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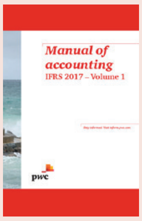

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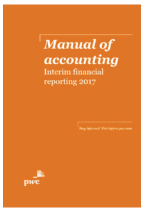

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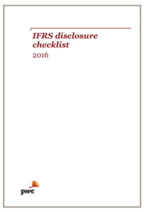

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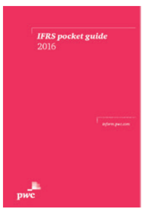

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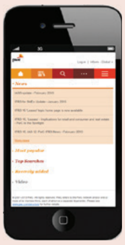

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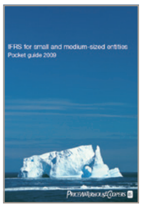

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Foreword

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Vice chairman, global assurance
PricewaterhouseCoopers LLP

Our purpose, across the PwC global network of firms, is to build trust in society and solve important problems. The Manual of accounting – IFRS series is our collected insights on the application of International Financial Reporting Standards, the financial reporting language of the global capital markets.

The global marketplace is a reality. IFRS is now required or permitted in 147 countries around the world. The capital markets of almost all of G20 nations 'speak' IFRS, with Saudi Arabia and India the latest to adopt the standards. The common language created by IFRS financial statements enables cross border investment and capital flows by reducing barriers and lowering the cost of capital.

Consistency and comparability across companies and across borders is a continuing challenge in a principles based set of standards. We support consistent application through our work with companies, with the standard setter, with regulators and with other stakeholders.

Major new standards on financial instruments, revenue and leasing are driving changes in accounting of a significance not seen since the first major wave of IFRS adoption in 2005.

IFRS requires professional accountants and preparers to make judgements when applying the standards. Sound judgement derives from experience. The Manual of accounting – Interim financial reporting brings together the IFRS experience of the PwC network. We share our practical knowledge with those charged with preparing, auditing, enforcing and perhaps most importantly using IFRS financial statements.

May 2017

Preface

This volume in our ‘Manual of accounting’ series contains our comprehensive guidance on preparing interim financial reports under IAS 34, ‘Interim financial reporting’. It reflects IFRSs that are required to be applied by an existing preparer of IFRS financial statements with an annual period beginning on or after 1 January 2017. The first section outlines the requirements of IAS 34; the second section is an illustrative set of condensed interim financial statements, including additional guidance on how to present this information.

Our guidance, like the IFRS standards themselves, continues to evolve and change. The first section gives an explanation of the requirements of the standard followed by illustrative examples that demonstrate the practical application of the principles of the standards. Links to relevant examples are included in the explanatory text and the text itself is anchored to the authoritative literature.

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Abbreviations and terms used

Abbreviations used in this publication are set out below.

AfS	Available-for-sale (financial assets)
AGM	Annual General Meeting
bps	basis points
CGU	Cash-Generating Unit
CODM	Chief operating decision maker
DP	Discussion Papers
ED	Accounting Exposure Drafts
FRS	Financial Reporting Standard (UK)
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
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 IAASB
NCI	Non-controlling interest
OCI	Other comprehensive income
TSR	Total shareholder return

Contents of interim reporting

Introduction/objective

35.1 Although there is no requirement under International Financial Reporting Standards to publish 'interim financial information', it is recognised that there might be a need for some entities to publish financial information for a period shorter than their full reporting period, in addition to the annual financial statements that cover the whole period. This information could be produced voluntarily, or it could be required locally by governments, securities regulators, stock exchanges, accounting bodies or market expectations. The use of IAS 34 is encouraged for publicly traded entities that produce interim financial reports. This Chapter outlines the requirements of IAS 34.

[IAS 34 para 1].

35.2 IAS 34 prescribes the minimum content that an interim financial report should contain and the principles that should be used for recognising and measuring amounts included in that report.

[IAS 34 para 4].

35.3 IAS 34 does not discourage the presentation of information in excess of the minimum required by the standard.

[IAS 34 para 7].

FAQ 35.3.1 – How should additional information provided with condensed interim financial statements be presented?

FAQ 35.3.2 – Additional disclosure regarding impairment

35.4 An interim report must not be described as complying with IAS 34 or with IFRS if it has not been prepared in accordance with IAS 34.

[IAS 34 para 3].

Scope

35.5 Interim reporting provides financial information about an entity in the period between the release of the entity's last set of full financial statements and the announcement of the results for the current financial period. It is intended that an interim financial report should provide an update on the last set of full financial statements and focus on new activities, events and circumstances. It should be written so that it can be read in conjunction with the entity's most recent full financial statements, and it should not duplicate information that has been previously reported.

[IAS 34 para 6].

35.6 IAS 34 defines an 'interim financial report' as a financial report containing either a complete set of financial statements (as described in IAS 1) or a set of condensed financial statements for an interim period.

[IAS 34 para 4].

FAQ 35.6.1 – How should a set of condensed financial statements be described?

35.7 Where an entity publishes an interim financial report in accordance with IFRS, that report must comply with the provisions of IAS 34.

[IAS 34 para 3].

35.8 If an entity publishes full financial statements for the interim period, rather than condensed interim financial statements, it is required to comply with IAS 1. This means that all of the items required to be presented in the financial statements by IAS 1 must be included in the interim financial statements (see IFRS Manual of Accounting Chapter 4).

[IAS 34 para 9].

35.9 IAS 34 encourages (but does not require) publicly traded companies to make the interim report available no later than 60 days after the end of the interim period.

[IAS 34 para 1].

35.10 If the reporting entity's most recent annual financial statements were prepared on a consolidated basis, the interim report should be prepared on the same basis. To publish an interim report that dealt only with the reporting entity, and not with its subsidiaries, would not be consistent or comparable with the most recent annual financial statements. If the most recent consolidated financial statements included the parent entity's financial statements, the interim financial report can do so, but this is not a requirement.

[IAS 34 para 14].

Principles

35.11 Each financial report of an entity is evaluated on its own merits for its conformity to IFRS. The failure of an entity to present an interim financial report (or, indeed, to apply IAS 34 to its interim financial report) does not preclude its annual financial statements from being prepared in accordance with, or described as complying with, IFRS. In contrast because interim financial statements in accordance with IAS 34 are intended to update the annual statements an entity would be expected to produce annual financial statements that comply with IFRS if it was going to apply IAS 34 to its interim financial reporting.

[IAS 34 para 2].

35.12 IAS 34 requires that items of income and expenses should be recognised and measured on a basis consistent with that used in preparing the annual financial statements. No adjustments should be made for events expected to occur after the end of the interim period. The standard notes that the frequency of an entity's interim reporting should not affect the measurement of its annual results. This is referred to as the 'year to date' principle. For exceptions to the year to date principle see paras 35.21 – 35.28.

FAQ 35.12.1 – Example of the application of the year to date principle.

[IAS 34 para 28].

35.13 The accounting policies applied to the interim report must be consistent with those applied in the most recent annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements. This is particularly relevant with the implementation of new standards as these should be reflected in the first interim statements after the implementation date.

[IAS 34 para 28].

35.14 The accounting policies need to be stated and explained only where they differ from those previously adopted, for example on the adoption of a new or amended standard. In all other cases, the interim report should include a statement that they are prepared on the basis of the accounting policies and methods of computation followed in the most recent set of annual financial statements. [refer 35.16]

[IAS 34 para 16A(a)].

FAQ 35.14.1 – Are disclosures required regarding published standards that have not yet been adopted?

35.15 Although interim condensed financial reports prepared in accordance with IAS 34 are not required to comply with the full requirements of IAS 1, they are required to be prepared in accordance with certain of the fundamental principles that underpin IAS 1. Paragraph 4 of IAS 1 states that paragraphs 15 to 35 of IAS 1 apply to interim financial reports. These fundamental principles are discussed in detail in chapter 4 of the Manual of accounting – IFRS; in summary, they are:

- The financial statements should present fairly the entity's financial position, financial performance and cash flows. [IAS 1 para 15].
- The financial statements should not be described as being compliant with IFRS, unless they comply with all the requirements of IFRS. [IAS 1 para 16].
- Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used or by notes and explanatory material. [IAS 1 para 18].
- In extremely rare circumstances, where compliance with a requirement in an IFRS would be so misleading that it is not useful to users of the financial statements in making economic decisions, the financial statements can depart from that requirement and give significant disclosure about the departure. [IAS 1 paras 19 to 24].
- The financial statements should be prepared on the going concern basis, unless management intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. [IAS 1 para 25].
- The financial statements should be prepared (except for cash flow information) using the accruals basis of accounting. [IAS 1 para 27].
- Each material class of similar items should be presented separately in the financial statements. Items of a dissimilar nature or function should be presented separately, unless they are immaterial. [IAS 1 para 29].
- Assets and liabilities, and income and expenses, should not be offset unless required or permitted by an IFRS. [IAS 1 para 32].

35.16 Where an entity changes its accounting policy, the guidance in IAS 34 is the same as in IAS 8, and it requires the change to be applied retrospectively (unless there are specific transitional rules in a new standard or interpretation), with the restatement of comparative information presented.

[IAS 34 para 43(a)].

FAQ 35.16.1 – Is a third balance sheet required when there is a change in accounting policy?

35.17 In line with the guidance in IAS 8 (IAS 8 paras 24–25), IAS 34 allows a new accounting policy to be applied prospectively from the earliest date practicable, where retrospective application is impracticable.

[IAS 34 para 43(b)].

FAQ 35.17.1 – What does 'impracticable' mean?

35.18 For assets, the same tests of future economic benefits apply at interim reporting dates as at the entity's financial reporting year end. Similarly, a liability at an interim reporting date must represent an existing obligation at that date. Refer to paras 35.21 – 35.30 for discussion of exceptions to this principle.

[IAS 34 para 32].

FAQ 35.18.1 – Internally generated intangible assets

FAQ 35.18.2 – Levies

35.19 In certain businesses, there is significant and recurring variation between the levels of profit in the interim period and for the year as a whole. Such seasonal businesses might prefer an approach to interim reporting where expenditure could be allocated to interim periods based on estimates of the total annual revenues and expenses. This would smooth the effect of the seasonality. However, IAS 34 requires that each interim financial report should be prepared in the same manner as the full year statements, and that no adjustments should be made for events that are expected to occur after the end of the interim period. IAS 34 clarifies this principle with respect to revenues or costs that are received or incurred unevenly during the year. Expected revenues should not be anticipated or deferred at an interim date if such anticipation or deferral would not be appropriate at the end of the entity's financial year.

[IAS 34 para 37].

35.20 Similarly, expected costs should not be anticipated or deferred at an interim date if such anticipation or deferral would not be appropriate at the end of the entity's financial year.

[IAS 34 para 39].

FAQ 35.20.1 – Expenses incurred unevenly over the year

Exceptions to the year to date principle

Annually determined amounts

35.21 The standard gives guidance in respect of certain annually determined items of income and expenditure, such as taxation, where it is more difficult to apply the 'year to date' approach (for example, in situations where taxes are only due on amounts above, or below, certain annual thresholds). The standard draws a distinction between amounts that vary over the course of a year and amounts that can only be determined on an annual basis. Taxes are probably the most prevalent example (see further 35.22 to 35.28 below). The application of this approach can lead to the recognition of assets or liabilities that would not be recognised when preparing annual statements. Other examples are considered in the following FAQs, based on Appendix B to IAS 34.

[IAS 34 para 39].

FAQ 35.21.1 – How should major planned periodic maintenance or overhaul be accounted for?

FAQ 35.21.2 – Employee costs: year end bonus

FAQ 35.21.3 – Example of employee bonus

FAQ 35.21.4 – Defined contribution pension scheme

FAQ 35.21.5 – Holidays and short-term paid absence

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FAQ 35.21.7 – Cash-settled share based payments

FAQ 35.21.8 – Equity-settled share based payments

FAQ 35.21.9 – Inventory

FAQ 35.21.10 – Defined benefit pension plans

FAQ 35.21.11 – Contingent lease payments

FAQ 35.21.12 – Sales rebates

FAQ 35.21.13 – Treatment of remeasurement gains/losses on post-employment benefits

FAQ 35.21.14 – Foreign currency

35.22 Taxation is assessed based on annual results and, accordingly, determining the tax charge for an interim period will involve making an estimate of the likely effective tax rate for the year.

[IAS 34 para 30(c)].

35.23 The tax charge or benefit cannot be properly determined until the end of the financial year (or, if different, the tax year), when all allowances and taxable items are known. Calculating tax on the basis of the results of the interim period in isolation could result in recognising a tax figure that is inconsistent with the manner in which tax is borne by the entity. Therefore, the calculation of the effective tax rate should be based on an estimate of the tax charge or benefit for the year expressed as a percentage of the expected accounting profit or loss. This percentage is then applied to the interim result, and the tax is recognised rateably over the year as a whole.

[IAS 34 para B12].

> FAQ 35.23.1 – Tax charge in respect of prior year
>
> FAQ 35.23.2 – Change in estimated or actual effective tax rate
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35.24 Consistent with the requirements of IAS 12, the estimation of the tax charge or benefit should use the tax rates and laws applicable to the full year that have been enacted or substantively enacted by the end of the interim reporting period (see further the Manual of accounting – IFRS Chapter 14 paras 13-14).

[IAS 34 para B13].

35.25 The standard requires that, to the extent practicable and where more meaningful, a separate estimated average annual effective income tax rate should be determined for each material tax jurisdiction and applied individually to the interim period pre-tax income of the relevant jurisdiction. Similarly, where different income tax rates apply to different categories of income, a separate rate should, where practicable, be applied to each category of pre-tax income.

[IAS 34 para B14].

35.26 However, the standard recognises that, although this level of precision is preferable, it is not always achievable. Where this is the case, a weighted average of rates across a number of jurisdictions or categories should be applied to the aggregate result of those jurisdictions or categories. This alternative method of calculating the tax charge or benefit for the period should be adopted only where it gives a reasonable approximation of the effect of the more specific calculation.

[IAS 34 para C5].

35.27 The tax effect of 'one-off' items should not be included in the likely effective annual rate, but it should be recognised in the same period as the relevant 'one-off' item. The estimated annual effective tax rate (excluding 'one-off' items) will, in that case, be applied to the interim profit or loss excluding the 'one-off' items.

[IAS 34 para B19].

FAQ 35.27.1 – Impact of expected expenditure on the tax rate

35.28 Events and expenditure that are expected to arise in future interim periods in the year, and to impact the effective annual tax rate, should be considered when estimating the annual effective tax rate. An event such as planned expenditure that will result in tax benefits should be anticipated in calculating the effective tax rate for the year. However, it would not normally be appropriate to take account of the tax effects of less routine one-off events that are expected to occur in other interim periods, but to which the entity is not committed (such as contributions to charity that might attract tax benefits). [IAS 34 para B19].

IFRIC 10 Impairment

35.29 IFRIC 10, 'Interim financial reporting and impairment', clarifies that, when considering impairments, the more specific guidance in IAS 36 and IAS 39 overrides the 'year to date' principle of IAS 34. IFRIC 10 considers the situation of whether an entity should reverse impairment losses recognised in an interim period on goodwill, investments in equity instruments and in financial assets carried at cost, if a loss would not have been recognised (or a smaller loss would have been recognised) if an impairment assessment had been made only at a subsequent balance sheet date. The IFRS IC concluded that an entity should not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. This means that the annual results can be impacted by the frequency of interim reporting.

[IFRIC 10 para 8].

FAQ 35.29.1 – Year end impact of impairment losses recognised in the interim period

FAQ 35.29.2 – Implications of impairment of goodwill

FAQ 35.29.3 – Measurement of impairments

35.30 IFRIC 10 specifically states that the conclusion should not be extended, by analogy, to other areas of potential conflict between IAS 34 and other standards.

[IFRIC 10 para 9].

Use of estimates

35.31 Preparing financial information at any cut-off date, even at the financial year end, involves making judgements and estimates. Such judgements are necessary because no accounting period can be entirely independent from those preceding or following it, and some items of income or expenditure will always be incomplete. However, at the end of the interim period, the preparation of the interim financial report will require a greater use of estimates than would be required at the year end. The application of measurement procedures in preparing an interim financial report should be designed to ensure that the information presented is both relevant to users' understanding and sufficiently reliable. [IAS 34 para 41].

Minimum content for condensed statements

35.32 IAS 34 identifies the components that should, as a minimum, be included in interim financial reports:

- Condensed statement of financial position (also commonly referred to as a balance sheet).

- Condensed statement of profit or loss and other comprehensive income, presented as either:
  - a condensed single statement; or
  - separate condensed statements of profit or loss and other comprehensive income.
- Condensed statement of changes in equity.
- Condensed statement of cash flows.
- Selected explanatory notes.

[IAS 34 para 8].

35.33 An interim financial report should include a condensed statement or condensed statements of profit or loss and other comprehensive income, in the same format as in its annual financial statements – that is, if an entity presents items of profit or loss in a separate statement under IAS 1 (in its annual financial statements), it presents interim condensed information from that statement.

[IAS 34 para 8A].

35.34 Each of the condensed primary statements should include, at a minimum, each of the headings and sub-totals used in the most recent financial statements. [IAS 34 para 10].

FAQ 35.34.1 – What guidance is there on what headings and sub-totals should be included in the interims?

FAQ 35.34.2 – Example headings presented in the condensed interim balance sheet

FAQ 35.34.3 – Associates and Joint Arrangements

Disclosure

Objective/principle

35.35 IAS 34 requires an entity to include, in its interim financial report, an explanation of events and transactions that are significant to an understanding of the changes in the entity's financial position and performance since the end of the last annual reporting period. The information disclosed in relation to those events and transactions should update the relevant information presented in the most recent annual financial report.

[IAS 34 para 15].

35.36 The disclosures that are required to be included in the notes to an entity's interim financial report are intentionally brief. It is recognised that the users of the interim financial report will have access to the entity's most recent annual financial statements. Users will not be interested in insignificant updates to information that has already been reported or more minor events that have occurred during the interim period. However, the note disclosures should be sufficient to enable users to appreciate the main factors influencing the entity's performance during the interim period and its position at the period end.

[IAS 34 para 15A].

35.37 IAS 34 includes a list of illustrative events or transactions that could be significant. [IAS 34 para 15B].

FAQ 35.37.1 – What examples of events that might require disclosure are included in IAS 34?

FAQ 35.37.2 – How do you determine which line items should be included in the primary statements?

FAQ 35.37.3 – Can the statement of cash flows be presented as three lines, that is, operating, investing and financing?

FAQ 35.37.4 – What information should be included in the notes in relation to significant events or transactions?

FAQ 35.37.5 – Should the residual value of an asset be reassessed for the interim reporting?

FAQ 35.37.6 – Should extra line items that are not included in the annual statements be included in the interims?

35.38 Where an event or transaction is significant to an understanding of the changes in an entity's financial position since the last annual reporting period an interim financial report should update the relevant information that was included in the last full year financial statements.

[IAS 34 para 15C].

35.39 IAS 34 specifies certain information that should be included on a year-to-date basis in interim financial statements. This includes disclosure of segment information (if IFRS 8 requires that entity to disclose segment information in its annual financial statements), business combination information (for a transaction within the scope of IFRS 3) and information relating to financial instruments as well as details specific to the interim reporting.

[IAS 34 para 16A].

FAQ 35.39.1 – What segment disclosures should be included in condensed interim financial statements?

FAQ 35.39.2 – Should segment disclosures be provided for the interim period or only for the year to date where these are different?

FAQ 35.39.3 – Changes in segment reporting to the CODM

FAQ 35.39.4 – What financial instrument disclosures relating to fair value are required in interim financial statements?

FAQ 35.39.5 – What disclosures are required in relation to Business Combinations during the period?

FAQ 35.39.6 – What disclosures are required in relation to restructuring?

FAQ 35.39.7 – What disclosures related to business combinations after the end of the reporting period are required?

FAQ 35.39.8 – Are there other required disclosures?

35.40 Entities within the scope of IAS 33 are required by IAS 34 to disclose their basic and diluted earnings per share (EPS) on the face of their (condensed) income statement. These numbers, which could include EPS from continuing operations, discontinued operations and for profit or loss for the period attributable to the ordinary equity holders, should be calculated as required by IAS 33.

[IAS 34 para 11].

FAQ 35.40.1 – Should Alternative EPS measures be included in an interim financial report?

FAQ 35.40.2 – How is EPS calculated in the interim financial report?

35.41 It is common for entities not to publish an interim financial report for the last interim period in a financial year; and, where none has been published, the nature and effect of significant changes in estimates during the last interim period must be disclosed in the notes to the annual financial statements.

[IAS 34 para 26].

Periods to be included (comparatives)

35.42 Balance sheet information should be given as at the end of the current interim period, with comparative information as at the end of the previous full financial year.

FAQ 35.42.1 – Which statements have to be included in half yearly condensed interim financial statements for an entity reporting as at 30 June 2016?

FAQ 35.42.2 – Which statements have to be included in quarterly condensed interim financial statements for an entity reporting as at 30 June 2016?

[IAS 34 para 20(a)].

35.43 The requirement for comparatives is unaffected by an election by the entity to present full primary statements, rather than condensed primary statements. There is no requirement under IAS 34 for a balance sheet to be presented for the previous interim period in the current financial year (for example, the previous quarter of the current period) or for a balance sheet at the same date in the previous financial year.

[IAS 34 para 20].

35.44 For the income statement and statement of comprehensive income, IAS 34 requires the current interim period and the current year-to-date information to be disclosed, together with comparative information for the equivalent periods in the previous year. Where an entity is presenting its first interim report of a financial year, the period and year-to-date information will be the same, both for the current and for the previous year, and need not be given twice.

[IAS 34 para 20(b)].

35.45 The statement of changes in equity and statement of cash flows should be presented for the current period on a year-to-date basis, with comparative information for the equivalent period in the previous financial year.

[IAS 34 para 20(c), (d)].

35.46 IAS 34 contains no requirement for entities to present a separate management commentary as part of their interim financial report. However, due to regulatory requirements and pressure from investors and analysts, it has become commonplace for one to be included. In December 2010, the IASB published a Practice Statement, ‘Management commentary’, which provides non-mandatory guidance for the presentation of such a commentary where entities elect to include one, or where they are required to do so by local regulators.

[IAS 34 para 8].

FAQ 35.46.1 – Management commentary

List of Frequently Asked Questions (FAQs)

Illustrative text

FAQ 35.3.1 – How should additional information provided with condensed interim financial statements be presented?

Reference to standard	IAS 34 para 7
Reference to standing text	35.3

Where an entity is disclosing additional information over and above that required by IAS 34, the presentation of the additional information in the interim financial report should be consistent with that in the full financial statements. Additional disclosures should focus on the objective of interim accounts – that is, updating users on developments since the annual accounts.

FAQ 35.3.2 – Additional disclosure regarding impairment

Reference to standard	IAS 34 para 7
Reference to standing text	35.3

An entity is publishing an interim financial report prepared in accordance with IAS 34; but, because there has been a significant impairment of intangible assets during the interim period, the entity considers that information about the cost and amount written off the intangible asset would be beneficial to users of the interim financial report. Although full compliance with the disclosure requirements of IAS 38 and IAS 36 is not required, the additional disclosures that are given should be consistent with IAS 38 and IAS 36.

FAQ 35.6.1 – How should a set of condensed financial statements be described?

Reference to standard	IAS 34 para 4
Reference to standing text	35.6

An entity is preparing its interim financial report. It opts to present a full set of primary statements (balance sheet, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows) but only the selected explanatory notes that are required by IAS 34. The entity should disclose the fact that its interim financial report is prepared in accordance with IAS 34. The interim financial report cannot be described as complying with, for example, 'those standards issued by the IASB', because the omission of disclosures means that they do not comply with the requirements of all applicable standards and interpretations in full. The interim financial report should be described as a 'set of condensed interim financial statements', despite the fact that the primary statements are complete. However, consistent with FAQ 35.3.1, the full balance sheet, income statement, statement of comprehensive income and statement of changes in equity must be prepared in accordance with IAS 1, and the full statement of cash flows must be prepared in accordance with IAS 7.

FAQ 35.12.1 – Example of the application of the year to date principle

Reference to standard	IAS 34 para 28
Reference to standing text	35.12

An example of the year to date principle is the income statement recognition for post-employment benefits under IAS 19. The Service Cost and Interest Cost are calculated based on the assumptions and funded status as at the start of the year, unless there is a plan amendment, settlement, curtailment or significant market fluctuation [IAS 34 para B9]. The income statement expense is not revised to reflect changes in assumptions or experience as at interim reporting dates because if it was the results presented in annual financial statements would either vary depending on how frequently the entity reported or differ from the accumulation of the interim financial statements. Total comprehensive income would not be changed but the split between profit or loss and OCI would. See FAQ 35.21.10 for impact in OCI.

The Service Cost and Interest Cost would be revised following a plan amendment, settlement, curtailment or significant market fluctuation, ie the triggering event for the remeasurement is the change impacting the plan, not the preparation of interim financial statements.

FAQ 35.14.1 – Are disclosures required regarding published standards that have not yet been adopted?

Reference to standard	IAS 34 para 16A
Reference to standing text	35.14

IAS 34 does not specifically refer to the requirements in IAS regarding the impact of standards that have not yet been adopted. However, management should consider any guidance issued by their regulator, the magnitude of the likely impact and changes in the information available since the previous year end in the determination of whether or not it would be appropriate to update disclosure. As an example the at the prior year end the financial statements may have stated that management was in the process of evaluating the impact of the change. If that evaluation has been concluded and indicates a significant impact then it may be appropriate to include that information.

FAQ 35.16.1 – Is a third balance sheet required when there is a change in accounting policy?

Reference to standard	IAS 34 para 43
Reference to standing text	35.16

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 (see FAQ 35.42.1 and 35.42.2 for details regarding comparative information presented). 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.

FAQ 35.17.1 – What does 'impracticable' mean?

Reference to standard	IAS 34 para 43(b)
Reference to standing text	35.17

IAS 8 para 5 defines "Impracticable" as follows:-

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:

(a) the effects of the retrospective application or retrospective restatement are not determinable;

(b) the retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or

(c) the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:

   (i) provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and
   (ii) would have been available when the financial statements for that prior period were authorised for issue

   from other information.

We consider it unlikely that this provision would be applied, because only in extremely exceptional circumstances would the effect not be determinable.

FAQ 35.18.1 – Internally generated intangible assets

Reference to standard	IAS 34 para 32
Reference to standing text	35.18

The costs of creating an internally generated intangible asset should be capitalised from the date when the recognition criteria set out in IAS 38 are met in full. [IAS 38 para 65]. IAS 38 does not permit an entity to use hindsight to conclude retrospectively that these recognition criteria are met. Deferral of costs at the interim date, in the hope that the recognition criteria will be met by the end of the year, is not justified. [IAS 34 para B8]. Furthermore, IAS 38 specifically prohibits the reinstatement of costs (that have been expensed in an interim period) as an intangible asset in the annual financial statements. [IAS 38 para 71].

FAQ 35.18.2 – Levies

Reference to standard	IAS 34 para 32
Reference to standing text	35.18

A number of industry-specific tariffs have emerged in recent years, as governments seek to increase income. These tariffs are often referred to as 'taxes' or 'levies'. The accounting for these levies will depend on the nature of the payment. The first consideration is which standard to apply. In most cases, these levies are not based on taxable profit and, as such, are accounted for under IAS 37, rather than IAS 12. The timing of recognition of the provision and the related expense will depend, in part, on the point in time at which the entity becomes obligated to pay the levy, bearing in mind that it is not possible to provide for potential obligations that might arise from legislation that has not been substantively enacted.

IFRS Interpretation 21, 'Levies', confirmed the treatment of levies, which are not based on taxable profit, as being accounted for under IAS 37. [IFRIC 21 para BC4]. See further in the Manual of accounting — IFRS Chapter 16 paras 77 to 83.

In accordance with IAS 34, the same recognition principles are applied in the interim financial statements as are applied in the annual financial statements. Therefore, in interim financial statements, a liability to pay a levy:

- should not be recognised if there is no present obligation to pay the levy at the end of the interim reporting period; and
- should be recognised if a present obligation to pay the levy exists at the end of the interim reporting period.

[IFRIC 21 para 13].

FAQ 35.20.1 – Expenses incurred unevenly over the year

Reference to standard	IAS 34 para 39
Reference to standing text	35.20

A travel operator has a September year end. Despite the increasing popularity of winter breaks, the majority (75%) of the sales of holidays are in the summer, and most of these are booked in January and February. The accounting policy for revenue is that it is recognised when the holiday is taken. Each year the travel company runs a television advertising campaign in December and January, just before most holidays are booked. The operator publishes an interim financial report for the half year to 31 March.

The costs of the advertising campaign will be taken to the income statement in the first half of the year, because they do not meet the definition of an asset at the end of the interim period, despite the entity recognising the majority of its revenue in the second half of the year. The entity will have a significantly different net result in the each half of the year, and an explanation to that effect will be required.

FAQ 35.21.1 – How should major planned periodic maintenance or overhaul be accounted for?

Reference to standard	IAS 34 App B para 2
Reference to standing text	35.21

The cost to the entity of periodic maintenance, or of a major overhaul that is planned and expected to be undertaken after the end of the interim period, is not anticipated by the entity when preparing its interim financial report, unless the costs meet the definition of a liability in IAS 37. The mere intention or necessity to incur expenditure related to the future is not sufficient to give rise to an obligation. The test for the interim report is the same as for the annual financial statements: if no liability would be accrued for future maintenance at the year end, no liability should be accrued in the interim period.

FAQ 35.21.2 – Employee costs: year end bonus

Reference to standard	IAS 34 App B para 6
Reference to standing text	35.21

Employee bonuses differ greatly between different entities, and between different bonus schemes within the same entity. Bonuses could be based on service over a period of months or years, or on the attainment of a number of performance criteria or objectives. They could be contractual, purely discretionary or based on historical precedent. Consequently, it is essential to understand the principles underlying the recognition of year end bonuses in interim financial reports, so that they can be applied to individual bonus schemes.

A bonus (which might or might not be a year end bonus) is anticipated and recognised in the interim report only if a reliable estimate of the bonus can be made and:

- the bonus is a legal obligation; or
- past practice has made the bonus a constructive obligation, from which the entity cannot realistically withdraw.

The recognition of the bonus in the income statement during the interim period is determined in accordance with the provisions contained in IAS 19. That is, where an employee has rendered services to the entity during the interim period, the entity should recognise the employee benefits expected to be paid to the employee for that service. [IAS 19 para 11].

[IAS 34 para B6].

FAQ 35.21.3 – Example of employee bonus

Reference to standard	IAS 34 App B para 6
Reference to standing text	35.21

An entity is involved in the fashion industry. Contractual staff bonuses are paid at the year end based on the annual sales result against budget. Sales for the first half year have exceeded the budget, and the entity considers it likely that the full year budget will also be exceeded. Should the bonuses be recognised in the interim report for the first half year?

Because the sales for the period have exceeded budget and it is considered likely that the full year budget will also be exceeded, the entity expects to award the bonus to the employees at the end of the year. Consequently, applying the principles contained in IAS 19, the element of the bonus that relates to the services received from the employees to date should be recognised. That is, if the entity has received half of the service that it expects to receive from the staff during the year, it should recognise 50% of the expected year end bonus.

FAQ 35.21.4 – Defined contribution pension scheme

Reference to standard	IAS 34 para 39
Reference to standing text	35.21

For a defined contribution pension scheme, the expense recognised in a period is equal to the contributions payable in respect of that period. Hence, defined contribution schemes are treated in an interim financial report in the same way as in annual financial statements.

FAQ 35.21.5 – Holidays and short-term paid absence

Reference to standard	IAS 34 App B para 10
Reference to standing text	35.21

Where an entity is liable for accrued annual leave that is to be used or paid out in a subsequent period, the expected cost to the entity of compensating the employee for that leave should be recognised as a liability, regardless of whether the employee has a right to receive cash compensation or must use the annual leave. [IAS 19 para 15]. This principle equally applies to the interim date as it does to the year end. [IAS 34 para B10].

FAQ 35.21.6 – Accrual for holiday pay

Reference to standard	IAS 34 App B para 10
Reference to standing text	35.21

An entity's factory employees are entitled to 20 days' paid leave each year, ten of which must be taken in August, when the factory is shut down. The entity's year end is 30 September, and the employees are not able to carry forward any remaining annual leave that has not been used at that date. Any unused leave entitlement is forfeited if the employee leaves the company. The entity is currently preparing its interim financial report for the third quarter ended 30 June 20X9.

At 30 June 20X9, the employees have accrued three-quarters of their annual leave entitlement (15 days), but they must have used no more than ten of those, being required to use the remaining ten in August 20X9. Consequently, a holiday pay accrual will be made at the end of the interim period, which is recognised in the entity's reported profit or loss for the period. The entity has an obligation to provide the employees with the vacation leave; the fact that the entity is not expected to settle the obligation in cash is not relevant. The obligation will be calculated by multiplying each employee's daily salary rate by the number of days' leave earned but not taken.

So, if an employee's annual salary is C20,000 and he is required to work 250 days (after deducting weekends and bank holidays, but before annual leave), then if he has taken five days leave in the nine months to 30 June 20X9, the accrual required in respect of his outstanding leave will be C800

At the entity's year end, there is no accrual in respect of unused annual leave; this is because, at that date, the employees are no longer entitled to take that annual leave, under their terms of employment.

FAQ 35.21.7 – Cash-settled share-based payments

Reference to standard	IAS 34 para 39
Reference to standing text	35.21

In respect of cash-settled share-based payment transactions, IFRS 2 requires the liability recognised to be remeasured at each balance sheet date. Where the impact is likely to be material to the results of the interim period (or the year-to-date information, if reported), this remeasurement should also be performed at the interim balance sheet date. Where the amount of the liability is determined by reference to a share for which no reliable market price is available (for example, because the share is unquoted or so thinly traded that the price for the last transaction does not represent a reliable fair value), an estimation technique is required. In such circumstances, it might be appropriate for management to estimate the share's fair value, rather than obtaining a formal (and probably costly) valuation.

FAQ 35.21.8 – Equity-settled share-based payments

Reference to standard	IAS 34 para 39
Reference to standing text	35.21

For equity-settled share-based payment transactions, whose fair values are determined by reference to the fair value of the equity instrument granted at measurement date, the expense recognised should be based on the *"best available estimate of the number of equity instruments expected to vest"* and the entity *"shall revise that estimate ... if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates"*. [IFRS 2 para 20]. Where the impact is considered likely to be material to the results of the interim period (or the year-to-date information, if reported), the number of equity instruments expected to vest should be re-estimated. As with a cash-settled share-based payment transaction, it might be appropriate for a less formal estimate of the number of equity instruments expected to vest to be made at the interim date than would be made at the year end.

FAQ 35.21.9 – Inventory

Reference to standard	IAS 34 App B para 25
Reference to standing text	35.21

The measurement of inventories in interim financial reports is based on the same measurement principles as at the year end (as set out in IAS 2). That is, inventories should be measured at the lower of cost and net realisable value. [IAS 34 para B25; IAS 2 para 9]. The net realisable value of inventories should be determined by reference to selling prices and related costs to complete and dispose at the interim balance sheet date. [IAS 34 para B26]. However, when estimating the selling price at the interim balance sheet date, the estimates of net realisable value should be based on the most reliable evidence available when the estimates are made, taking into account fluctuations after the end of the reporting period to the extent that these confirm conditions existing at the end of the period. [IAS 2 para 30]. This is consistent with the estimation technique that IAS 2 requires to be applied at the year end.

Inventory is an area where difficulty might exist in preparing interim reports on the same basis as the annual financial statements. For example, entities might only perform a full inventory count at the year end, and they might rely on a standard costing system, continuous inventory records or on calculations using gross profit ratios to determine the cost of inventory at the interim date. Consequently, entities might make greater use of estimates and estimation techniques for the purposes of the interim financial report than for the year end. [IAS 34 para C1]. If, however, the basis for determining the value of stock at the interim balance sheet date differs from that used at the year end, the method used at the interim balance sheet date should be disclosed. [IAS 34 para 16A(a)].

IAS 34 clarifies that inventory variances of a manufacturing entity (such as price, efficiency, spending and volume variances) should be recognised in the interim financial report to the same extent as they are expected to be recognised at the year end. Recognition of such variances only in the annual financial statements would not be appropriate, because it would result in a misstatement of the cost of manufacture of the inventory. [IAS 34 para B28].

FAQ 35.21.10 – Defined benefit pension plans

Reference to standard	IAS 34 App B para 9
Reference to standing text	35.21

Under IAS 19, net interest is determined in annual financial statements by multiplying the net defined benefit liability (or asset) by the discount rate (as specified in the standard). These are both as determined at the start of the annual period, but taking account of any changes in the net defined benefit liability (or asset) during the period as a result of contribution and benefit payments. [IAS 19 para 123]. It is reasonable for a similar approach to be used for determining the net interest in an interim period. This approach represents the general rule, however the guidance in paragraph B9 of IAS 34, specifies that significant market fluctuations and significant one-off events such as plan amendments, curtailments and settlements should be adjusted for in the interim period. Although IAS 19 is silent on market fluctuations, we believe that to be consistent with the year to date principle market fluctuations that have a significant positive or negative impact on the income statement should be adjusted for when they occur and not just at interim reporting dates. If adjustment was only made as part of interim reporting the income statement effect of such changes would depend on the number of interim periods an entity has during a financial year. While we believe that adjusting for market fluctuations is the most appropriate treatment, IAS 19 is silent on the matter and, therefore, it would also be permissible to adopt a policy not to adjust for market fluctuations. However, adjustments for plan amendments, curtailments and settlements must always be accounted for when they occur. (See further chapter 12 of the Manual of accounting – IFRS).

FAQ 35.21.11 – Contingent lease payments

Reference to standard	IAS 34 App B para 7
Reference to standing text	35.21

A retailer leases a shop and is contractually obliged to pay annual rent on that shop of C100,000 if annual sales from the shop are below C2 million, and C200,000 if those sales are C2 million or above. When preparing its interim financial report, the retailer has made sales from that shop of C1.4 million, and it has forecast that sales for the full year will exceed C2.4 million. How much rent should the retailer recognise in the interim financial report for the first half year in respect of this lease?

Although, at the half year, the retailer has not achieved the C2 million sales level that triggers the increased rent to be payable, it is forecast that the required level of sales will be exceeded and that the entity will have no realistic alternative but to pay the increased rent. Consequently, the rent recognised in the half year interim financial report will be C100,000 (being six months at C200,000 per annum) (IAS 34 para B7).

This treatment will be an exception to the general principle that the recognition should be the same as at a year end where IFRS 16 applies for the lease accounting. IFRS 16 includes specific guidance regarding the recognition of contingent rent related to sales (IFRS 16 BC 169) that is inconsistent with the existing guidance in IAS 34 para B7.

FAQ 35.21.12 – Sales rebates

Reference to standard	IAS 34 App B para 23
Reference to standing text	35.21

A paint manufacturer with a 31 December year end is preparing its half year interim financial report for the period to 30 June 20X3. For several large customers, the manufacturer offers stepped rebates on sales, based on the following volumes:

Up to 100,000 litres	no rebate
Between 100,000 litres and 250,000 litres	5% rebate on all sales
Over 250,000 litres	10% rebate on all sales

All rebates are paid to the customers after the end of the manufacturer's financial year.

At 30 June 20X3, a particular customer has purchased 140,000 litres of paint. That customer has a past history of purchasing over 250,000 litres of paint each year, spread evenly during the year.

At 30 June 20X3, the manufacturer has a contractual liability to pay the customer a rebate of 5% on all sales to date, because the volume threshold of 100,000 litres has been exceeded. However, based on all of the available evidence, it is probable that the customer will also exceed the 250,000 litre threshold and that the manufacturer will pay a rebate of 10% on all sales. Consequently, the adjustment to revenue (and the resultant provision made) would be based on 10% of the sales to date. This conclusion would apply under either IFRS 15 or IAS 18.

FAQ 35.21.13 – Treatment of remeasurement gains/losses on post employment benefits

Reference to standard	IAS 34 App B para 9
Reference to standing text	35.21

As discussed in FAQ 35.12.1 the application of the year to date principle means that the Service Cost and Interest Cost are not recalculated based on interim financial statements. They should only be revised following a plan amendment, curtailment, settlement or significant market fluctuation. However, applying the principle that treatment should be the same as at a year end for the statement of financial position means that the plan assets and defined benefit obligation should be remeasured as at the interim reporting date with the resulting remeasurement gain or loss recognised in OCI.

The trigger for the remeasurement is the preparation of the interim financial statements which should include appropriate recognition in OCI for actuarial or experience gains and losses. See FAQ 12.58.1 regarding frequency of valuations

FAQ 35.21.14 – Foreign currency

Reference to standard	IAS 34 App B para 29
Reference to standing text	35.21

The same principles for the translation of transactions and balances denominated in foreign currencies, and the translation of the financial statements of foreign currency operations, are applied to the preparation of the interim financial report as would be applied for the preparation of the annual financial statements. [IAS 34 para B29]. The principles are set out in IAS 21 and are discussed further in Manual of accounting – IFRS Chapter 49, including the rules for using the transaction, average or closing rate and for taking the resultant gain or loss to income or to equity. Where an entity is translating the results of a foreign operation using the average rate, the average rate for the interim period being reported should be used. Changes in the exchange rate between the date of the interim financial report and the year end should not be anticipated. [IAS 34 para B30].

All translation gains and losses that are required, by IAS 21, to be reported in the entity's income statement should be recognised in the period in which they arise. Such gains and losses should not be deferred on an entity's balance sheet at the end of the interim period. [IAS 34 para B31].

FAQ 35.23.1 – Tax charge in respect of prior year

Reference to standard	IAS 34 App B para 12
Reference to standing text	35.23

Where tax has been under-provided or over-provided in prior years, a tax charge or benefit could be generated in the current year to correct the previous estimate. The question arises as to whether this tax charge or benefit can be spread over the full year (as part of the calculation of the effective rate for the year), or whether it has to be recognised in full in the interim period.

IAS 34 does not specifically cover the issue of adjustments to tax in respect of prior years. In relation to the interim tax charge, it states in paragraph B12 that interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings – that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

In this case, the adjustment in respect of prior years has nothing to do with expected total annual earnings for the period or the pre-tax income of the interim period, and so it should not enter into the calculation of the estimated average annual tax rate. Instead, since it relates to the previous period, it should be treated as a charge in full in the interim period in which it becomes probable that such adjustment is needed.

FAQ 35.23.2 – Change in estimated or actual effective tax rate

Reference to standard	IAS 34 App B para 12
Reference to standing text	35.23

If an entity is publishing interim financial reports for each quarter, it is reasonable to expect that, however robust its forecasts and budgets are, there will be unforeseen events that cause the initial estimate of the entity's effective tax rate to require revision.

At the date of each interim financial report, the entity should re-estimate its effective annual tax rate and apply that to the profits earned to date. There should be no restatement of previously reported interim periods for this change in estimate, but IAS 34 would require disclosure in the notes to the interim financial report of the nature and impact of a significant change in an estimate. [IAS 34 para B13].

Where a change in income tax rate is enacted, or substantially enacted, during an interim period, the 'effective' average annual tax rate might change. As noted in paragraph 35.22, the 'effective' average annual tax rate is calculated by estimating the 'total' tax charge for the year (comprising both current and deferred tax) and expressing this as a percentage of expected accounting profit or loss for the year. This 'effective' average annual tax rate is then used to compute the 'total' interim tax charge. Judgement should be applied in determining the most appropriate way to split the 'total' interim tax charge between current and deferred tax for the purposes of disclosure in the interim financial statements. The method used for allocating the 'total' interim tax charge between current and deferred tax should be applied consistently.

In determining the 'effective' average annual tax rate, it is necessary to estimate closing deferred tax balances at the end of the year; this is because deferred tax is a component of the estimated 'total' tax charge for the year. Although IAS 12 requires deferred tax to be measured at tax rates that are expected to apply on reversal of the temporary difference using enacted or substantially enacted tax rates, IAS 34 is not clear as to when in the annual period the impact of remeasuring closing deferred tax balances for a change in rate is recognised.

In practice, there are generally two approaches to estimating the 'effective' average annual tax rate to apply to interim periods; under both approaches, the 'effective' average annual tax rate is applied to interim pre-tax profit to derive the 'total' tax charge for the interim period (see above):

1. The estimated rate does not include the impact of remeasuring closing deferred tax balances at the end of the year. Under this approach, the impact of remeasuring these balances is recognised immediately in the interim period in which the change in rate is enacted or substantially enacted. It is not included in the estimated 'effective' average annual tax rate.
2. The estimated rate includes the impact of remeasuring closing deferred tax balances at the end of the year. Under this approach, the impact of remeasuring deferred tax balances is recognised as the re-estimated 'effective' annual tax rate is applied to interim pre-tax profits.

The approach to estimating the 'effective' annual tax rate to apply to the interim results should be applied consistently as an accounting policy and disclosed where the impact is material.

FAQ 35.23.3 – Tax year differs from accounting year

Reference to standard	IAS 34 App B para 12
Reference to standing text	35.23

In many jurisdictions, an entity's tax is calculated based on its results for the accounting year. Unless an entity's accounting year is the same as the tax year, more than one tax rate might apply during the accounting year; in this case, the entity should apply the effective tax rate for each interim period to the pre-tax result for that period. [IAS 34 para B17].

Example

An entity's accounting year end is 31 December, but its tax year end is 31 March. As a result, where different tax rates apply for different tax years, the quarterly profit will be taxed at different rates. The entity publishes an interim financial report for each quarter of the year ended 31 December 20X8. The entity's profit before tax is steady at C10,000 each quarter, and the estimated effective tax rate that the entity faces is 25% for the year ended 31 March 20X8 and 30% for the year ended 31 March 20X9.

	Quarter ending 31 March 20X8	Quarter ending 30 June 20X8	Quarter ending 30 September 20X8	Quarter ending 31 December 20X8	Year ending 31 December 20X8
	C	C	C	C	C
Profit before tax	10,000	10,000	10,000	10,000	40,000
Tax charge	(2,500)	(3,000)	(3,000)	(3,000)	(11,500)
	7,500	7,000	7,000	7,000	28,500

Note that the effect of the change in the tax rate on deferred tax balances is a separate issue (this is dealt with in Manual of accounting – IFRS Chapter 14).

If the entity in the above example had published an interim financial report for the first half of the year only, rather than for each quarter, the tax expense for the six months to 30 June 20X8 would have been C5,500 and, for the six months to 31 December 20X8, it would have been C6,000.

FAQ 35.23.4 – Intra-period losses

Reference to standard	IAS 34 App B para 12
Reference to standing text	35.23

The general approach of estimating the effective tax rate for the year should be used even where, for example, an entity's result in the current interim period of the year is expected to be wholly offset by its result in the future interim periods of the year. [IAS 34 para App B16]. The consequence of this approach is that, conceptually, even if the overall result for the year was expected to be a break-even position, an effective tax rate exists that needs to be applied to the interim period. This is outlined in the example below, which has been simplified to assume that the expected profit before tax is equal to the expected taxable profit.

Example – Effective tax rate where there are losses in some periods

	Jan–June	Jul–Dec	Full year
	C000	C000	C000
(Loss)/profit before tax	(10,000)	10,100	100
Tax credit/(charge)	3,300	(3,333)	(33)
(Loss)/profit after tax	(6,700)	6,767	67

The tax charge for the year is expected to be C33,000 and the profit for the year is expected to be C100,000, which results in an expected effective tax rate of 33% to be applied to the period ended in June.

The example indicates that the first interim period will have a tax credit of C3,300,000 when the entity is actually expected to suffer a tax charge of C33,000 for the full year. Expected effective tax rates should be applied to interim losses as well as to profits. However, it might be appropriate to adopt a more cautious approach to recognising the deferred tax asset that arises from interim losses where there is no history of equal or larger profits in the second half of the year. That is, if a deferred tax asset arises with respect to a loss in the interim period and this 'relief' is merely the result of applying the expected effective tax rate (as outlined in the example above), this asset should only be recognised if it is probable that the loss will reverse in the foreseeable future. A history of losses in the first half of the year, and then equal or larger profits in the second half, would support recognising such an asset. On the other hand, if the loss in the first half was unexpected and is not related to an unusual non-recurring transaction or event, this might indicate uncertainty regarding the likely results in the second half of the year. Under such circumstances, the deferred tax asset's recoverability is more uncertain, and it might not be appropriate to recognise the asset. [IAS 34 para B21].

Furthermore, if losses are expected for the full year, a deferred tax asset can only be carried forward at the interim date to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. [IAS 12 para 34]. Therefore, unless recovery of the deferred tax asset is reasonably assured (because, for example, the losses can be carried back – see FAQ 35.23.5), it should not be recognised in the interim period any more than it should be recognised in the annual financial statements.

FAQ 35.23.5 – Treatment of one off disallowable expenses

Reference to standard	IAS 34 App B para 12
Reference to standing text	35.23

In the example in FAQ 35.23.3, the tax benefit of C3,300,000 appears high in relation to the expected tax charge of C33,000 for the year as a whole. Nevertheless, it allows users an insight into the expected tax rate for the full year and enables them to compare this with the actual tax rate for the previous year. The effects of, for example, losses in the first half of the year and profits in the second half on the tax position should be discussed in the report's explanatory section, if material. However, if there are items that are disallowed for tax purposes, these will increase the effective tax rate. In some cases, the disallowable items might have a distortive effect on the effective tax rate and on the resulting deferred tax asset recognised. In such a case, our view is that the disallowable items are not included in determining the effective tax rate, but are instead dealt with in the interim periods in which they arise. This is consistent with the approach in paragraph B19 of IAS 34 for tax benefits that relate to a one-time event (see para 35.27), which refers back to paragraph B14 for categories of income with different tax rates (see para 35.25).

The accounting treatment in a situation where the disallowable items have a distortive effect on the effective tax rate is illustrated below.

Example – Effective tax rate when there are losses and disallowable items

An entity makes a loss in the first half of the year of C500,000, and it expects to make a profit in the second half of C550,000 (overall profit: C50,000 for the year).

The interim results include expenditure of C140,000 in the first half, that is disallowed for tax purposes. The expected profit in the second half of the year includes expected disallowable expenditure of C160,000.

The applicable tax rate in the entity's jurisdiction is 30%.

The taxable profits for the year and the related tax are as follows:

	Jan–June C000	Jul–Dec C000	Full year C000
(Loss)/profit before tax	(500)	550	50
Disallowable expenditure	140	160	300
Taxable (loss)/profit	(360)	710	350
Tax (charge)/credit @ 30%			(105)

If an effective tax rate including the effect of the disallowable expenditure is calculated, this is 105,000/50,000 or 210%. Applying this to the results in the interim periods gives the following:

	Jan–June C000	Jul–Dec C000	Full year C000
(Loss)/profit before tax	(500)	550	50
Tax credit/(charge) @ 210%	1,050	(1,155)	(105)
Profit/(loss) after tax	550	(605)	(55)
Effective rate of tax credit/(charge)	210%	210%	210%

Subject to recoverability, a deferred tax asset of C1,050,000 would be recognised on the interim balance sheet. When the tax rate of 210% is then applied to the profits made in the second half of the year, a tax charge of C1,155,000 would be generated, giving a net tax charge of C105,000 for the full year. However, it can be argued that applying a tax rate of 210% has a distortive effect and overstates the tax asset.

If the effective tax rate is calculated excluding the effect of the disallowable items, this is 105,000/350,000 or 30%. Applying this to the results in the interim periods, and dealing with the disallowable items separately in the interim periods in which they arise, gives the following:

	Jan–June C000	Jul–Dec C000	Full year C000
Taxable (loss)/profit	(360)	710	350
Tax @ 30%[1]	108	(213)	(105)
Disallowable expenditure[1]	(140)	(160)	(300)
Tax @ 0%[1]	–	–	–
Totals for the period:			
(Loss)/profit before tax	(500)	550	50
Tax credit/(charge)	108	(213)	(105)
(Loss)/profit after tax	(392)	337	(55)

[1] As noted in above, the disallowable items are not included in determining the effective tax rate, but they are instead dealt with in the interim periods in which they arise, consistent with the approach in paragraph B14 of IAS 34 for categories of income with different tax rates. Disallowable expenditure is effectively taxed at a zero rate.

Under this approach, subject to recoverability, a deferred tax asset of C108,000 is recognised on the interim balance sheet. When the tax rate of 30% is applied to the profits made in the second half of the year, a tax charge of C213,000 is generated, giving a net tax charge of C105,000 for the full year. As explained above, we believe that this approach is appropriate where, as in this example, the disallowable items have a distortive effect on the effective tax rate and on the resulting tax credit and deferred tax asset recognised. This might be the case where a loss in one interim period becomes income (or vice versa) in the next, or where there is a concentration of a significant amount of disallowable expenses in one interim period and not in the other.

FAQ 35.23.6 – Inter-period loss carry-back or carry-forward

Reference to standard	IAS 34 App B para 12
Reference to standing text	35.23

Where an entity makes a loss for a period that the entity has the right to carry back to prior periods against tax charges in those periods, it recognises a current tax asset and a corresponding reduction in the current interim period tax expense. [IAS 34 para B20].

Tax losses that can be carried forward meet the definition of a deferred tax asset in IAS 12. In determining the amount of tax losses to recognise in the interim period, the entity must consider whether the resultant tax asset meets the criteria for recognition contained in IAS 12. The criteria specify that *"a deferred tax asset shall be recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised"*. [IAS 12 para 34]. Where loss carry-forwards exist at the beginning of a reporting period, an estimate should be made of the impact of the expected utilisation of such loss carry-forwards over the whole tax year. The amount recognised in the interim period should be proportional to the profit before tax of the interim period and the estimated annual profit before tax, but limited to the amount recoverable for the year as a whole. This is outlined in FAQ 35.23.6 above.

FAQ 35.23.7 – Brought-forward losses recoverable in the year

Reference to standard	IAS 34 App B para 12
Reference to standing text	35.23

An entity has tax losses brought forward of C75,000, first half-year taxable profits of C100,000 and an expected second half-year loss of C40,000.

The maximum annual utilisation of tax losses brought forward is C60,000, based on the expected taxable profits for the year. Tax losses of C60,000 should be absorbed in the first half-year, leaving C40,000 first half-year taxable profits to be set against second half-year losses of C40,000. This would result in a current tax charge (at 30%) of C12,000 in the first half-year and a current tax credit of C12,000 in the second half-year, resulting in an overall nil current tax charge for the year.

The above example does not deal with the recognition of a deferred tax asset for the losses in excess of the current-year profits. This is dealt with in FAQ 35.23.8 below.

FAQ 35.23.8 – Recognition and derecognition of deferred tax assets

Reference to standard	IAS 34 App B para 12
Reference to standing text	35.23

There are a number of factors that might generate movement on deferred tax balances other than the origination and reversal of temporary differences – for example, changes in tax law and the re-assessment of recoverability. The nature of such movements will impact the timing of their recognition. Changes that result from the re-assessment of recoverability of a deferred tax asset are generally accounted for in the interim period in which they occur; although, in some circumstances, it might be acceptable to spread the impact of such remeasurements over the year by adjusting the effective tax rate.

Where a previously recognised deferred tax asset no longer meets the recoverability criteria at an interim balance sheet date, our view is that the asset should be derecognised in that period. This is based on a principle that, when an asset is no longer recoverable, it should not be recognised on the balance sheet. In practice, an alternative approach is sometimes applied, whereby derecognition of the deferred tax asset is spread through the estimated effective annual tax rate, on the basis that this approach is consistent with the general model for spreading the annual tax expense (benefit) in relation to the results for the annual period. Whilst we believe that immediate derecognition of the deferred tax asset more faithfully represents an entity's financial position in such circumstances, this is not prescribed by IAS 34; and so this alternative approach is acceptable as an accounting policy choice, provided that it is supported with clear disclosure.

Where a change results in a previously unrecognised deferred tax asset being considered recoverable at an interim balance sheet date, there is some diversity in practice regarding how such a change is recognised. Possible options include the following:

- spread the effect of the change in the deferred tax assets over the full year, based on application of an annual effective tax rate [IAS 34 para B21];
- spread, through the effective tax rate, the effect of the change in the deferred tax assets relating to temporary differences expected to reverse in the current year; and recognise, in the interim period of the change in estimate, the remaining portion that relates to reversals in future years (on the basis that these do not relate to income for the current year) [IAS 34 para B21]; or
- recognise the full effect of the change in the deferred tax assets in the interim period if the change in estimate is attributable to a one-off event that has occurred in that period [IAS 34 para B19].

The approach taken will be a matter of accounting policy, and that approach should be applied consistently to all remeasurements year on year (notwithstanding that the third approach outlined above would only be applied if the remeasurement in question is triggered by a one-off event).

The three potential treatments are illustrated in the example below.

Example – Brought-forward losses qualify for asset recognition

Entity A is assessed for tax purposes based on calendar years, and it has a year end of 31 December. It has unused tax losses carried forward at 31 December 20X8 of C3,000,000. Entity A's management did not recognise a deferred tax asset in respect of unused tax losses in the 20X8 annual financial statements, because of uncertainties regarding the utilisation of those losses. Forecasts showed no expected taxable profits in the foreseeable future.

By 30 June 20X9, trading has improved and entity A made taxable profits of C250,000 in the first half-year, against which unused tax losses can be recovered. Management has revised its profit forecasts and predicts that the remaining tax losses will be utilised against expected taxable profits of C750,000 in the second half-year, with the balance utilised against taxable profits in the following year. Management, therefore, has a valid basis for recognising a deferred tax asset at the interim balance sheet date.

The applicable tax rate is 30%.

Approach A – Spread full effect

Under this approach, the unused tax losses of C3,000,000 are spread in proportion to the taxable profits in the first and second half-years, as follows:

	Jan–June	**Jul–Dec**	**Full year**
	C000	**C000**	**C000**
Taxable profits	250	750	1,000
Unused losses to be recovered in period	250	750	1,000
Unused losses to be recovered in future	500	1,500	2,000
Total losses to be recovered	750	2,250	3,000

The effective tax rate is as follows:

	Jan–June C000	Jul–Dec C000	Full year C000
Taxable profits	250	750	1,000
Losses utilised	(250)	(750)	(1,000)
Current tax	–	–	–
Losses to be recovered in future	(500)	(1,500)	(2,000)
Deferred tax credit @ 30%	150	450	600
Net tax credit in income statement	150	450	600
Effective rate of tax credit	60%	60%	60%

At the interim balance sheet date, a deferred tax asset of C150,000 is recognised, with the corresponding deferred tax credit recognised in the income statement for the interim period. The remaining deferred tax credit of C450,000 will be recognised in the second half of the year.

Approach B – Partial spreading

Under this approach, the amount of losses expected to be utilised in the year are spread over the first and second half-years, with immediate recognition of the balance.

	Jan–June C000	Jul–Dec C000	Full year C000
Taxable profits	250	750	1,000
Unused losses to be recovered in period	250	750	1,000
Unused losses to be recovered in future	2,000	–	2,000
Total losses to be recovered	2,250	750	3,000

The effective tax rate is as follows:

	Jan–June C000	Jul–Dec C000	Full year C000
Taxable profits	250	750	1,000
Losses utilised	(250)	(750)	(1,000)
Current tax	–	–	–
Losses to be recovered in future	(2,000)	–	(2,000)
Deferred tax credit @ 30%	600	–	600
Net tax credit in income statement	600	–	600
Effective rate of tax credit	240%	–	60%

At the interim balance sheet date, a deferred tax asset of C600,000 is recognised, with the corresponding deferred tax credit recognised in the income statement for the interim period.

Approach C – Recognition in full in interim period

Under this approach, the tax asset relating to the unused tax losses of C3,000,000 is recognised in full in the interim period.

	Jan–June C000	Jul–Dec C000	Full year C000
Taxable profits	250	750	1,000
Unused losses to be recovered in period	250	750	1,000
Unused losses to be recovered in future	2,750	(750)	2,000
Total losses to be recovered	3,000	–	3,000

The effective tax rate is as follows:

	Jan–June C000	Jul–Dec C000	Full year C000
Taxable profits	250	750	1,000
Losses utilised	(250)	(750)	(1,000)
Current tax	–	–	–
Losses to be recovered in future	(2,750)	750	(2,000)
Deferred tax credit/(charge) @ 30%	825	(225)	600
Net tax credit/(charge) in income statement	825	(225)	600
Effective rate of tax credit/(charge)	330%	(30)%	60%

At the interim balance sheet date, a deferred tax asset of C825,000 is recognised, with the corresponding deferred tax credit recognised in the income statement for the interim period. C225,000 of this asset reverses in the second half-year, as losses are utilised against profits in that period. The full recognition approach might be appropriate where the improvement in trading results from a specific event (for instance, the inception of a new contract with a major customer), which will result in a significant increase in plant utilisation. In this case, the event that has resulted in the recognition of the deferred tax asset is the signing of the contract in the first half of the year.

FAQ 35.23.9 – Can the deferred tax asset change without a change in the rate or any income/expense?

Reference to standard	IAS 34 App B para 12
Reference to standing text	35.23

Yes; an example is the tax deduction that can be allowed for share-based payments.

In some jurisdictions, deferred tax assets can be recognised in relation to equity-settled share-based payments. This could occur, for example, if the tax deduction that the entity will receive is based on the intrinsic value of the share option at the date on which it is exercised (see the Manual of accounting – IFRS chapter 14 paras 85 to 88 for further detail). In such a situation, because the deferred tax asset is measured with reference to the share options' intrinsic value at each balance sheet date, a movement in the share options' intrinsic value in the period will lead to a measurement change for the related deferred tax asset. Deferred tax assets should only be recognised where they are recoverable, and guidance is provided in FAQ 35.23.8 regarding how to account for changing estimates of recoverability.

FAQ 35.23.10 – How should a business combination that occurs in the second half of the year, but before the half-year interim accounts are signed, be reflected in the deferred tax accounting?

Reference to standard	IAS 34 App B para 12
Reference to standing text	35.23

The acquisition of a subsidiary might impact the expected effective tax rate. For example, if a newly acquired subsidiary has significant tax losses, this might reduce the rate of tax payable by the enlarged group after the combination. When a business combination occurs in the second half of the year, the question arises at the half-year interim balance sheet date as to whether the acquiring group should assume an expected rate for the full year after taking into account the impact of the combination.

Losses attributable to an entity acquired in the second half of the year would not be taken into account in determining the effective average annual tax rate at the interim stage. This is because, under IFRS 3, the group should not account for the acquired subsidiary until control passes. To take account of the effect of the losses in the calculation of the tax rate for the interim financial report would effectively be accounting for the effects of the acquisition before it became unconditional. The reporting entity does not control the losses at the interim date. Furthermore, it might well be that the acquired entity's tax losses should be recognised as a deferred tax asset in the purchase price allocation, in which case they would not affect the effective tax rate shown in the group's full-year figures.

FAQ 35.27.1 – Impact of expected expenditure on the tax rate

Reference to standard	IAS 34 App B para 12
Reference to standing text	35.27

The likely level of tax benefits on expenditure (for example, in some jurisdictions, capital expenditure) might be readily apparent if such expenditure is planned and approved at the time when the interim report is prepared. If not, an estimate should be made of the amount of such expenditure in the coming interim periods and the likely effect on the effective tax rate for the full year, if the tax benefits are expected to have a material effect on the effective tax rate. However, consideration should be given to FAQ 35.23.5 and whether the transaction should be recognised in the period that it happens where the impact on the effective rate would be distortive. [IAS 34 para B19].

FAQ 35.29.1 – Year-end impact of impairment losses recognised in the interim period

Reference to standard	IFRIC 10 para 8
Reference to standing text	35.29

F plc owns shares in G plc that cost C100, and it classifies them as 'available for sale' in accordance with IAS 39. F plc has a 31 December year end, and it prepares an interim financial report to 30 June.

At 31 December 20X8, the fair value of the shares was C120. On 15 May 20X9, G plc announced that its single customer had ceased trading and, at 30 June 20X9, the shares in G plc had a value of C30. When F plc prepares its interim financial report, it recognises an impairment of C70 in its income statement, as required by paragraph 67 of IAS 39. The reduction in value of C90 on the available-for-sale investment is initially recognised in other comprehensive income and, because there is evidence of impairment, the reduction below cost (that is, C70) is reclassified to the income statement, leaving a net amount of C20 recognised in other comprehensive income in the period.

In October 20X9, G plc identified and announced a new customer and, on 31 December 20X9, the price of its shares had risen to C160.

The increase in value of C130 should be recognised in other comprehensive income. F plc is prohibited by paragraph 69 of IAS 39 from reversing an impairment loss on an investment in an equity instrument through profit or loss.

Thus, the annual financial statements for F plc will recognise an impairment of C70 in the income statement and a credit of C110 in other comprehensive income (being the increase in value in the second half of the year of C130, less the net reduction in value of C20 recognised in other comprehensive income in the first half of the year). If F plc had not prepared an interim financial report, it would have recognised only an increase in value of C40 in other comprehensive income, and there would have been no impact on the income statement.

FAQ 35.29.2 – Implications of impairment of goodwill

Reference to standard	IFRIC 10 para 8
Reference to standing text	35.29

Entity A, with a 31 December year end, prepares interim financial statements for the first half of the year. At 31 December 20X6, it had goodwill with a carrying amount of C1,000. At 30 June 20X7, the cash-generating units (CGUs) to which the goodwill had been allocated at the date of the acquisition became loss-making, and entity A reviewed the CGU assets for impairment. This resulted in the goodwill being written down to C200, with the impairment of C800 recognised in the income statement. During the second half of the year, the CGUs became profitable once again and, if no impairment had been recognised, they would have supported a goodwill carrying amount of C1,000. Despite this, entity A is not permitted to reverse the impairment, and the goodwill will have a carrying amount of C200 in its annual financial statements for the year ended 31 December 20X7.

FAQ 35.29.3 – Measurement of impairments

Reference to standard	IFRIC 10 para 8
Reference to standing text	35.29

IAS 34 requires the recognition and measurement of impairments (including the reversals of impairments) to be determined by the same criteria that are applied at the year end, which are laid out in IAS 36. It is not always necessary, however, for an entity to perform detailed impairment calculations at each interim date: the entity should review its assets for indicators of significant impairment since the end of the most recent financial year, to determine whether such calculations are required. [IAS 34 para B36].

FAQ 35.34.1 – What guidance is there on what headings and sub-totals should be included in the interims?

Reference to standard	IAS 34 para 8
Reference to standing text	35.34

IAS 1 contains illustrative examples of balance sheets, income statements, statements of comprehensive income and statements of changes in equity prepared in accordance with IFRS that provide guidance, for preparers of financial statements, of the headings and sub-headings that might be appropriate. [IAS 1 IG]. Similarly, IAS 7 contains illustrative examples of statements of cash flows, providing guidance of the headings and sub-totals required. [IAS 7 Apps A, B]. These headings and sub-totals will form the framework for the condensed primary statements presented in the interim financial report, and they will ensure the comparability of the interim financial reports of different entities.

FAQ 35.34.2 – Example headings presented in the condensed interim balance sheet

Reference to standard	IAS 34 para 10
Reference to standing text	35.34

An entity's balance sheet, in its annual financial statements, comprises all of the line items that are required by paragraph 54 of IAS 1, categorised into the following headings:

- Non-current assets.
- Current assets.

- Current liabilities.
- Non-current liabilities.
- Equity.

The entity's balance sheet also includes sub-totals for 'total assets' and 'total liabilities and equity'.

The entity is permitted by IAS 34 to present just these seven lines in its condensed balance sheet prepared in accordance with IAS 34. However, given that the purpose of publishing interim financial information is to communicate the performance of the entity for the interim period, this is not recommended. Indeed, few entities condense any of their primary statements to this extent, with most disclosing the same line items in their condensed primary statements as are disclosed in the full primary statements included in their annual financial statements.

FAQ 35.34.3 – Associates and joint arrangements

Reference to standard	IAS 34 para 10
Reference to standing text	35.34

IAS 34 is silent on the disclosure of the group's share of the results of associates and joint arrangements (that is, joint ventures or joint operations) in its interim financial report.

However, IAS 34 requires the reporting entity to use the same basis for preparing the interim financial report as that for the most recent annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements (see further para 35.16). Also, as outlined in paragraph 35.34, IAS 34 requires the condensed primary statements to include the main headings and sub-totals as are presented in the most recent annual financial statements.

Associates and joint ventures are required, under IAS 28 or IFRS 11, to be equity accounted in the consolidated financial statements. The following disclosures, based on the disclosures that would be given in annual financial statements under IAS 1, could be considered:

- The group's interest in associates (and joint ventures) could be disclosed as a separate line item in the condensed balance sheet.
- The group's share in the associates' (and joint ventures') profits or losses could be disclosed as a separate line item in the condensed income statement.
- The group's share of items recognised in other comprehensive income by the associates (and joint ventures) could be separately disclosed in the condensed statement of comprehensive income.

[IAS 1 paras 54, 82].

IFRS 12 requires disclosures in the annual financial statements for each associate and joint venture that is material to the reporting entity, in addition to other disclosures in aggregate for those that are individually immaterial. The following disclosures for material associates and joint ventures, based on the disclosures that would be given in annual financial statements under IFRS 12, could be considered for the interim financial statements, possibly given in aggregate:

- Dividends received from the joint venture or associate.
- Certain summarised financial information for the associate or joint venture.
- Details of commitments (recognised and unrecognised) for joint ventures.

[IFRS 12 paras B12–B19].

In addition, IFRS 12 requires disclosure in respect of the nature and extent of an entity's interests in joint operations (where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement). Disclosure should be considered in the interim financial statements if there are changes in associates or joint arrangements that are significant to an understanding of the changes in the entity's financial position and performance since the end of the last annual reporting period.

FAQ 35.37.1 – What examples of events that might require disclosure are included in IAS34?

Reference to standard	IAS 34 para 15B
Reference to standing text	35.37

Examples of events or transaction that would require disclosure if significant include:-

- the write-down of inventories to net realisable value and the reversal of such a write-down;
- recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss;
- the reversal of any provisions for the costs of restructuring;
- acquisition, disposal or commitment to the purchase of property, plant or equipment;
- litigation settlements;
- correction of prior period errors;
- changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost;
- any loan default or breach of a loan agreement that has not been remedied by the end of the reporting period;
- related party transactions;
- transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments;
- changes in the classification of financial assets as a result of a change in the purpose or use of those assets;
- changes in contingent assets or liabilities.

[IAS 34 para 15B].

FAQ 35.37.2 – How do you determine which line items should be included in the primary statements?

Reference to standard	IAS 34 para 10
Reference to standing text	35.37

Although IAS 34 does not require the presentation, in the condensed primary statements, of all of the line items that are required by IAS 1 to be included in the primary statements contained in the annual financial statements, it is common (and, indeed, it is considered best practice) to include them. Additional line items or notes should be included if their omission would make the condensed interim financial statements misleading. In some territories, the extent to which line items can be aggregated in condensed interim financial statements might also be governed by local regulator or market requirements.

FAQ 35.37.3 – Can the statement of cash flows be presented as three lines, that is, operating, investing and financing?

Reference to standard	IAS 34 para 10
Reference to standing text	35.37

An IFRS IC agenda decision, in July 2014, identified that there were divergent views on how paragraph 10 of IAS 34 was applied to the presentation of cash flows in interim financial statements. One view was that an entity could present a detailed structure of the condensed statement of cash flows, showing cash flows by nature, and a second view was that an entity could show a three-line condensed statement of cash flows showing only a total for each of operating, investing and financing cash flow activities. The IC observed that the underlying principles in IAS 34 require an entity to present condensed financial information that is not misleading. It also does not expect that a three-line presentation alone would meet the requirements in IAS 34. Management should use its judgement in determining the level of disaggregation.

FAQ 35.37.4 – What information should be included in the notes in relation to significant events or transactions?

Reference to standard	IAS 34 para 15B
Reference to standing text	35.37

Individual IFRSs provide guidance regarding disclosure requirements for many of the items included in FAQ 35.37.1 Where an event or transaction is significant to an understanding of the changes in an entity's financial position or performance since the last annual reporting period, its interim financial report should provide an explanation of, and an update to, the relevant information included in the financial statements of the last annual reporting period.

FAQ 35.37.5 – Should the residual value of an asset be re-assessed for the interim reporting?

Reference to standard	IAS 34 para 15B
Reference to standing text	35.37

Tangible and intangible fixed assets will be depreciated and amortised respectively in the interim financial report, so as to write off the cost of the asset to residual value over its expected useful economic life. The depreciation or amortisation charge in an interim period should be based only on assets that were owned during the period reported. It should not take into account asset acquisitions or disposals planned to take place later in the financial year. [IAS 34 para B24].

IAS 16 requires the residual values of tangible fixed assets to be re-assessed at least at each financial year end. Where this results in a change in estimate, this is required to be accounted for prospectively from the date of re-assessment. [IAS 16 para 51].

Thus, there is no requirement for the residual amounts of assets to be re-assessed at the date of an interim financial report. However, where factors lead an entity to believe that there has been a change in a residual value that is likely to materially impact subsequent interim periods in the financial year, we consider that a re-assessment should be performed.

Example – Revision of residual value of tangible fixed assets at interim

An entity has a large fleet of cars that are being depreciated to their residual values over their useful economic lives. The entity has an established practice of replacing cars after three years (so the useful economic life is set at three years), and the residual value of a car at the end of that period has, historically, been 40% of its cost. The entity has a year end of 31 December and prepares quarterly interim financial reports in accordance with IAS 34. During the quarter ended 31 March 20X4, environmental taxes on new cars were raised and, as a result, the residual value of a three-year-old car rose to 70% of its cost. Should the entity re-assess the residual values of its fleet of cars at 31 March 20X4?

If the impact of the change in residual values is likely to be material to the results of any of the remaining quarters in the financial year (the quarters ended 30 June and 30 September 20X4) or to the year-to-date information presented in either of those periods, the entity should re-assess the residual values. If it is unlikely that the impact will be material, no re-assessment is required.

FAQ 35.37.6 – Should extra line items that are not included in the annual statements be included in the interims?

Reference to standard	IAS 34 para 10
Reference to standing text	35.34

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

FAQ 35.39.1 – What segment disclosures should be included in condensed interim financial statements?

Reference to standard	IAS 34 para 16A
Reference to standing text	35.39

IAS 34 requires disclosure of the following information in the interim financial report if IFRS 8 requires an entity to disclose segment information in its annual financial statements:

- Revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker (CODM) or otherwise regularly provided to the CODM.
- Inter-segment revenues, if included in the measure of segment profit or loss reviewed by the CODM or otherwise regularly provided to the CODM.
- A measure of segment profit or loss.
- A measure of total assets and liabilities for a particular reportable segment, if such amounts are regularly provided to the CODM and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- A description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.
- A reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), it can reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items should be separately identified and described in that reconciliation.

FAQ 35.39.2 – Should segment disclosure be provided for the interim period, or only for the year to date, where these are different?

Reference to standard	IAS 34 para 16A
Reference to standing text	35.39

Paragraph 16A of IAS 34 requires segment information to be included in interim reports for the year to date. IAS 34 does not specifically require the disclosure of segment information for additional periods for which a summarised income statement is presented in an interim report, but we believe that such disclosure would be helpful to the users of the interim report and is likely to be consistent with the management commentary. Management should, therefore, consider providing segmental information for each period for which the summarised income statement is presented, including comparative figures. The views of relevant regulators should also be considered. For more information on IFRS 8, refer to Manual of accounting – IFRS Chapter 8.

FAQ 35.39.3 – Changes in segment reporting to the CODM

Reference to standard	IAS 34 para 16A
Reference to standing text	35.39

An entity should consider, at each reporting date, whether the current segment disclosure continues to be appropriate. If an entity changes its internal organisation in the interim period, such that the composition of its reportable segments changes, and this new segment structure is reported to the CODM, the segment disclosure in the interim report should reflect this reorganisation. The entity should restate the corresponding information for prior periods, including interim periods, unless the information is not available and the cost to develop it would be excessive. [IFRS 8 paras 29, 30].

FAQ 35.39.4 – What financial instrument disclosures relating to fair value are required in interim financial statements?

Reference to standard	IAS 34 para 16A (j)
Reference to standing text	35.39

IFRS 13 added more disclosure requirements relating to the fair value of financial instruments. Specifically, when an entity applies IFRS 13, it should make in its interim report the disclosures about fair value required by paragraphs 91–93(h), 94–96, 98 and 99 of IFRS 13, and paragraphs 25, 26 and 28–30 of IFRS 7.

FAQ 35.39.5 – What disclosures are required related to business combinations during the period?

Reference to standard	IAS 34 para 16A
Reference to standing text	35.39

Where the composition of the reporting entity has changed during the interim period as a result of a business combination, IAS 34 requires the interim financial report to give the disclosures required by paragraphs 59 to 63 of IFRS 3 individually for each material business combination (although the disclosure can be made in aggregate for immaterial business combinations).

Example – Disclosure of an acquisition during interim period

Entity A is publicly traded, and it publishes quarterly financial information in accordance with IAS 34. During the third quarter, the company acquires a competitor in a similar line of business. This acquisition is accounted for under IFRS 3.

The information required by paragraphs 59–63 of IFRS 3 must be disclosed in the condensed interim financial report, irrespective of the size of the goodwill. [IAS 34 para 16A(i)].

Management should disclose the information required by paragraph B67(d) of IFRS 3 in the condensed interim report if the goodwill relating to the acquisition is material. Management should use judgement to determine the level of information to be presented. The disclosure in this case should enable the user to gauge the effect of the changes in the carrying amount of goodwill on the entity's financial position and income statement. [IAS 34 para 15].

Where it is impracticable to make disclosures of the acquiree's revenue and profit or loss since the date of acquisition and the revenue and profit or loss of the combined entity for the current reporting period, as though the acquisition date had been at the beginning of the annual reporting period, this fact should be stated, together with an explanation of why it is the case. [IFRS 3 para B64]. See FAQ 35.17.1 for definition of impracticable.

Where the initial accounting for a business combination for which disclosure is required has been determined provisionally, as permitted by IFRS 3, this fact should be disclosed, together with an explanation of why this is the case. [IFRS 3 para B67(a)].

Sufficient disclosure is required to enable users of the interim financial report to understand the impact of any adjustments made in the period in respect of business combinations effected in prior periods (either in a previous financial year or in a previous interim period in the current financial year). Such disclosure might include:

- Adjustments to provisional values of assets, liabilities, non-controlling interests, items of consideration or equity interests previously held by the acquirer that were determined provisionally in the period in which the acquisition was made.
- Information about contingent liabilities recognised in a business combination.
- Changes in estimates of contingent consideration.
- A reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period.
- The amount, and an explanation, of gains or losses recognised in respect of identifiable assets acquired or liabilities assumed in a business combination, where this information is of such a size, nature or incidence that disclosure is relevant to understanding the entity's financial statements.

[IFRS 3 para B67].

FAQ 35.39.6 – What disclosures are required in relation to restructuring?

Reference to standard	IAS 34 para 16A
Reference to standing text	35.39

Where an entity has commenced a restructuring programme during the interim period, the notes to the interim financial report should disclose information surrounding that restructuring that is sufficient for the reader to obtain an understanding of the nature of the restructuring, the reasons for it and its likely impact on the group. [IAS 34 para 16A(i)].

Where an entity has already announced the details of a restructuring in its annual report or in a previous interim report in the current period, the new disclosure need consider only the changes to the restructuring that have occurred since the last balance sheet date. These would include changes in the scope and strategy of the restructuring, as well as information about the progress of the restructuring and any change in a restructuring provision.

Where a restructuring has been announced, during either the current interim period or a prior period, there could be accounting impacts on the interim financial report, such as impairments of assets or provisions that should be recognised or re-assessed in accordance with the measurement and recognition provisions contained in IFRS.

FAQ 35.39.7 – What disclosures related to business combinations after the end of the reporting period are required?

Reference to standard	IAS 34 para 16A
Reference to standing text	35.39

Where a business combination has an acquisition date after the end of the interim period, but before the interim financial report is authorised for issue, disclosure of the information required by IFRS 3 is not required by IAS 34. In annual financial statements, IFRS 3 requires full disclosure of a business combination occurring during or after the end of the reporting period, but before the financial statements are authorised for issue. The requirement in IAS 34 to provide IFRS 3 disclosures in condensed interim financial reports applies only to a business combination occurring during the interim period. [IAS 34 para 16A(i)]. However, IAS 34 does require disclosure of significant events occurring after the end of the interim period, and this might include some information on material post balance sheet business combinations (but not necessarily full IFRS 3 disclosure).

FAQ 35.39.8 – Are there other required disclosures?

Reference to standard	IAS 34 para 16A
Reference to standing text	35.39

In addition to disclosing significant events and transactions in accordance with paragraphs 15 to 15C of IAS 34 (see FAQ 35.37.1), the following information is required by IAS 34 to be included in the notes to an interim financial report, if it is not disclosed elsewhere in the report:

- A statement that the accounting policies and methods of computation used in the interim financial statements are the same as those used in the most recent annual financial statements or, if this is not the case, a description of the nature and effect of the change.
- Explanatory comments about seasonality or cyclicality of interim operations.
- The nature and amount of any items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their size, nature or incidence.
- The nature and amount of changes in estimates of amounts reported in prior periods (either interim periods within the current financial year or in prior financial years).
- Issues, repurchases and repayments of debt and equity securities.
- Dividends paid (aggregate or per share), separately for ordinary shares and other shares.
- Segmental reporting disclosures (see FAQs 35.39.1 to 35.39.3).

- Events that have occurred after the end of the interim period that have not been reflected in the interim financial report.
- 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 a business combination, full disclosures of the acquisition, as required by paragraphs 59–63 of IFRS 3 to be included in the annual report, should also be included in the interim financial report see Manual of accounting – IFRS Chapter 29 paras 233 to 239.
- For financial instruments, the disclosures about fair value required by paragraphs 91–93(h), 94–96, 98 and 99 of IFRS 13, and paragraphs 25, 26 and 28–30 of IFRS 7 (see FAQ 35.39.4).
- For entities becoming, or ceasing to be, investment entities, as defined in IFRS 10, the disclosures in paragraph 9B of IFRS 12.
- The disaggregation of revenue from contracts with customers required by paragraphs 114–115 of IFRS 15 (see PwC Manual of accounting FAQ 11.300.1).

[IAS 34 para 16A].

FAQ 35.40.1 – Should alternative EPS measures be included in an interim financial report?

Reference to standard	IAS 34 para 11
Reference to standing text	35.40

Where entities routinely publish alternative earnings per share (EPS) numbers in their annual financial statements, we would expect these to be included in the notes to the interim financial report with no greater prominence than the required numbers calculated in accordance with IAS 33. Furthermore, where a component of income is used to calculate the alternative earnings per share number and this is not included as a line item in the condensed income statement, we expect a reconciliation to be provided between the component of income used and a line item that is reported as required by IAS 33. [IAS 33 para 73].

FAQ 35.40.2 – How is EPS calculated in the interim financial report?

Reference to standard	IAS 34 para 11
Reference to standing text	35.40

Example – Calculation of earnings per share

An entity with a year end on 31 December prepares an interim financial report for the half year to 30 June each year. During 20X3, it has earnings of C100,000 in the first six months of the year and C120,000 in the second six months. At the start of the year, it had 1,000,000 shares in issue; but, on 1 April 20X3, it issued a further 100,000 shares.

The weighted average number of shares for the first half of the year will be 1,050,000, and the earnings per share (EPS) for that period will be C0.095 (being C100,000/1,050,000 shares). The EPS for the period from 1 July 20X3 to 31 December 20X3 will be C0.109 (being C120,000/1,100,000 shares).

Aggregating the two EPS numbers for the two interim periods would give an EPS for the year of C0.204. However, the EPS number for the full year, calculated in accordance with IAS 33, is C0.205 (being the earnings for the year of C220,000 divided by 1,075,000, which is the weighted average number of shares for the year).

Similarly, where an entity has potential ordinary shares in issue, their dilutive effect is determined independently for each period presented. So the number of dilutive potential ordinary shares included in the annual financial statements is not the weighted average of the dilutive potential ordinary shares used in each interim calculation. [IAS 33 para 37].

Where an entity that has prepared an interim financial report prepares its annual financial statements, the EPS figure is determined for the period reported in the annual financial statements and is not the aggregate of the weighted average EPS figures used in each interim calculation (FAQ 35.40.2). This is consistent with the principle (outlined in para 35.12) that the frequency of interim financial reporting should not affect an entity's annual results.

FAQ 35.42.1 – Which statements have to be included in half yearly condensed interim financial statements for an entity reporting as at 30 June 2016?

Reference to standard	IAS 34 para 20
Reference to standing text	35.42

Half-yearly reporting for period ending 30 June 2016

Statement	Current	Comparative
Balance sheet at	30 June 2016	31 December 2015
Statement of comprehensive income (and separate statement of profit or loss, where applicable):		
– 6 months ended	30 June 2016	30 June 2015
Statement of changes in equity:		
– 6 months ended	30 June 2016	30 June 2015
Statement of cash flows:		
– 6 months ended	30 June 2016	30 June 2015

FAQ 35.42.2 – Which statements have to be included in quarterly condensed interim financial statements for an entity reporting as at 30 June 2016?

Reference to standard	IAS 34 para 20
Reference to standing text	35.42

Quarterly reporting – second quarter interim report for period ending 30 June 2016

Statement	Current	Comparative
Balance sheet at	30 June 2016	31 December 2015
Statement of comprehensive income (and separate statement of profit or loss, where applicable):		
– 6 months ended	30 June 2016	30 June 2016
– 3 months ended	30 June 2015	30 June 2015
Statement of changes in equity:		
– 6 months ended	30 June 2016	30 June 2015
Statement of cash flows:		
– 6 months ended	30 June 2016	30 June 2015

FAQ 35.46.1 – Management commentary

Reference to standard	IAS 34 para 8
Reference to standing text	35.46.1

For interim reporting, the content of any management commentary presented should be sufficient to enable users to appreciate the main factors influencing the entity's performance during the interim period and its position at the period end, and it should focus on areas of change since the last annual financial statements.

IAS 34 highlights a number of specific areas where narrative disclosure should be given in addition to the required numerical disclosures. In particular, explanations should be given of:

- The effects of seasonality on the interim financial report.
- The nature of changes in estimates.
- Material events that have occurred since the balance sheet date but that have not been reflected in the interim financial report.
- Changes in the reporting entity's composition.

Where additional information is presented on the face of the condensed primary statements, we would expect some explanation of the item to be included in the notes to the interim financial report.

The management commentary should not be restricted to just the information that is required to be presented by IAS 34. In addition to these requirements, we would expect the management commentary to give a balanced view of the entity's performance during the interim period.

In the absence of specific guidance in IAS 34 surrounding the detailed content of the management commentary, it might be appropriate to look at the IASB's Practice Statement (PS (MC)) setting out non-mandatory guidance on the management commentary.

VALUE IFRS Plc

Interim financial reporting
June 2017

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

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

Global Accounting Consulting Services
PricewaterhouseCoopers LLP

Introduction

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

New requirements for 2017

There are only a limited number of amendments to the accounting standards that become applicable from 1 January 2017 and that will therefore need to be considered in the preparation of interim reports for periods commencing after that date. The standards are listed in the commentary to the notes (paragraph 25 on page 2034. As they are primarily clarifications, we have assumed that none of them required a change in VALUE IFRS Plc's accounting policies. However, this assumption will not necessarily apply to all entities. Where there has been a change in policy, this will need to be disclosed in the notes.

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

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

Using this publication

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

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

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

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

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

Top interim reporting pitfalls

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

- Incorrect or no disclosure of new standards, amendments and IFRIC interpretations that are effective for the first time for the interim period and required a change in accounting policy.
- Basis of preparation note is incorrect, eg does not refer to IAS 34 or IFRSs.
- No disclosure of the nature and amount of items that are unusual by their nature, size or incidence.
- Omission of some or all business combinations disclosures, especially those related to combinations after the interim reporting date.
- No explanations of the effect of seasonality on operations.
- Incomplete IFRS 7 and IFRS 13 financial instruments disclosures.

Management commentary guidance

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

The IASB issued a non-mandatory practice statement on management commentary in December 2010 which provides principles for the presentation of a narrative report on an entity's financial performance, position and cash flows. For details about this and other guidance available in relation to management commentaries (or operating and financial reviews) please refer to Appendix A of our *VALUE IFRS Plc Illustrative IFRS consolidated financial statements December 2016* publication.

VALUE IFRS Plc

Interim report – Six months ended 30 June 2017

IAS34(6)
Not mandatory

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by VALUE IFRS Plc during the interim reporting period. [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 2017.

The financial statements have been reviewed, not audited.

Commentary

Interim report to be read in conjunction with annual report

1. See paragraph 20 of the commentary to the notes to the consolidated financial statements (page 2032) for our thoughts on why this disclosure should be retained.

IAS34(8)(b)

Condensed consolidated statement of profit or loss[1-10,14]

IAS34(20)(b)

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

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

IAS34(8)(b)

Condensed consolidated statement of comprehensive income [1-10]

IAS34(20)(b)

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

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]

IAS34(20)(a)

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

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

IAS34(20)(a)

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

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

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

IAS34(8)(c)

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

		Notes	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
			CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
IAS34(20)(c)	**Balance at 1 January 2016**		**63,976**	**(550)**	**12,439**	**35,688**	**111,553**	**5,689**	**117,242**
	Profit for the half-year		-	-	-	17,185	17,185	453	17,638
	Other comprehensive income		-	-	704	(13)	691	55	746
	Total comprehensive income for the half-year		**-**	**-**	**704**	**17,172**	**17,876**	**508**	**18,384**
	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	-		-	(11,586)	(11,586)	(1,710)	(13,296)
	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)	(11,586)	(1,904)	3,341	1,437
	Balance at 30 June 2016		**73,880**	**(676)**	**13,047**	**41,274**	**127,525**	**9,538**	**137,063**
IAS34(20)(c)	**Balance at 1 January 2017**		**83,054**	**1,774**	**18,168**	**47,258**	**150,254**	**9,462**	**159,716**
	Change in accounting policy	17	-	-	-	xx	xx	-	xx
	Restated total equity at the beginning of the financial year		**83,054**	**1,774**	**18,168**	**47,258**	**150,254**	**9,462**	**159,716**
	Profit for the half-year		-		-	11,355	11,355	430	11,785
	Other comprehensive income		-		942	169	1,111	69	1,180
	Total comprehensive income for the half-year		**-**		**942**	**11,524**	**12,466**	**499**	**12,965**
	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)	25	(5)	-	(5)
	Dividends provided for or paid	4	-	-	-	(11,989)	(11,989)	(2,485)	(14,474)
	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**	**(11,964)**	**(11,400)**	**(765)**	**(12,165)**
	Balance at 30 June 2017		**83,692**	**1,636**	**19,174**	**46,818**	**151,320**	**9,196**	**160,516**

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 [1-9,14]

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

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

** For cash flows of discontinued operations see note 11 [13]

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 2017

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

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

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

Consolidated interim financial statements

IAS34(20)(b)

7. For a half-year report, the current interim period and the annual reporting period to date are the same. However, where an entity prepares quarterly interim financial reports, the statement of comprehensive income in the interim financial reports for the second and third quarters will need to include additional columns showing the annual reporting period to date and the comparative annual reporting period to date for the corresponding interim period (see table in paragraph 6 above).
8. This interim report is for half-year period. If an interim financial report is presented for a different interim reporting period, the heading of the financial statements should specify the interim reporting period covered (eg 'For the quarter ended 31 March 2017' or 'For the third quarter ended 30 September 2017') and the heading for the figures should indicate whether they are presented for a quarter, a half-year or the annual reporting period to date, as appropriate.

Third balance sheet

IAS1(BC33)

9. IAS 34 has a year-to-date approach to interim reporting and does not replicate the requirements of IAS 1 in terms of comparative information. As a consequence, it is not necessary to provide an additional balance sheet (statement of financial position) as at the beginning of the earliest comparative period presented where an entity has made a retrospective change in accounting policies and/or a retrospective reclassification.

Separate statement of profit or loss

IAS1(10A)
IAS34(8A)

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

Earnings per share

IAS34(11),(11A)

11. Entities that are within the scope of IAS 33 *Earnings per Share* shall present basic and dilutive earnings per share (EPS) for the interim period as follows:
    - in the statement of comprehensive income – if the entity presents a single statement, or
    - in the statement of profit or loss – if the entity presents a separate statement of profit or loss and statement of comprehensive income.

IAS33(68)

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

Cash flows relating to discontinued operations

IFRS5(33)(c)

13. The net cash flows relating to the operating, investing and financing activities of discontinued operations may either be presented on the face of the statement of cash flows or in the notes. VALUE IFRS Plc has chosen to disclose this information in the notes.

Alternative formats for financial statements

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

CA303(1)(b)
IAS34(8)(e)

Notes to the condensed financial statements [24,25]

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 does not have any exposure to sub-prime lending or collateralised debt obligations. It has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments.

Not mandatory

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

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

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

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

2 Segment information [5,23]

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

(a) Description of segments

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

1,2 Furniture manufacturing – Oneland and China: the manufacture and sale of commercial office furniture, hardwood side boards, chairs and tables in Oneland and in China. The committee monitors the performance in those two regions separately.

3 Furniture – retail: Since January 2014, the manufacturing business has been supplemented by a chain of retail stores in Oneland.

4,5 IT consulting – Business IT management, design, implementation and support services are provided in the US and Europe. Performance is monitored separately for those two regions.

6 Electronic equipment – Although this segment is not large enough to be required to be reported separately under the accounting standards, it has been included here as it is seen to be a potential growth segment which is expected to materially contribute to group revenue in the future. This segment was established following the acquisition of VALUE IFRS Electronics Group in April 2016.

IAS34(16A)(g)(v)

All other segments – The development of residential land, currently in the Someland Canal Estate in Nicetown and the Mountain Top Estate in 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'.

(a) Description of segments

IAS34(16A)(g)(v) The engineering division was sold effective from 1 March 2016. Information about this discontinued segment is provided in note 11.

IFRS8(23)

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

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

		Furniture - manufacture		Furniture - retail	IT consulting		Electronic equipment	All other seg-ments	
	Half-year 2017	**Oneland**	**China**	**Oneland**	**US**	**Europe**	**Oneland**		**Total**
		CU'000	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**
IAS34(16A)(g)(i)	Total segment revenue	31,700	20,165	17,290	13,905	9,370	9,800	3,330	105,560
IAS34(16A)(g)(ii)	Inter–segment revenue	(250)	(150)	(650)	(250)	(200)	(200)	(200)	(1,900)
	Revenue from external customers	**31,450**	**20,015**	**16,640**	**13,655**	**9,170**	**9,600**	**3,130**	**103,660**
IAS34(16A)(g)(iii)	**Adjusted EBITDA**	**7,915**	**5,534**	**8,403**	**4,702**	**(1,520)**	**2,996**	**2,147**	**30,177**
	Half-year 2016 [5]								
IAS34(16A)(g)(i)	Total segment revenue	32,434	21,200	6,422	12,049	10,900	4.300	3,119	90,424
IAS34(16A)(g)(ii)	Inter–segment revenue	(600)	(300)	(400)	(500)	(300)	(300)	(300)	(2,700)
	Revenue from external customers	**31,834**	**20,900**	**6,022**	**11,549**	**10,600**	**4,000**	**2,819**	**87,724**
IAS34(16A)(g)(iii)	**Adjusted EBITDA**	**8,503**	**6,403**	**5,710**	**8,301**	**3,450**	**2,260**	**2,202**	**36,829**
IAS34(16A)(g)(iv)	**Total segment assets**								
	30 June 2017	67,049	50,700	62,910	26,970	19,825	31,990	18,522	277,966
	31 December 2016	61,830	45,500	51,600	31,640	23,510	32,355	26,824	273,209
IAS34(16A)(g)(iv)	**Total segment liabilities**								
	30 June 2017	7,405	5,100	5,600	2,800	2,200	4,938	3,409	31,452
	31 December 2016	7,005	4,800	5,950	3,900	2,600	5,259	1,079	30,593

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

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

IAS34(16A)(g)(vi) A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

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

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

3 Profit and loss information [8,12-14]

(a) Significant items

		Half-year 2017 CU'000	2016 CU'000
	Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:		
	Gains		
IAS34(16A)(c)	Gain on sale of freehold land (included in other income)	**-**	1,270
	Expenses		
IAS34(16A)(c)	Impairment of goodwill (see note 6)	**1,390**	2,410
IAS34(16A)(c)	Provision for legal claim (included in other expenses – see note 7)	**1,375**	-
	Re-estimation of warranty provision (see note 7)	**505**	-
	Acquisition-related costs from the business combination (note 10)	**750**	-
	Remeasurement of contingent consideration (see note 10)	**540**	-
IAS34(16A)(c)	Write off of assets destroyed by fire		
	Office and warehouse building	**-**	465
	Plant and equipment	**-**	210
	Inventories	-	535
		-	1,210
	Less: Insurance recovery	-	(300)
	Net loss incurred in relation to the fire	**-**	910

(b) Income tax

IAS34(30)(c)
IAS34(B12)

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

4 Dividends

		Half-year 2017 CU'000	2016 CU'000
	(a) Ordinary shares		
IAS34(16A)(f)	Dividends provided for or paid during the half-year	**11,989**	11,586

(b) 6% cumulative redeemable preference shares

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

		Half-year 2017 CU'000	2016 CU'000
	(c) Dividends not recognised at the end of the half-year		
Not mandatory	In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 23 cents per fully paid ordinary share (2016 - 20 cents). The aggregate amount of the proposed dividend expected to be paid on 10 October 2017 out of retained earnings at 30 June 2017, but not recognised as a liability at the end of the half-year, is	**12,432**	10,603

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

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

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

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

6 Intangible assets [4,8-10]

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

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

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

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

(a) Goodwill impairment [10]

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

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

IAS36(134)(d)(i)

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

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

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

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

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

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

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

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

7 Current provisions [8-9,12-14]

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

IAS34(16A)(c),(d) The group has received new legal advice in relation to the claim which alleges that VALUE IFRS Manufacturing Limited had breached certain registered patents of a competitor. The advice now states that it is probable that the entity will be required to pay some compensation in relation to this matter. While the entity is still vigorously defending the claim, it has recognised a provision of CU1,375,000 for this claim as at 30 June 2017.

IAS34(15B)(f), (16A)(d) The lawsuit against VALUE IFRS Electronics Group alleging defects on products supplied to certain customers was settled in April 2017 with a payment of CU460,000. The unused amount of CU17,000 was reversed to profit or loss.

IAS34(16A)(d) In May 2017, the group discovered problems with certain parts used in the manufacture of electronic equipment which resulted in an increase of warranty claims. As a consequence, the estimated rate of claims has been increased in calculating the warranty provision as at 30 June 2017. This resulted in an increase of the provision by CU505,000 in addition to the normal movements in the provision.

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

8 Borrowings [8-9,11]

IAS34(16A)(c),(e) In February 2017, the group renegotiated its existing loan facility to finance the construction of the new production plant for the electronic equipment division. The total available amount under the facility was increased by CU20,000,000 of which CU7,000,000 were drawn down as at 30 June 2017. The full facility is now is repayable in three annual instalments, commencing 1 June 2022.

IAS34(15C) The loan is a fixed rate, Oneland-currency denominated loan which is carried at amortised cost. The renegotiation did therefore not have any impact on the entity's exposure to foreign exchange and interest rate risk.

IAS39(43) Facility fees of CU250,000 were payable to the lender upon signing the new loan agreement. These were debited as transaction cost to the loan account to the extent the loan was drawn down as at 30 June 2017. An amount of CU162,500 is carried forward in other current assets and will be recognised as a transaction cost when the balance of the facility is drawn down. This is expected to occur within the next six months, as construction payments become due and payable.

IAS39(40),(AG62) As the terms and conditions of the facility remained largely unchanged, the refinancing did not result in the recognition of a settlement gain or loss.

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

Contractual maturities of financial liabilities At 30 June 2017	**Less than 6 months CU'000**	**6 – 12 months CU'000**	**Between 1 and 2 years CU'000**	**Between 2 and 5 years CU'000**	**Over 5 years CU'000**	**Total contractual cash flows CU'000**	**Carrying Amount (assets)/ liabilities CU'000**
Non-derivatives							
Trade payables	11,757	-	-	-	-	11,757	11,757
Contingent consideration (note 10)	-	600	650	700	-	1,950	1,820
Borrowings (excluding finance leases)	4,245	4,540	9,500	31,490	55,725	105,500	101,838
Finance lease liabilities	333	332	920	2,528	398	4,511	3,757
Total non-derivatives	16,335	5,472	11,070	34,718	56,123	123,718	119,172

Contractual maturities of financial liabilities At 31 December 2016 [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	15,130	-	-	-	-	15,130	15,130
Borrowings (excluding finance leases)	4,439	4,639	9,310	46,195	40,121	104,704	97,050
Finance lease liabilities	427	428	855	2,365	-	4,075	3,394
Total non-derivatives	19,996	5,067	10,165	48,560	40,121	123,909	115,574

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 2017, the gearing ratio was 36% (21% at 31 December 2016) and the ratio of net finance cost to EBITDA was 9% (7% at 31 December 2016).

Financing arrangements [9]

The group's undrawn borrowing facilities were as follows:

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

9 Equity securities issued

	2017 Shares (thousands)	2016 Shares (thousands)	**2017 CU'000**	2016 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

		2017 Shares (thousands)	2016 Shares (thousands)	2017 CU'000	2016 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 [3,12,15,23]

(a) Current period

IFRS3(B64)(a)-(d)

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

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

		CU'000
IFRS3(B64)(f)	Purchase consideration	
	Cash paid	10,750
	Contingent consideration (ii)	1,280
	Total purchase consideration	12,030

IFRS3(B64)(i)

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

	Fair value CU'000
Cash and cash equivalents	575
Property, plant and equipment (note 5)	12,095
Customer list (note 6)	2,285
Customer contracts (note 6)	1,180
Inventories	1,010
Receivables	685
Payables	(2,380)
Employee benefit obligations	(230)
Borrowings	(3,250)
Net deferred tax assets	420
Net identifiable assets acquired	12,390
Less: non-controlling interest	(1,720)
Add: goodwill	1,360
	12,030

IFRS3(B64)(e),(k)

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

IFRS3(B67)(a)

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

(a) Current period

(i) Acquisition-related costs

IFRS3(B64)(m)

Acquisition-related costs of CU750,000 are included in other expenses in profit or loss.

(ii) Contingent consideration

IFRS3(B64)(g)

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

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

IFRS3(B67)(b),(58)

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

(iii) Acquired receivables

IFRS3(B64)(h)

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

(iv) Non-controlling interest

IFRS3(B64)(o)

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

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

(v) Revenue and profit contribution

IFRS3(B64)(q)

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

(b) Prior period [3]

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

11 Discontinued operation [3,12,15]

(a) Description

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

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

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

(b) Financial performance and cash flow information

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

		Half-year	
		2017 **CU'000**	2016 CU'000
	Revenue	-	4,200
	Expenses		(3,939)
AASB5(35)	Other expenses (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 (2016 includes an inflow of CU3,110,000 from the sale of the division)	-	3,110
	Net cash (outflow) from financing activities	-	-
	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

(c) Details of the sale of the subsidiary

	Half-year	
	2017 **CU'000**	2016 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

AASB5(35)
New illustration

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

IAS34(16A)(i)

12 Interests in associates and joint ventures [16]

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

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

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

	Six months ending 30 June 2017 CU'000
Beginning of the period	3,775
Additions	550
Profit/(loss) for the period	205
Dividends paid	(300)
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 2015 and disclosed in the note 17 of the annual financial statements was settled through mediation. A payment of CU25,000 was made to the claimant.

14 Events occurring after the reporting period [17]

IAS34(16A)(h)

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

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

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

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

15 Related party transactions [8-9,12-14]

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

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

16 Fair value measurement of financial instruments [2,11,18,23]

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

(a) Fair value hierarchy

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

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

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

IFRS13(93)(a),(b)

At 30 June 2017	**Level 1 CU'000**	**Level 2 CU'000**	**Level 3 CU'000**	**Total CU'000**
Assets				
Financial assets at FVPL				
US unlisted equity securities	**-**	**-**	**2,350**	**2,350**
US listed equity securities	**2,825**	**-**	**-**	**2,825**
Oneland listed equity securities	**5,975**	**-**	**-**	**5,975**
Derivatives used for hedging				
Foreign exchange contracts	**-**	**1,634**	**-**	**1,634**
Interest rate swaps	**-**	**310**	**-**	**310**
Available-for-sale financial assets				
Equity securities – property sector	**570**	**-**	**-**	**570**
Equity securities – retail sector	**3,288**	**-**	**-**	**3,288**
Equity securities – biotech sector	**-**	**-**	**1,150**	**1,150**
Debentures – property sector	**1,405**	**-**	**-**	**1,405**
Debentures – retail sector	**1,257**	**705**	**-**	**1,962**
Preference shares – property sector	**975**	**415**	**-**	**1,390**
Other (contingent consideration; note 11)	**-**	**-**	**1,245**	**1,245**
Total assets	**16,295**	**3,064**	**4,745**	**24,104**
Liabilities				
Contingent consideration payable (note 10)			**1,820**	**1,820**
Derivatives used for hedging – foreign exchange contracts	**-**	**566**	**-**	**566**
Trading derivatives	**-**	**355**	**215**	**570**
Total liabilities	**-**	**921**	**2,035**	**2,956**

At 31 December 2016 [4]	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Assets				
Financial assets at fair value through profit or loss				
US listed equity securities	5,190	-	-	5,190
Oneland listed equity securities	6,110	-	-	6,110
Derivatives used for hedging				
Foreign exchange contracts	-	1,854	-	1,854
Interest rate swaps	-	308	-	308
Available-for-sale financial assets				
Equity securities – property sector	1,400	-	-	1,400
Equity securities – retail sector	2,768	-	-	2,768
Equity securities – biotech sector	-	-	1,332	1,332
Debentures – property sector	1,130	-	-	1,130
Debentures – retail sector	1,100	575	-	1,675
Preference shares – property sector	990	525	-	1,515
Other (contingent consideration – note 11)	-	-	1,290	1,290
Total assets	18,688	3,262	2,622	24,572
Liabilities				
Derivatives used for hedging – foreign exchange contracts	-	766	-	766
Trading derivatives	-	275	335	610
Total liabilities	-	**1,041**	**335**	**1,376**

(a) Fair value hierarchy

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

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

IFRS13(95)

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

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

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

IFRS13(76),(91)(a)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted 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. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

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

(b) Valuation techniques used to determine fair values

IFRS13(93)(d)

Specific valuation techniques used to value financial instruments include:

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

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

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

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

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2017: [4]

IFRS13(93)(e)

		Unlisted equity securities CU'000	Trading derivatives at fair value through profit or loss CU'000	Contingent consideration receivable CU'000	Contingent consideration payable CU'000	Total CU'000
	Opening balance 31 December 2016	**1,332**	**(335)**	**1,290**	**-**	**2,287**
IFRS13(93)(e)(iv)	Transfer from level 1	2,350	-	-	-	**2,350**
	Disposals	(100)	-	-	-	**(100)**
	Acquisitions	-	3	-	(1,280)	**(1,277)**
	Gains recognised in other income *	-	117	-	(540)	**(423)**
	Losses recognised in discontinued operations *	-	-	(45)	-	**(45)**
	(Losses)/gains recognised in other comprehensive income	(82)	-	-	-	**(82)**
	Closing balance 30 June 2017	**3,500**	**(215)**	**1,245**	**(1,820)**	**2,710**
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 2017. There were also no changes made to any of the valuation techniques applied as of 31 December 2016.

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

(ii) Valuation inputs and relationships to fair value

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 2017 CU'000	Unobser-vable inputs *	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Unlisted equity securities	3,500	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.

(d) Fair values of other financial instruments (unrecognised)

IAS34(16A)(j)
IFRS7(25)
IFRS7(29)(a)

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

	Carrying amount CU'000	Fair value CU'000
Non-current receivables		
Loans to key management personnel	520	455
Held-to-maturity investments		
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 [1-2,8,19-21,24-27]

IAS34(19)

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

IAS34(6)
Not mandatory

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

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: [19]

(Revised requirement)

(a) New and amended standards adopted by the group [26-28]

IAS8(28)(a)

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

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

(Revised requirement)

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

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

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

(b) Impact of standards issued but not yet applied by the entity [22]

(i) IFRS 9 Financial instruments

IAS34(16A)
(Revised requirement)

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

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

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

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

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

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

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

(Revised requirement)

(ii) IFRS 15 Revenue from contracts with customers

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

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

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

Management has identified the following areas that are likely to be affected: [23]

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

(b) Impact of standards issued but not yet applied by the entity [22]

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

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

(Revised requirement)

(iii) IFRS 16 Leases

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

The accounting for lessors will not significantly change.

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

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

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

Notes to the consolidated financial statements

Structure of notes

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

Comparative information

Narrative disclosures

IAS34(16A)(j)

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

Roll-forward information

IAS34(16A)(g)

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

Segment information

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

Materiality

IAS34(23)
IAS1(7)

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

Significant events and transactions

IAS34(15B)

8. Interim financial reports must include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. IAS 34 provides examples of events or transactions that may need to be disclosed, but please note that the list is not exhaustive.

Notes to the consolidated financial statements

IAS34(15C)

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

IAS34(15C)

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

Other disclosures

IAS34(16A)

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

Unusual items

IAS34(16A)(c)

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

Changes in the composition of the entity

IAS34(16A)(i)

15. IAS 34 requires interim financial reports to disclose the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required to be disclosed under paragraphs 59 – 62 and B64 – B67 of IFRS 3 *Business Combinations.* If the goodwill relating to the acquisition is material, the disclosure should also include a reconciliation of goodwill as per paragraph B67(d) of IFRS 3. See also commentary paragraph 23 below for disclosures that are not applicable to VALUE IFRS Plc and therefore are not illustrated in note 10.

Step acquisition of associates

16. There are two approaches that may be adopted when an investor increases its stake in an entity and an existing investment becomes an associate for the first time. Those two methods are:
    (a) 'Cost of each purchase' method: the cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of the investee's profits and other equity movements (for example, revaluations). Any acquisition-related costs are treated as part of the investment in the associate. This is the method used by VALUE IFRS Plc and illustrated in note 12 of this interim report.

Notes to the consolidated financial statements

(b) 'Fair value as deemed cost' method (by analogy with IFRS 3): The cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. As this method is based on the analogy with the revised IFRS 3 guidance on step acquisition of subsidiaries, any acquisition-related costs are expensed in the period in which the costs are incurred. This is different from acquisition-related costs on initial recognition of an associate at cost, as they form part of the carrying amount of the associate.

Events occurring after the reporting period

IAS34(16A)(h)

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

Fair value measurement

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

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

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

Accounting policies

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

19. The interim financial report shall include a statement that the same accounting policies and methods of computation are followed in the interim financial report as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change (see paragraph 26 below for details of new standards that apply to annual reporting periods commencing on or after 1 January 2017).
20. While there is no longer a requirement to prominently display an explicit statement that the interim financial report is to be read in conjunction with the most recent annual financial report, we recommend retaining it as it is a useful explanation and reminder of the nature of an interim report. Entities may also want to place this statement on the front cover of the interim financial report as illustrated on the example contents page, to make this clear to readers of the interim financial report.
21. Where an entity prepares its first interim financial report and there is no previous annual report, we believe that a complete disclosure of significant accounting policies should be provided.

Notes to the consolidated financial statements

IAS34(16A)(a)

Impact of standards issued but not yet applied

ESMA Public Statements on IFRS 9 and IFRS 15

22. While not explicitly required under IAS 34, entities should also consider explaining the impact of the future adoption of an accounting standard that has been issued but does not yet need to be applied by the entity. This would be the case in particular where adoption of the standard will have a significant impact on the amounts recognised in the financial statements and this had not been disclosed in the previous annual financial report, or where the entity's assessment has significantly changed.. IFRS 9 *Financial Instruments,* IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* are examples of standards that may require disclosure, depending on the circumstances of the entity.
23. The impact of an early adoption of IFRS 9 and IFRS 15 is illustrated in Appendices E and F in the *Illustrative IFRS consolidated financial statements December 2016* publication. The expected impact of the adoption of IFRS 15 described in this interim report is based on the fact pattern in Appendix F of the annual publication. The disclosure reflects the specific circumstances chosen for our fictive company, VALUE IFRS Plc, and will not necessarily be the same for all entities.

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

	Issue not illustrated	Relevant disclosure or reference
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 24 below). Consider including financial information for the twelve months up to the end of the interim period and comparative information for the previous twelve months.
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

	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

Reference	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

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

    Seasonality of operations

    Due to the seasonal nature of the US and UK retail segment, higher revenues and operating profits are usually expected in the second half of the year than the first six months. Wholesale revenues and operating profits are more evenly spread between the two half years. In the financial year ended 31 December 2016, 39% of revenues accumulated in the first half of the year, with 61% accumulating in the second half.

Changes in accounting policies

IAS34(16A)(a)

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

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

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

Independent auditor’s review or audit report

Audit or review report

ISRE2410

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

ISA700

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

ISA570

   (b) In relation to going concern there is
      (i) a new requirement for the auditor to evaluate the adequacy of disclosures in ‘close call’ going concern situations
      (ii) a new required description in all audit reports of both management’s and the auditor’s responsibilities related to going concern, and
      (iii) a new separate section of the auditor’s report which will draw attention to material uncertainties related to going concern (where the going concern disclosures are adequate).
   (c) Other enhancements relate to:
      (i) presenting the opinion section first, unless law or regulations prescribe otherwise
      (ii) an affirmative statement about the auditor’s independence and the auditor’s fulfilment of relevant ethical responsibilities, and
      (iii) enhanced descriptions of both the responsibilities of the auditor and key features of an audit.
4. The changes became applicable for financial periods ending on or after 15 December 2016. At this stage no similar changes are planned for review reports.