.0
	Diluted earnings per share		**21.7**	28.6
IAS34(11)	**Earnings per share for profit attributable to the ordinary equity holders of the company:** [11,12]			
	Basic earnings per share		**22.4**	31.2
	Diluted earnings per share		**21.6**	29.9

Not mandatory *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 [1-10]

IAS34(20)(b)

	Notes	Half-year 2021 CU'000	Half-year 2020 CU'000
Profit for the half-year		**12,427**	16,516
Other comprehensive income			
IAS1(82A) *Items that may be reclassified to profit or loss*			
Changes in the fair value of debt instruments at fair value through other comprehensive income		**36**	(49)
Exchange differences on translation of foreign operations		**(38)**	69
Exchange differences on translation of discontinued operation	11(b)	**-**	170
Gains and losses on cash flow hedges		**161**	(152)
Costs of hedging		**8**	(20)
Hedging gains reclassified to profit or loss		**(41)**	(240)
Gains on net investment hedge		**85**	-
IAS1(91) Income tax relating to these items		**(47)**	87
IAS1(82A) *Items that will not be reclassified to profit or loss*			
Gain on revaluation of land and buildings	5	**1,495**	1,460
Changes in the fair value of equity investments at fair value through other comprehensive income		**91**	(79)
Remeasurements of retirement benefit obligations		**81**	(143)
IAS1(91) Income tax relating to these items		**(500)**	(371)
Other comprehensive income for the half-year, net of tax		**1,331**	732
Total comprehensive income for the half-year		**13,758**	17,248
Total comprehensive income for the half-year is attributable to:			
Owners of VALUE IFRS Plc		**13,259**	16,740
Non-controlling interests		**499**	508
		13,758	17,248
Total comprehensive income for the period attributable to owners of VALUE IFRS Plc arises from:			
Continuing operations		**13,291**	15,906
IFRS5(33)(d) Discontinued operations	11	**(32)**	834
		13,259	16,740

Not mandatory

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

IAS34(8)(a)

Condensed consolidated balance sheet [1-9]

Ref		Notes	30 June 2021 CU'000	31 December 2020 CU'000
IAS34(20)(a)				
	ASSETS			
	Non-current assets			
	Property, plant and equipment	5	**143,480**	128,890
IFRS16(47)(a)	Right-of-use assets [15]		**10,108**	9,756
	Investment properties		**12,510**	13,300
	Intangible assets	6	**27,265**	24,550
	Deferred tax assets		**8,209**	7,849
	Other assets		**247**	312
	Investments accounted for using the equity method	12	**4,230**	3,775
IFRS7(8)(h)	Financial assets at fair value through other comprehensive income	16	**6,637**	6,782
	Financial asset at fair value through profit or loss	16	**2,410**	2,390
IFRS7(8)(f)	Financial assets at amortised cost		**3,750**	3,496
	Derivative financial instruments	16	**310**	308
	Total non-current assets		**219,156**	201,408
	Current assets			
	Inventories		**26,780**	22,153
	Other current assets		**144**	491
IFRS15(105)	Contract assets		**2,381**	1,519
	Trade receivables		**16,731**	15,662
IFRS7(8)(f)	Other financial assets at amortised cost		**677**	1,100
	Financial assets at fair value through profit or loss	16	**11,150**	11,300
	Derivative financial instruments	16	**1,634**	1,854
	Cash and cash equivalents (excluding bank overdrafts)		**35,369**	55,083
			94,866	109,162
	Assets classified as held for sale		**-**	250
	Total current assets		**94,866**	109,412
	Total assets		**314,022**	310,820
	LIABILITIES			
	Non-current liabilities			
	Borrowings	8	**94,193**	89,115
IFRS16(47)(b)	Lease liabilities [15]		**8,846**	8,493
	Deferred tax liabilities		**9,963**	12,456
	Employee benefit obligations		**7,155**	6,749
	Provisions		**1,668**	1,573
	Total non-current liabilities		**121,825**	118,386

IAS34(20)(a)

	Notes	30 June 2021 CU'000	31 December 2020 CU'000
Current liabilities			
Trade and other payables		**15,535**	15,760
IFRS15(105) Contract liabilities		**1,025**	1,982
Current tax liabilities		**828**	1,130
Borrowings	8	**8,110**	8,400
IFRS16(47)(b) Lease liabilities [15]		**3,105**	3,008
Derivative financial instruments	16	**1,136**	1,376
Employee benefit obligations		**800**	690
Provisions	7	**3,467**	2,697
Total current liabilities		**34,006**	35,043
Total liabilities		**155,831**	153,429
Net assets		**158,191**	157,391
EQUITY			
Share capital and share premium	9	**83,692**	83,054
Other equity		**1,636**	1,774
Other reserves		**18,907**	17,993
Retained earnings		**44,760**	45,108
Capital and reserves attributable to the owners of VALUE IFRS Plc		**148,995**	147,929
Non-controlling interests		**9,196**	9,462
Total equity		**158,191**	157,391

Not mandatory

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

IAS34(8)(c)

Condensed consolidated statement of changes in equity [1-9]

		Attributable to owners of VALUE IFRS Plc						
		Share capital and share premium	Other equity	Other reserves	Retained earnings	Total	Non-con-trolling interests	Total equity
	Notes	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
IAS34(20)(c) **Balance at 1 January 2020**		**63,976**	**(550)**	**12,381**	**34,503**	**110,310**	**5,689**	**115,999**
Profit for the half-year		-	-	-	16,063	16,063	453	,16,516
Other comprehensive income		-	-	690	(13)	677	55	732
Total comprehensive income for the half-year		**-**	**-**	**690**	**16,050**	**16,740**	**508**	**17,248**
Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year		-	-	13	-	13	-	13
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	79	(79)	-	-	-
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs	9	174		-	-	174	-	174
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax		9,730	-	-	-	9,730	-	9,730
Acquisition of treasury shares	9	-	(1,217)	-	-	(1,217)	-	(1,217)
Non-controlling interest on acquisition of subsidiary		-		-	-	-	5,051	5,051
Dividends provided for or paid	4	-		-	(11,507)	(11,507)	(1,710)	(13,217)
Employee share schemes – value of employee services		-		995	-	995	-	995
Issue of treasury shares to employees	9	-	1,091	(1,091)	-	-	-	-
		9,904	(126)	(96)	(11,507)	(1,825)	3,341	1,516
Balance at 30 June 2020		**73,880**	**(676)**	**13,067**	**38,967**	**125,238**	**9,538**	**134,776**

		Notes	Share capital and share premium CU'000	Other equity CU'000	Other reserves CU'000	Retained earnings CU'000	Total CU'000	Non-controlling interests CU'000	Total equity CU'000
			Attributable to owners of VALUE IFRS Plc						
IAS34(20)(c)	**Balance at 31 December 2020**		**83,054**	**1,774**	**17,993**	**45,108**	**147,929**	**9,462**	**157,391**
	Profit for the half-year		-		-	11,997	11,997	430	12,427
	Other comprehensive income		-		1,093	169	1,262	69	1,331
	Total comprehensive income for the half-year		**-**		**1,093**	**12,166**	**13,259**	**499**	**13,758**
	Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year		-	-	(5)	-	(5)	-	(5)
	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	(238)	238	-	-	-
	Transactions with owners in their capacity as owners:								
	Contributions of equity, net of transaction costs	9	638	-	-	-	638	-	638
	Acquisition of treasury shares	9	-	(1,270)	-	-	(1,270)	-	(1,270)
	Non-controlling interest on acquisition of subsidiary	10	-	-	-	-	-	1,720	1,720
	Step acquisition of associate	12	-	-	(30)	30	-	-	-
	Dividends provided for or paid	4	-	-	-	(12,782)	(12,782)	(2,485)	(15,267)
	Employee share schemes – value of employee services		-	-	1,226	-	1,226	-	1,226
	Issue of treasury shares to employees	9	-	1,132	(1,132)	-	-	-	-
			638	**(138)**	**64**	**(12,752(**	**(12,188)**	**(765)**	**(12,953)**
	Balance at 30 June 2021		**83,692**	**1,636**	**18,907**	**44,760**	**148,995**	**9,196**	**158,191**

Not mandatory *The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

IAS34(8)(d)

Condensed consolidated statement of cash flows [1-9,17]

		Half-year	
	Notes	**2021 CU'000**	2020 CU'000
Cash flows from operating activities			
Cash generated from operations		**21,727**	42,313
Interest received		**855**	572
Interest paid		**(3,910)**	(3,869)
Income taxes paid		**(8,124)**	(14,748)
Net cash inflow from operating activities		**10,548**	24,268
Cash flows from investing activities			
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 financial assets at fair value through other comprehensive income		**(563)**	(227)
Payments for financial assets at amortised cost		**(90)**	-
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 financial assets at fair value through other comprehensive income		**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 financial assets held as investments		**119**	108
Net cash (outflow)/inflow from investing activities		**(16,348)**	4,733
Cash flows from financing activities			
IAS34(16A)(e) Proceeds from issues of shares and other equity securities	9	**241**	-
IAS34(16A)(e) Proceeds from borrowings	8	**12,208**	18,293
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), IAS7(17)(e) Principal elements of lease payments		**(946)**	(922)
IAS34(16A)(f) Dividends paid to company's shareholders	4	**(12,384)**	(11,333)
Dividends paid to non-controlling interests in subsidiaries		**(2,485)**	(1,710)
Net cash outflow from financing activities		**(13,086)**	(22,239)
Net (decrease)/increase in cash and cash equivalents *		**(18,886)**	6,762
Cash and cash equivalents at the beginning of the half-year *		**52,432**	28,049
Effects of exchange rate changes on cash and cash equivalents		**(217)**	(384)
Cash and cash equivalents at end of the half-year *		**33,329**	34,427

* Cash and cash equivalents are net of bank overdrafts (CU2,040,000 at 30 June 2021 and CU2,250,000 at 30 June 2020)

Not mandatory ** For cash flows of discontinued operations see note 11 [16]

Not mandatory *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*.

IAS34(10)

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.

IAS34(10)

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

IAS34(20)(a)-(d)

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 2021

Statement	Current	Comparative
Balance sheet at	30 June 2021	31 December 2020
Statement of comprehensive income (and separate statement of profit or loss, where applicable) : - 6 months ended	30 June 2021	30 June 2020
Statement of changes in equity: - 6 months ended	30 June 2021	30 June 2020
Statement of cash flows: - 6 months ended	30 June 2021	30 June 2020

Quarterly reporting – second quarter interim report for period ending 30 June 2021

Statement	Current	Comparative
Balance sheet at	30 June 2021	31 December 2020
Statement of comprehensive income (and separate statement of profit or loss, where applicable) : - 6 months ended - 3 months ended	30 June 2021 30 June 2021	30 June 2020 30 June 2020
Statement of changes in equity: - 6 months ended	30 June 2021	30 June 2020
Statement of cash flows: - 6 months ended	30 June 2021	30 June 2020

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 2021' or 'For the third quarter ended 30 September 2021') 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).

Disclosure of specified separate line items in the financial statements

13. IAS 1 *Presentation of Financial Statements* requires the separate presentation of the following line items in the statement of profit or loss:

IAS1(82)(a)

(a) interest revenue calculated using the effective interest rate method, separately from other revenue *

IAS1(82)(aa)

(b) gains and losses from the derecognition of financial assets measured at amortised cost *

IAS1(82)(ba)

(c) impairment losses on financial assets, including reversals of impairment losses or impairment gains

IAS1(82)(ca)

(d) gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss *

IAS1(82)(cb)

(e) gains and losses reclassified from OCI as a result of a reclassification of financial assets from the fair value through OCI measurement category to fair value through profit or loss *.

* not illustrated, as immaterial or not applicable to VALUE IFRS Plc.

IAS1(29),(30),(30A)
IFRS PS2(40)-(55)

14. Depending on materiality, it may not always be necessary to present these items separately in the primary financial statements. However, items that are of a dissimilar nature or function can only be aggregated if they are immaterial. Guidance on assessing materiality is provided in the non-mandatory IFRS Practice Statement 2 *Making Materiality Judgements.*

IFRS16(47)

15. Right-of-use assets and lease liabilities do not need to be presented as a separate line item in the balance sheet, as done by VALUE IFRS Plc, as long as they are disclosed separately in the notes.

Consolidated interim financial statements

Cash flows relating to discontinued operations

IFRS5(33)(c)

16. 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. While it is not mandatory to include a reference to this note on the face of the cash flow statement, we consider it best practice to do so.

Alternative formats for financial statements

17. Appendix B in our *Illustrative IFRS consolidated financial statements for 2020 year-ends* 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.

IAS34(8)(e)

Notes to the condensed financial statements [26,27]

1 Significant changes in the current reporting period [1,2]

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 has reviewed its exposure to climate-related and other emerging business risks but has not identified any risks that could impact the financial performance or position of the group as at 30 June 2021. 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 2021:

- 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 and wholesale 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 and wholesale 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).

[Entities could also discuss the impact of COVID-19 on their financial results and financial position in this note, or refer to notes where further information can be found.] [10]

[Entities with operations in the UK, or that are doing a significant amount of business with the UK, should also consider the extent to which additional disclosures are necessary to explain changes since the last annual report arising from the UK's Brexit and the recent developments in this regard.][10]

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 and revenue information [5,26]

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

2(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 and wholesale 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 2018, the manufacturing and wholesale 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 2020.

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 Alpville, the purchase and resale of commercial properties, principally in Nicetown and Harbourcity 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'.

IAS34(16A)(g)(v)

The engineering division was sold effective from 1 March 2020. Information about this discontinued segment is provided in note 11.

IFRS8(23)

2(b) Segment information provided to the strategic steering committee [5]

The table below shows the segment information provided to the strategic steering committee for the reportable segments for the half-year ended 30 June 2021 and also the basis on which revenue is recognised:

		Furniture – manufacturing and wholesale		Furniture - retail	IT consulting		Electronic equipment	All other seg-ments	Total
	Half-year 2021	**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	17,277	13,905	9,370	9,800	3,330	105,547
IAS34(16A)(g)(ii)	Inter–segment revenue	(250)	(150)	(650)	(250)	(200)	(200)	(200)	(1,900)
	Revenue from external customers [12-14]	**31,450**	**20,015**	**16,627**	**13,655**	**9,170**	**9,600**	**3,130**	**103,647**
IAS34(16A)(l)	Timing of revenue recognition								
	At a point in time	31,450	20,015	16,627	1,000	600	9,600	3,130	82,422
	Over time	-	-	-	12,655	8,570	-	-	21,225
		31,450	**20,015**	**16,627**	**13,655**	**9,170**	**9,600**	**3,130**	**103,647**
IAS34(16A)(g)(iii)	**Adjusted EBITDA**	**8,184**	**5,534**	**8,603**	**4,702**	**(1,520)**	**2,896**	**1,929**	**30,328**
	Half-year 2020 [5]								
IAS34(16A)(g)(i)	Total segment revenue	32,434	21,200	6,402	12,049	10,900	4,300	3,119	90,404
IAS34(16A)(g)(ii)	Inter–segment revenue	(600)	(300)	(400)	(500)	(300)	(300)	(300)	(2,700)
	Revenue from external customers [12-14]	**31,834**	**20,900**	**6,002**	**11,549**	**10,600**	**4,000**	**2,819**	**87,704**
IAS34(16A)(l)	Timing of revenue recognition								
	At a point in time	31,834	20,900	6,002	800	950	4,000	2,819	67,305
	Over time	-	-	-	10,749	9,650	-	-	20,399
		31,834	**20,900**	**6,002**	**11,549**	**10,600**	**4,000**	**2,819**	**87,704**
IAS34(16A)(g)(iii)	**Adjusted EBITDA**	**8,503**	**6,403**	**5,710**	**8,301**	**3,450**	**2,620**	**2,164**	**36,791**

2(b) Segment information provided to the strategic steering committee

Half-year 2021	Furniture – manufacturing and wholesale Oneland	Furniture – manufacturing and wholesale China	Furniture - retail Oneland	IT consulting US	IT consulting Europe	Electronic equipment Oneland	All other seg-ments	Total
	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
IAS34(16A)(g)(iv) **Total segment assets**								
30 June 2021	67,480	50,700	63,110	26,970	19,825	31,940	23,699	283,724
31 December 2020	63,286	45,500	54,950	31,640	23,510	32,815	28,632	280,333
IAS34(16A)(g)(iv) **Total segment liabilities**								
30 June 2021	12,905	5,100	10,051	2,800	2,200	6,938	2,697	42,691
31 December 2020	12,238	4,800	11,390	3,900	2,600	6,087	1,112	42,127

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 2021 CU'000	Half-year 2020 CU'000
Adjusted EBITDA		**30,328**	36,791
Intersegment eliminations		**(270)**	(160)
Finance costs – net		**(2,849)**	(2,802)
Depreciation and amortisation expense	5,6	**(6,758)**	(5,697)
Impairment of goodwill and other assets	6	**(1,390)**	(3,620)
Legal expenses		**(1,375)**	-
Unrealised financial instrument gains/(losses)		**245**	105
Share options and rights granted to directors and employees		**(1,226)**	(995)
Other		**309**	108
Profit before income tax from continuing operations		**17,014**	23,730

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 [8,15-16]

3(a) Significant items

		Half-year	
		2021	2020
		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 gains/(losses))	**-**	1,270
	Expenses		
IAS34(16A)(c)	Impairment of goodwill (see note 6)	**1,390**	2,410
IAS34(16A)(c)	Provision for legal claim (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

3(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 2021 is 35%, compared to 33% for the six months ended 30 June 2020. The tax rate was lower in 2020 due to the recognition of previously unrecognised carried forward tax losses.

4 Dividends

	Half-year 2021 CU'000	2020 CU'000
4(a) Ordinary shares		
IAS34(16A)(f) Dividends provided for or paid during the half-year	**12,782**	11,507

4(b) 6% cumulative redeemable preference shares

Dividends on these shares of CU330,000 (2020 - 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.

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

Not mandatory

	2021 CU'000	2020 CU'000
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 22 cents per fully paid ordinary share (2020 - 20 cents). The aggregate amount of the proposed dividend expected to be paid on 10 October 2021 out of retained earnings at 30 June 2021, but not recognised as a liability at the end of the half-year, is	**12,806**	11,310

5 Property, plant and equipment [4,8,9]

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

In June 2021, 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 2021.

		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 2020						
IAS16(73)(d)	Cost or fair value	22,570	38,930	31,790	90,285	3,450	187,025
IAS16(73)(d)	Accumulated depreciation	-	-	(11,970)	(46,165)	-	(58,135)
	Net book amount	22,570	38,930	19,820	44,120	3,450	128,890
	Half-year ended 30 June 2021						
IAS16(73)(e)	Opening net book amount	22,570	38,930	19,820	44,120	3,450	128,890
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	400	1,085	-	8,415
IAS16(73)(e)(ii)	Disposals	(1,070)	(660)	(900)	(940)		(3,570)
	Transfers	-	3,450	-	-	(3,450)	-
IAS16(73)(e)(vii)	Depreciation charge	-	(750)	(765)	(2,300)	-	(3,815)
IAS16(73)(e)	Closing net book amount	29,270	42,625	19,845	51,740	-	143,480
	At 30 June 2021						
IAS16(73)(d)	Cost or fair value	29,270	42,625	32,580	100,205	-	204,680
IAS16(73)(d)	Accumulated depreciation	-	-	(12,735)	(48,465)	-	(61,200)
	Net book amount	29,270	42,625	19,845	51,740	-	143,480

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 [17] 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 2020					
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
Half-year ended 30 June 2021					
Opening net book amount	8,305	11,130	3,145	1,970	24,550
Additions (IFRS3(B67)(d)(ii))	-	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 2021 (IFRS3(B67)(d)(viii))					
Cost	12,075	12,750	4,580	6,645	36,050
Accumulated amortisation and impairment	(3,800)	(1,710)	(860)	(2,415)	(8,785)
Net book amount (IAS1(77))	8,275	11,040	3,720	4,230	27,265

6(a) Goodwill impairment [10]

Significant estimates

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 2021. 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 2021 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 2021 (31 December 2020 – CU36,275,000) which exceeded the carrying amount of the CGU by CU123,000 (31 December 2020 – 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 2020. For details see note 8(c) of our Annual report. The following table sets out the key assumptions for the two CGUs where the impairment calculations were updated as at 30 June 2021:

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

	30 June 2021		31 Dec 2020	
	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

[Entities should consider explaining how they have reflected the impact of COVID-19 in setting these key assumptions and whether there have been any changes in this regard since the last annual reporting period.] [10]

6(a) Goodwill impairment [10]

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 2021		31 Dec 2020	
	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 [8-9,15-16]

	30 June 2021 CU'000	31 December 2020 CU'000
Legal claims	**1,835**	460
Service warranties	**1,064**	635
Restructuring costs	**320**	900
Make good provision	**248**	225
Contingent liability recognised on acquisition of VALUE IFRS Electronics Group	**-**	477
	3,467	2,697

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 2021.

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

The lawsuit against VALUE IFRS Electronics Group alleging defects on products supplied to certain customers was settled in April 2021 with a payment of CU460,000. The unused amount of CU17,000 was reversed to profit or loss.

IAS34(16A)(d)

In May 2021, 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 2021. 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	Make good provision CU'000	Total CU'000
Current						
Carrying amount at 1 January 2021	477	900	635	460	225	2,697
Charged/(credited) to profit or loss						
additional provisions recognised	-	-	652	1,375	13	2,040
unused amounts reversed	(17)	-	-	-	-	(17)
unwinding of discount	-		-	-	10	10
Amounts used during the half-year	(460)	(580)	(223)	-	-	(1,263)
Carrying amount at 30 June 2021	-	320	1,064	1,835	248	3,467

8 Borrowings [8-9,11]

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

In February 2021, the group entered into a new loan facility to finance the construction of the new production plant for the electronic equipment division. The total available amount under the facility is CU20,000,000 of which CU7,000,000 were drawn down as at 30 June 2021. The facility is repayable in three annual instalments, commencing 1 June 2025.

IAS34(15C)

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

IFRS9(B5.4.2)

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 2021. 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.

IFRS9(B5.4.6)

In addition, the group also renegotiated one of its existing loan facilities to take advantage of lower interest rates. The refinancing resulted in the recognition of a modification gain of CU80,000 which is included in other gains/(losses) in the statement of profit or loss.

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

[Entities with loans that are referenced to IBORs should consider whether the information provided in the last annual report (if any) may need to be updated or supplemented.] [32-34]

As at 30 June 2021, the contractual maturities of the group's non-derivative financial liabilities were as follows:

	Contractual maturities of financial liabilities At 30 June 2021	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
	Non-derivatives							
	Trade payables	11,252	-	-	-	-	11,252	11,252
	Contingent consideration (note 10)	-	600	650	700	-	1,950	1,820
	Borrowings	4,245	4,540	9,500	31,490	55,725	105,500	102,303
IFRS16(58)	Lease liabilities	1,240	1,280	3,020	5,440	2,290	13,270	11,951
	Total non-derivatives	16,737	6,420	13,170	37,630	58,015	131,972	127,326

Contractual maturities of financial liabilities At 31 December 2020 [3,4]	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
Non-derivatives							
Trade payables	13,700	-	-	-	-	13,700	13,700
Borrowings (excluding finance leases)	4,439	4,639	9,310	46,195	40,121	104,704	97,515
Lease liabilities	1,455	1,456	2,911	5,337	2,340	13,499	11,501
Total non-derivatives	19,594	6,095	12,221	51,532	42,461	131,903	122,716

Loan covenants [9]

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 2021, the gearing ratio was 36% (21% at 31 December 2020) and the ratio of net finance cost to EBITDA was 9% (7% at 31 December 2020).

Financing arrangements [9]

The group's undrawn borrowing facilities were as follows:

	30 June 2021 CU'000	31 December 2020 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
	31,560	21,870

9 Equity securities issued

	2021 Shares (thousands)	2020 Shares (thousands)	2021 CU'000	2020 CU'000
Issues of ordinary shares during the half-year				
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
	110	1,757	**638**	9,904

	2021 Shares (thousands)	2020 Shares (thousands)	2021 CU'000	2020 CU'000
Movements in treasury shares during the half-year				
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 [3,15,17,26]

10(a) Current period

IFRS3(B64)(a)-(d)

On 15 February 2021 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

10(a) Current period

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 CU3,465,000 is provisional pending receipt of the final valuations for those assets. Deferred tax of CU1,040,000 has been provided in relation to these fair value adjustments.

(i) Acquisition-related costs

IFRS3(B64)(m)

Acquisition-related costs of CU750,000 are included in administrative 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 2021 to 2023, 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 2021, there was an increase of CU540,000 recognised in other gains/losses 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.

10(a) Current period

(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 2021 to 30 June 2021. If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax for the half-year ended 30 June 2021 would have been CU109,070,000 and CU12,676,000 respectively.

10(b) Prior period [3]

On 1 April 2020 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 2020.

11 Discontinued operation [3,15,17]

11(a) Description

IAS34(16A)(c),(i)

On 30 October 2019 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 2020 with effect from 1 March 2020 and was reported in the financial statements for the half-year ending 30 June 2020 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 2020.

11(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 2020 and subsequent adjustments to the contingent consideration receivable.

		Half-year	
		2021 CU'000	2020 CU'000
	Revenue	-	4,200
	Expenses		(3,939)
IFRS5(35)	Other gains/(losses) (revaluation of contingent consideration receivable)	**(45)**	-
	(Loss)/profit before income tax	**(45)**	261
	Income tax benefit/(expense)	**13**	(78)
	(Loss)/profit after income tax of discontinued operation	**(32)**	183
	Gain on sale of subsidiary after income tax (see (c) below)	**-**	481
	(Loss)/profit from discontinued operation	**(32)**	664
	Exchange differences on translation of discontinued operation	**-**	170
	Other comprehensive income from discontinued operation	**-**	170
	Net cash inflow from ordinary activities	**-**	1,166
	Net cash inflow (outflow) from investing activities (2020 includes an inflow of CU3,110,000 from the sale of the division)	**-**	3,110
	Net increase in cash generated by the subsidiary	**-**	4,276
		Cents	Cents
IAS33(68)	Basic earnings per share from discontinued operations	0.1	1.2
	Diluted earnings per share from discontinued operations	0.1	1.2

11(c) Details of the sale of the subsidiary

	Half-year	
	2021 CU'000	2020 CU'000
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)
Gain on sale before income tax and reclassification of foreign currency translation reserve	**-**	930
Reclassification of foreign currency translation reserve		(170)
Income tax expense on gain	-	(279)
Gain on sale after income tax	-	481

In the event the operations of the subsidiary achieve certain performance criteria during the period 1 March 2020 to 28 February 2022 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 a financial asset at fair value through profit or loss.

IFRS5(35)

As at 30 June 2021 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.

IAS34(16A)(i)

12 Interests in associates and joint ventures [18]

On 15 February 2021, 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 a financial asset at fair value through other comprehensive income (FVOCI) to an associate.

The carrying amount of the investment presented in FVOCI 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 measure the cost as the sum of the fair value of the interest previously held plus the fair value of the additional consideration transferred (totalling CU550,000). The transaction costs of CU5,000 were expensed as incurred and recognised in administrative expenses. Consistent with the group's policy to transfer any amounts recognised in the FVOCI reserve to retained earnings upon disposal of an investment, CU30,000 were transferred to retained earnings following the step acquisition.

The carrying amount of equity-accounted investments has changed as follows in the six months to June 2021:

	Six months ending 30 June 2021 CU'000
Beginning of the period	3,775
Additions	550
Profit/(loss) for the period	205
Dividends paid	(300)
End of the period	4,230

13 Contingencies [8,9]

(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 2019 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 [19]

IAS34(16A)(h)

On 31 July 2021 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 2021. The operating results and assets and liabilities of the company will be brought to account from 31 July 2021.

Refer to note 4 for dividends recommended since the end of the reporting period.

15 Related party transactions [8-9,15-16]

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

During the half-year ended 30 June 2021, 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 [2,11,20,26]

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.

16(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 2021 and 31 December 2020 [4] on a recurring basis:

IFRS13(93)(a),(b)

At 30 June 2021	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Financial assets				
Financial assets at fair value through profit or loss (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
Preference shares – property sector	-	1,165	-	1,165
Other (contingent consideration; note 11)	-	-	1,245	1,245
Hedging derivatives – interest rate swaps	-	310	-	310
Hedging derivatives – foreign currency options	-	1,634	-	1,634
Financial assets at fair value through other comprehensive income (FVOCI)				
Equity securities – property sector	1,412	-	-	1,412
Equity securities – retail sector	2,628	-	-	2,628
Equity securities – biotech sector	-	-	1,180	1,180
Debentures – property sector	340	-	-	340
Debentures – retail sector	372	705	-	1,077
Total financial assets	**13,552**	**3,814**	**4,775**	**22,141**
Financial liabilities				
Contingent consideration payable (note 10)	-	-	1,820	1,820
Hedging derivatives – foreign currency forwards	-	566	-	566
Trading derivatives	-	355	215	570
Total financial liabilities	**-**	**921**	**2,035**	**2,956**

At 31 December 2020 [4]	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Financial assets				
Financial assets at FVPL				
US listed equity securities	5,190	-	-	5,190
Oneland listed equity securities	6,110	-	-	6,110
Preference shares – property sector	-	1,100	-	1,100
Contingent consideration – note 11	-	-	1,290	1,290
Hedging derivatives – interest rate swaps	-	453	-	453
Trading derivatives – foreign currency options	-	1,709	-	1,709
Financial assets at FVOCI				
Equity securities – property sector	1,286	-	-	1,286
Equity securities – retail sector	2,828	-	-	2,828
Equity securities – forestry sector	-	-	1,150	1,150
Debentures – property sector	378	-	-	378
Debentures – retail sector	350	790	-	1,140
Total financial assets	16,142	4,052	2,440	22,634
Financial liabilities				
Hedging derivatives – foreign currency forwards	-	766	-	766
Trading derivatives	-	275	335	610
Total financial liabilities	-	**1,041**	**335**	**1,376**

16(a) Fair value hierarchy

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

In March 2021, 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 2021.

IFRS13(76),(91)(a)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted marked 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 which maximise the use of observable market data 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.

16(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.
- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves
- for foreign currency forwards – present value of future cash flows based on the forward exchange rates at the balance sheet date
- for foreign currency options – option pricing models (eg Black-Scholes model), and
- for other financial instruments - 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 foreign currency forwards explained in (c) below.

16(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 2021: [4]

IFRS13(93)(e)

	Unlisted equity securities CU'000	Trading derivatives at FVPL CU'000	Contingent consideration receivable CU'000	Contingent consideration payable CU'000	Total CU'000
Opening balance 31 December 2020	**1,150**	**(335)**	**1,290**	**-**	**2,105**
Transfer from level 1 (IFRS13(93)(e)(iv))	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	130	-	-	-	**130**
Closing balance 30 June 2021	**3,530**	**(215)**	**1,245**	**(1,820)**	**2,740**
IFRS13(93)(f) * includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	-	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 2021. There were also no changes made to any of the valuation techniques applied as of 31 December 2020.

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

(ii) Valuation inputs and relationships to fair value

IFRS13(93)(d),(99)

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

IFRS13(93)(d),(h)(i

Description	Fair value at 30 June 2021 CU'000	Unobser-vable inputs *	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Unlisted equity securities	3,530	Earnings growth factor	2.5 % - 3.5% (3%)	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.
		Risk-adjusted discount rate	9% - 11% (10%)	
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	14%	A change in the discount rate by 100 bps would increase/ decrease the FV by CU200,000
		Expected cash inflows	CU1,950,000 - CU2,170,000 (CU2,020,000)	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	8%	A change in the discount rate by 100 bps would increase/decrease the fair value by CU52,000
		Expected revenues	CU5,200,000 - CU5,500,000	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.

IFRS13(93)(g)

(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.

16(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 2021:

	Carrying amount CU'000	Fair value CU'000
Non-current receivables		
Loans to key management personnel	520	455
Financial assets at amortised cost		
Debentures	750	885
Zero coupon bonds	550	773
Non-current borrowings		
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 [1-2,8,21-23,26,27]

IAS34(19)

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard IAS 34 *Interim Financial Reporting.*

IAS34(6)
Not mandatory

The interim 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 2020 and any public announcements made by VALUE IFRS Plc during the interim reporting period.[22]

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. [21]

17(a) New and amended standards adopted by the group [28-38]

IAS8(28)(a)
Revised requirements

A number of amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.[32]

17(b) Impact of standards issued but not yet applied by the entity [24,25]

IAS8(30)

[Entities that could be expected to be significantly impacted by the adoption of IFRS 17 *Insurance Contracts* should consider whether there is any information that they should provide in the interim financial report.] [25]

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)
IFRS PS2

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 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. Guidance on assessing materiality is provided in the non-mandatory IFRS Practice Statement 2 *Making Materiality Judgements*.

Significant events and transactions

IAS34(15),(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.

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 2021 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.

Notes to the consolidated financial statements

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. For example, entities may need to explain how they have reflected the impact of COVID-19 in setting these key assumptions and whether there have been any changes in this regard since the last annual reporting period. For guidance, refer to our dedicated COVID-19 website which provides many useful resources and continues to be updated to reflect recent developments.

    Entities with operations in the UK, or that are doing a significant amount of business with the UK, should also consider the extent to which additional disclosures are necessary to explain changes since the last annual report arising from the UK's Brexit. For further details refer to our In depth publication *Accounting and reporting implications of Brexit* which is available on PwC's online resource ViewPoint.

    Paragraphs 32 to 34 below discuss disclosures that should be considered where the entity is significantly affected by the IBOR reforms or has received material COVID-19 related rent concessions since the last annual report.

IAS34(15C)

11. Another example of disclosures that may require updating in the interim report would be the offsetting disclosures that are 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 in our *Illustrative IFRS consolidated financial statements for 2020 year-ends* publication for further information.

Disaggregation of revenue

IFRS15(114), (B87)-(B89)

12. Entities must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will depend on the specific circumstances of each entity as to how much detail is disclosed. VALUE IFRS Plc has determined that a disaggregation of revenue using existing segments and the timing of the transfer of goods or services (at a point in time vs over time) is adequate for its circumstances. However, this is a judgement and will not necessarily be appropriate for other entities.
13. Other categories that could be used as basis for disaggregation include:
    (a) type of good or service (eg major product lines)
    (b) geographical regions
    (c) market or type of customer
    (d) type of contract (eg fixed price vs time-and-materials contracts)
    (e) contract duration (short-term vs long-term contracts, or
    (f) sales channels (directly to customers vs wholesale).
14. When selecting categories for the disaggregation of revenue entities should also consider how their revenue is presented for other purposes, eg in earnings releases, annual reports or investors presentation and what information is regularly reviewed by the chief operating decision makers. Where revenue is disaggregated on a basis other than reportable segments, the entity must disclose sufficient information so users of their financial statements can understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each reportable segment.

IFRS15(115)

Other disclosures

IAS34(16A)

15. 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.

Notes to the consolidated financial statements

Unusual items

IAS34(16A)(c)

16. 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.

Changes in the composition of the entity

IAS34(16A)(i)

17. 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 26 below for disclosures that are not applicable to VALUE IFRS Plc and therefore are not illustrated in note 10.

Step acquisition of associates

18. 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.
    (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. This is the method used by VALUE IFRS Plc and illustrated in note 12 of this interim report.

Events occurring after the reporting period

IAS34(16A)(h)

19. 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)

20. Entities must also provide detailed information about the fair value (FV) 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 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.

Notes to the consolidated financial statements

(f) for level 3 measurements a reconciliation from opening to closing balances, showing separately a number of specifically identified items

(g) 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

(h) for level 3 measurements, a description of the valuation processes used by the entity

(i) 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

(j) 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 fair value disclosures required under IFRS 13 see commentary 11-13 to note 7 in in our *Illustrative IFRS consolidated financial statements for 2020 year-ends* publication.

Accounting policies

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

21. 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 paragraphs 28-30 below for details of amended standards that apply to annual reporting periods commencing on or after 1 January 2021).

22. 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.

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

Impact of standards issued but not yet applied

24. 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.

IFRS17 Appendix A

25. IFRS 17 *Insurance Contracts* is an example of a standard that may require disclosure if the entity has issued any insurance contracts. Insurance contracts are defined as contracts 'under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder'. Entities should be aware that this could also include certain contracts entered into by entities that are not insurers, such as fixed-fee for service contracts.

Notes to the consolidated financial statements

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

Reference	Issue not illustrated	Relevant disclosure or reference
IAS1(82)(aa),(ca),(cb)	Separate line items in the statement of profit or loss	Where applicable and material also disclose: - gains and losses arising from the derecognition of financial assets measured at amortised cost - gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss, and - gains and losses reclassified from OCI as a result of a reclassification of financial assets from the fair value through OCI measurement category to fair value through profit or loss.
IAS34(16A)(b),(21)	Seasonal or cyclical operations	Explain how the seasonality or cyclicality affects the results and financial position for the interim report (see paragraph 27 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.
IAS34(16A)(g)(v)	Segment disclosures: changes in basis of segmentation or measurement of segment profit or loss	Describe differences.
IAS34(16A)(k) IFRS12(9B)	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

Reference	Issue not illustrated	Relevant disclosure or reference
IAS34(16A)(i)		
IFRS3(B64)(j)	Contingent liabilities assumed in the business combination	Provide the disclosures required by IAS 37 paragraphs 85 and 86
IFRS3(B64)(l),(m)	Transactions recognised separately from the business combination	Disclose the details required by IFRS 3 paragraph B64(l) and (m)
IFRS3(B64)(n)	Bargain purchase	Disclose the amount of any gain recognised and where it is presented and explain why the transaction resulted in a gain.
IFRS3(B64)(p)	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.
IFRS3(B67)(a)(iii)	Subsequent adjustments to incomplete initial accounting	Provide the details required by IFRS 3 paragraph B67(a)(iii)
IFRS3(B67)(e)	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.

Notes to the consolidated financial statements

Financial instruments – fair value measurements

	Issue not illustrated	Relevant disclosure or reference
IAS34(16A)(j)		
IFRS13(93)(a)	Non-recurring fair value measurements	Disclose the reason for the measurement
IFRS13(93)(c)	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
IFRS13(98)	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
IFRS7(28)	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.

Seasonal or cyclical operations

27. 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 2020, 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)

28. 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 2021 and entities will need to consider whether any of these amendments could affect their existing accounting policies for their 2021 interim reports:
    (a) *Covid-19-related Rent Concessions – Amendments to IFRS 16*
    (b) *Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.*
29. The amendments to IFRS 16 and their impact are summarised in Appendix D of our *Illustrative IFRS consolidated financial statements for 2020 year-ends* publication. Information about the Phase 2 IBOR reform amendments can be found in our *Practical guide to Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 for interest rate benchmark (IBOR) reform.*
30. 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 disclosures were illustrated in our *Illustrative condensed Interim financial statements 2018 edition* in relation to the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* and in the *Illustrative condensed Interim financial statements 2019 edition* in relation to IFRS 16 *Leases*. 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 18 in the June 2018 or June 2019 publications, may be sufficient.
31. For the purpose of this edition, we have assumed that VALUE IFRS Plc did not have to make any changes to its accounting policies, as it is not affected by the interest rate benchmark reforms and did not receive any material COVID-19 related rent concessions. However, this assumption will not necessarily apply to all entities. Where there has been a change in policy, this will need to be explained.

Notes to the consolidated financial statements

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

32. In particular, entities with hedging relationships and entities that have exposure to interest rates where (i) the interest rates are dependent on IBORs; and (ii) these IBORs are subject to interest rate benchmark reform need to consider the requirement to provide disclosure relevant to the adoption of the *Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.*

IAS34(15)-(15C)
IFRS7(24J)
Phase 2

33. Affected entities that voluntarily provided Phase 2 disclosures in their most recent annual report should also consider to what extent information provided about IBOR reform may need to be updated or supplemented. Where an affected entity has not made any disclosures in its last annual report, it should consider including the disclosures that would be required in the December 2021 annual report. This would include disclosure of
    (c) how the entity is managing the transition to alternative benchmark rates, its progress at the reporting date and the risks to which it is exposed arising from financial instruments because of transition
    (d) disaggregated by significant interest rate benchmark subject to IBOR reform, quantitative information about financial instruments that have yet to transition to an alternative benchmark rate at the end of the reporting period, showing separately non-derivative financial assets and liabilities, and derivatives, and
    (e) if the risks identified have resulted in any changes to an entity's risk management strategy, a description of these changes.

IFRS7(24H)
Phase 1

34. In addition, entities with hedge relationships should consider whether the Phase 1 disclosures provided in the most recent annual report are still representative and may need to be updated or supplemented.

    For further details refer to our *Practical guide to Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 for interest rate benchmark (IBOR) reform*. The guide includes example disclosures which illustrate both 'phase 1' and 'phase 2' amendments to IFRS 7 for a cash flow hedge and other financial instruments typical of a corporate entity which applies IFRS 9 to its hedge accounting relationships.

IAS34(15)-(15C)
IFRS16(60A)

35. Similarly, if an entity has received material COVID-19 related rent concessions for the first time in the current interim period, or the entity did not previously apply the practical expedient introduced by the amendments made to IFRS 16 *Leases* in May 2020, it should consider providing similar disclosures to those required in the annual report.
36. This includes disclosing that the entity has applied the expedient and whether it was applied to all rent concessions that meet the conditions of the amendment. If a lessee has not applied the practical expedient to all such rent concessions, it should provide information about the nature of the contracts to which it has applied the expedient. In addition, lessees must disclose the amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which they have applied the practical expedient.
37. Lessors that have provided rent concessions such as rent free periods to their lessees that have a material effect on the entity's financial results and financial position should explain how they have accounted for these rent concessions and how this has affected the reported results and financial position, if they did not already provide such disclosures in the last annual report.
38. At the time of writing, the IASB had issued an exposure draft proposing to extend the application of the practical expedient to lease payments originally due on or before 30 June 2022, subject to the same conditions and disclosures being made. For further guidance please refer to our practical guide *IFRS 16 COVID-19 Related Rent Concessions Amendment.*

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.

Appendix: Abbreviations

Abbreviations used in this publication are set out below:

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)
FV	Fair value
FVLCOD	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
IBORs	Interbank offered rates
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
PS	Practice Statement issued by the IASB
TSR	Total shareholder return

Notes