



# **INTERIM FINANCIAL STATEMENTS**

## **IAS 34 explained (30 June 2017)**

(Including an illustrative example)





This publication is presented in two parts.

- Part I explains IAS 34 *Interim Financial Reporting* and provides technical guidance.
- Part II includes an illustrative example of a condensed interim financial statement.



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## 1 Interim Financial Reporting

IFRS does not require the preparation of interim financial statements. Paragraph 36 in IAS 1 *Presentation of Financial Statements* only requires that:

*'An entity shall present a complete set of financial (including comparative information at least annually).'*

IAS 34 *Interim Financial Reporting* also does not mandate which entities are required to publish interim financial statements, how frequently they should be produced, or how soon interim reports should be released after each reporting date. However, the standard encourages, publicly traded entities to provide interim financial reports at least as of the end of the first half of their financial year, no later than 60 days after the interim reporting date.

Securities regulators, stock exchanges, and other stakeholders often require entities to publish interim financial statements. An entity is required to apply IAS 34 if it elects (or must) prepare interim financial statements in accordance with IFRS as a result of local legislation.

An entity that presents interim financial statements can choose to prepare them either in the format of a complete set of financial statements or in the format of a set of condensed financial statements. For the purposes of the presentation of interim financial statements, all paragraphs in IAS 1 apply to a complete set of financial statements whereas only IAS 1.15 - 35 are applicable for condensed financial statements (IAS 1.4) which cover the following general features:

- Fair presentation and compliance with IFRSs
- Going concern
- Accrual basis of accounting
- Materiality and aggregation
- Offsetting.

Preparers of condensed interim financial statements are required to present the same primary statements as in their annual statements. However, IAS 34 does not require presentation of the same detailed amount of information and also requires fewer disclosures to be made. The current and comparative periods to be presented also differ from annual statements.

IAS 34.11 requires an entity to present basic and diluted earnings per share (EPS) for the interim period when the entity is within the scope of IAS 33 *Earnings per Share*. Entities that present a separate income statement (two statement approach) disclose EPS on the face of the separate income statement and not in the statement of comprehensive income.

An interim financial report is intended to provide an update of the last annual report. IAS 34 is based on the presumption that interim financial statements are essentially an extension of the previous annual financial statements to which anyone who reads the entity's interim report will also have access. Therefore few of the notes to the annual financial statements are required to be repeated or updated in the interim report. Instead, the interim notes include primarily an explanation of the events and changes 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.

A cross-reference is required if the disclosures are presented 'elsewhere' in the interim financial report, such as in the management commentary or risk report of an entity. In those cases, that document needs to be available to users of the financial statements on the same terms and at the same time as the interim report itself.

An entity is required to apply the same accounting policies in its interim financial report as in its immediately preceding annual financial statements. As an exception, 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 are required to be reflected in interim financial reports.

IAS 34 includes the premise that the frequency of an entity's financial reporting - annual, half-yearly, or quarterly - should not affect the measurement of its annual results. To achieve that objective,

measurements for interim reporting purposes are made on a year-to-date basis (e. g. what would effectively be an 18 month period for half yearly interim financial reports).

## 2 Line items to be presented in interim financial statements

Entities are required to include at least each of the headings and subtotals that were included in their most recent annual financial statements. Additional line items also need to be included if their omission would make the condensed interim financial statements misleading (IAS 34.10).

In practice, entities usually present their primary financial statements (for notes, see below) in the same format as their last annual financial statements, including all line items. This is typically based on the view that investors and analysts would not be well served with more summarised financial statements, which might not allow a complete analysis of the entity's financial performance and position. It can also be argued that the line items presented in annual financial statements are already highly aggregated, meaning that each on their own is material and that their omission would be misleading.

## 3 Reduced note disclosure requirements

As noted above, IAS 34 presumes that the reader of interim consolidated condensed financial will also have the latest annual financial statements available. It is therefore presumed that it is unnecessary that the notes in the interim consolidated condensed financial statements repeat information which is available in the most recent annual financial statements.

### 3.1 Significant events and transactions

A reporting entity, as a consequence, only provides explanatory notes that are material to an understanding of the current interim period. Disclosures that are available from the most recent annual statements are not duplicated in the interim financial statements. The information in the notes is normally presented on a financial year to date basis (i.e. they cover the period from the beginning of the financial year until the end of the interim period). IAS 34.15B provides a list of examples that, if material, would require disclosures. These are:

- 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, assets arising from contracts with customers (if IFRS 15 *Revenue from Contracts with Customers* has been adopted, which has a mandatory effective date of periods beginning on or after 1 January 2017) or other assets, and the reversal of such an impairment loss.
- Reversal of any provisions for the costs of restructuring
- Acquisitions and disposals of items of property, plant and equipment
- Commitments for the purchase of property, plant and equipment
- Litigation settlements
- Corrections 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
- Loan default or breach of a loan agreement that has not been remedied on or before 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 liabilities or contingent assets.



For events or transactions that are considered to be significant to an understanding of the interim financial statements, an explanation of the transaction is required together with an update of the relevant information which was included in most recent annual financial statements (IAS 34.15C).

### 3.2 Other required disclosures

The information set out in IAS 34.16A, if not disclosed elsewhere in the interim condensed consolidated financial statements, is required:

- A statement that the same accounting policies and methods of computation are followed in the interim financial statements 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
- Explanatory comments about the seasonality or cyclicity of interim operations
- The nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence
- The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported 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
- The following segment information (disclosure of segment information is required in an entity's interim financial report only if IFRS 8 *Operating Segments* requires that 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 or otherwise regularly provided to the chief operating decision maker
  - Intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker
  - A measure of segment profit or loss
  - Total assets for which there has been a material change from the amount disclosed in the last annual financial statements
  - 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), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.
- Events after the interim period that have not been reflected in the financial statements for the interim period
- 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 by IFRS 3 *Business Combinations*. The applicable disclosures for business combinations during the interim period are defined in IFRS 3.59 and IFRS 3.B64-B66. Disclosures regarding business combinations in prior years that result in adjustments in the current interim period are defined in IFRS 3.61 and IFRS 3.B67
- Financial instruments: Disclosures about fair value required by:
  - IFRS 13 *Fair Value Measurement* paragraphs 91-93(h), 94-96, 98 and 99
  - IFRS 7 *Financial Instruments: Disclosures* paragraphs 25, 26 and 28-30.
- For entities becoming, or ceasing to be, investment entities, as defined in IFRS 10 *Consolidated Financial Statements*, the disclosures required by paragraph 93 of IFRS 12 *Disclosure of Interests in Other Entities*.
- If IFRS 15 *Revenue from Contracts with customers* has been adopted (which has a mandatory effective date of periods beginning on or after 1 January 2018, but can be adopted early), the disaggregation of revenue from contracts required by paragraphs 114 - 115 of that standard.

### 3.3 Disclosure of compliance with IFRS

If an entity's interim financial report is described as being in compliance with IFRS, it is required to comply with all of the requirements of IAS 34.

### 3.4 Disclosure in annual financial statements

As noted above, there is no requirement to prepare interim financial statements. Consequently, there is no requirement to present interim financial information in annual financial statements.

However, preparers of annual financial statements are required to disclose if an estimate of an amount reported in an interim period has changed significantly during the final interim period of the financial year. Disclosures in their annual financial statements about the change in estimate need to include the nature and amount of that change.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure of the nature and, if practicable, the amount of a change in estimate that either has a material effect in the current period or is expected to have a material effect in subsequent periods. The disclosure required by the preceding paragraphs is consistent with the IAS 8 requirement and relates only to changes in estimates. Where disclosures are made of a change in estimates, an entity is still not required to include any further interim period financial information in its annual financial statements.

## 4 Periods to be presented

IAS 34.20 describes the periods that have to be included in the financial statements. These are to some extent counterintuitive and different to annual financial statements. Periods to be presented are the same for complete and for condensed financial statements.

Periods presented for a half yearly report (using, as an example, an interim period ended 30 June 2017) are:

| Statement of         | Current                               | Comparative                                      |
|----------------------|---------------------------------------|--|
| Comprehensive income | Interim period<br>1 Jan - 30 Jun 2017 | Comparable interim period<br>1 Jan - 30 Jun 2016 |
| Financial position   | End of interim period<br>30 Jun 2017  | End of preceding financial year<br>31 Dec 2016   |
| Cash Flows           | Interim period<br>1 Jan - 30 Jun 2017 | Comparable interim period<br>1 Jan - 30 Jun 2016 |
| Changes in Equity    | Interim period<br>1 Jan - 30 Jun 2017 | Comparable interim period<br>1 Jan - 30 Jun 2016 |

In practice, many entities also disclose one or more primary statements for the immediately preceding annual period and a Statement of Financial Position for the end of the comparative interim period.

### 4.1 Half yearly or quarterly reporting

The main difference between a half yearly and a quarterly report is the presentation of comprehensive income. A half yearly report includes the current year to date (e.g. January to June) and the same period for the previous year. A quarterly report in contrast contains the current year to date (e.g. January to September) and the current interim period (e.g. July to September) for the current and the previous year.

Periods presented for a quarterly report (using, as an example, an interim period ended 30 September 2017) are:

| Statement of         | Current                                 | Comparative  |
|----------------------|---|--|
| Comprehensive income | · Year to date<br>1 Jan - 30 Sep 2017   | · Comparable year to date<br>1 Jan - 30 Sep 2016   |
|                      | · Interim period<br>1 Jul - 30 Sep 2017 | · Comparable interim period<br>1 Jul - 30 Sep 2016 |
| Financial position   | End of interim period<br>30 Sep 2017    | End of preceding financial year<br>31 Dec 2016     |
| Cash Flows           | Interim period<br>1 Jan - 30 Sep 2017   | Comparable interim period<br>1 Jan - 30 Sep 2016   |
| Changes in Equity    | Interim period<br>1 Jan - 30 Sep 2017   | Comparable interim period<br>1 Jan - 30 Sep 2016   |

An example of a quarterly comprehensive income is presented in Appendix I.

#### 4.2 Seasonal business

IAS 33.21 encourages entities whose business is highly seasonal to provide additional financial information. This comprises financial data for the last twelve month to date, together with a comparative period. In addition, IAS 34.16 (b) requires explanatory notes about seasonality or cyclicity of results that affect the interim financial statements.

#### 4.3 Comparatives for first time adopters of IAS 34

Preparers of their first interim financial statements are required to present comparative information unless the current period is the entity's first period of operations.

An entity that omits comparative information in its interim financial statements because it cannot compile the relevant information does not comply with IAS 34. Hence the entity cannot make an explicit statement that its interim financial statements comply with IAS 34. However, a statement could be made that its financial statements comply with IAS 34 except for the fact that comparative information has not been presented. The entity would also need to disclose the reason(s) why information for the comparative period has not been provided.

### 5 Materiality

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* defines an item as material if its omission or misstatement could influence the economic decisions of users of the financial statements. IAS 1 *Presentation of Financial Statements* requires separate disclosure of material amounts in financial statements. However, neither standard contains quantified guidance as to what constitutes a material item.

In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality is required to be assessed in relation to the interim period financial data. This means that the materiality assessment is not made based on annualised numbers (IAS 34.23).

Thus, for example, unusual items, changes in accounting policies or estimates, and errors are recognised and disclosed on the basis of materiality in relation to interim period data. The overriding goal is to ensure that an interim financial report includes all information that is relevant to an understanding of an entity's financial position and performance during the interim period presented.

## 6 Recognition and measurement

The general approach for the preparation of interim financial statements is that entities apply the same accounting policies as in their last annual financial statements. The exception to this approach is when 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.

If an entity chooses to change its accounting policy during the interim period it is normally required to implement the change retrospectively, which also includes restating the prior interim period (IAS 34.43). An exception to this approach is when a change in accounting policy arises from a new IFRS, and that IFRS specifies transitional arrangements (for example, a new IFRS might be applied prospectively, or might have limited retrospective application)

### 6.1 General principles

The reporting frequency (annual, half-yearly, or quarterly) should not affect the measurement of annual results (IAS 34.28). Measurement in interim periods is consequently made on a year-to-date basis.

As an exception, an impairment loss recognised in an interim period in respect of goodwill or an impairment in either an equity instrument or a financial asset carried at cost is not permitted to be reversed in the subsequent annual financial statements, even if the recoverable amount has increased after the end of the interim period. This prohibition is not permitted to be applied by analogy to any other transactions or events (refer section 6.2.14).

For quarterly reporters year-to-date measurements may involve changes in estimated amounts reported in prior interim periods of the current financial year. But the principles for recognising assets, liabilities, income, and expenses for interim periods are the same as in annual financial statements. Costs that do not qualify for capitalisation at the end of the interim period, for example, cannot be deferred on the basis that the relevant criteria will be met at a later date. A liability on the other hand must represent an existing obligation at the reporting date.

Amounts included in the annual financial statements of a half yearly report will reflect possible changes in estimates of amounts that were previously reported for the first six-month period. The amounts reported in the interim financial report for the first six-month period are not retrospectively adjusted. However, the nature and amount of significant changes in estimates are disclosed (see 3.4).

#### 6.1.1 Revenues received seasonally, cyclically or occasionally

Some businesses generate more revenues in certain interim periods than in other interim periods of the same financial year. An alpine resort, for example, might make most of its revenue in the wintertime. Such revenue is recognised when it occurs.

Seasonal, cyclical or occasional revenue such as dividends, royalties or government grants that occur within a financial year are also not anticipated or deferred in the interim financial statements unless it would be appropriate to do so at year end. An entity for example that expects that its right to receive a dividend will be established in the second half of its financial year will not recognise partial revenue for this dividend in its first half year interim financial statements. Royalties, in contrast, would be recognised on an accruals basis in accordance with the agreement (IAS 34.29-30).

#### 6.1.2 Costs incurred unevenly during the financial year

Costs that are incurred unevenly during an entity's financial year are required to be anticipated or deferred for interim reporting purposes only if it would also be appropriate to anticipate or defer that type of cost at the end of the financial year. This means that, wherever IFRS requires costs to be expensed immediately when incurred, these costs are fully recognised in the interim financial statement when incurred. Marketing costs for example would always be expensed in the period in which they are incurred as a result of the requirements in IAS 38.69 (c).

### 6.1.3 Use of estimates

The preparation of both annual and interim financial statements usually requires the use of estimates. However, the preparation of interim financial reports generally requires greater use of estimates than annual financial reports.

Examples that illustrate the use of estimates in interim financial statements are set out below (reproduced from IAS 34. Appendix C which accompanies, but is not part of, IAS 34).

#### 6.1.3.1 *Inventories*

Full stock-taking and valuation procedures may not be required for inventories at interim dates, although it may be done at financial year-end. It may be sufficient to make estimates at interim dates based on sales margins.

#### 6.1.3.2 *Classifications of current and non-current assets and liabilities*

Entities may do a more thorough investigation for classifying assets and liabilities as current or non-current at annual reporting dates than at interim dates.

#### 6.1.3.3 *Provisions*

Determination of the appropriate amount of a provision (such as a provision for warranties, environmental costs, and site restoration costs) may be complex and often costly and time-consuming. Entities sometimes engage outside experts to assist in the annual calculations. Making estimates at interim dates often entails updating of the prior annual provision rather than the engaging of outside experts to do a new calculation.

#### 6.1.3.4 *Pensions*

IAS 19 *Employee Benefits* requires that an entity determines the present value of defined benefit obligations and the market value of plan assets at the end of each reporting period and encourages an entity to involve a professionally qualified actuary in measurement of the obligations. For interim reporting purposes, reliable measurement is often obtainable by extrapolation of the latest actuarial valuation.

#### 6.1.3.5 *Income taxes*

Entities may calculate income tax expense and deferred income tax liability at annual dates by applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction. It is acknowledged that while that degree of precision is also desirable at interim reporting dates, it may not be achievable in all cases. A weighted average of rates across jurisdictions or across categories of income is used if it represents a reasonable approximation of the effect of using more specific rates.

#### 6.1.3.6 *Contingencies*

The measurement of contingencies may involve the opinions of legal experts or other advisers. Formal reports from independent experts are sometimes obtained with respect to contingencies for the purposes of year end reporting. Such opinions about litigation, claims, assessments, and other contingencies and uncertainties may or may not also be needed at interim dates.

#### 6.1.3.7 *Revaluations and fair value accounting*

IAS 16 *Property, Plant and Equipment* allows an entity to choose as its accounting policy the revaluation model whereby items of property, plant and equipment are revalued to fair value. Similarly, IAS 40 *Investment Property* requires an entity to determine the fair value of investment property. For those measurements, an entity may rely on professionally qualified valuers at annual reporting dates; this may not be necessary at interim reporting dates.

#### 6.1.3.8 *Intercompany reconciliations*

Some intercompany balances that are reconciled on a detailed level in preparing consolidated financial statements at financial year-end might be reconciled at a less detailed level in preparing consolidated financial statements at an interim date.

#### 6.1.3.9 *Specialised industries*

Because of complexity, cost, and time, interim period measurements in specialised industries might be less precise than at financial year-end. An example would be calculation of insurance reserves by insurance companies.

### 6.2 In practice

IAS 34 Appendix B 'Examples of applying the recognition and measurement principles', which accompanies but is not part of IAS 34, provides a number of examples illustrating how to apply the recognition and measurement principles. These are replicated below.

#### 6.2.1 Employee benefits

##### 6.2.1.1 *Employer payroll taxes and insurance contributions*

If employer payroll taxes or contributions to government-sponsored insurance funds are assessed on an annual basis, the employer's related expense is recognised in interim periods using an estimated average annual effective payroll tax or contribution rate, even though a large portion of the payments may be made early in the financial year.

A common example is an employer payroll tax or insurance contribution that is imposed up to a certain maximum level of earnings per employee. For higher income employees, the maximum income is reached before the end of the financial year, and the employer makes no further payments through the end of the year (IAS 34.B1).

##### *Example - Capped social contributions*

An employer is required to pay 2% of annual salaries into an insurance fund. Contributions are capped at CU 130,000, which means that no contributions for salaries in excess of this amount are required. For an employee with a monthly salary of CU 20,000 (annual salary of CU 240,000) the employer would recognise an expense of CU 1,300 (CU 130,000 x 2% / 12) and not CU 2,400 (6 x CU 20,000 x 2%) in its half year interim financial statements.

##### 6.2.1.2 *Vacations, holidays, and other short-term compensated absences*

An entity recognises no expense or liability for non-accumulating compensated absences at the end of an interim reporting period, just as it recognises none at the end of an annual reporting period.

Accumulating compensated absences are those that can be carried forward and used in future periods if the current period's entitlement is not used in full. IAS 19 *Employee Benefits* requires that an entity measure the expected cost of and obligation for accumulating compensated absences at the amount the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. This principle is also applied at the end of interim financial reporting periods (IAS 34.B10).

##### *Example - Uneven consumption of holidays*

For an employee, being entitled to four weeks holiday per annum, that had not taken any annual leave by the end of the interim period, the employer would have to accrue for two weeks.

### 6.2.1.3 Year-end bonuses

The nature of year-end bonuses varies widely. Some are earned simply by continued employment during a time period. Some bonuses are earned based on a monthly, quarterly, or annual measure of operating result. They may be purely discretionary, contractual, or based on years of historical precedent.

A bonus is anticipated for interim reporting purposes if, and only if:

- (a) The bonus is a legal obligation or past practice would make the bonus a constructive obligation for which the entity has no realistic alternative but to make the payments, and
- (b) A reliable estimate of the obligation can be made.

IAS 19 *Employee Benefits* provides guidance (IAS 34.B5/B6).

### 6.2.1.4 Pensions

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events (IAS 34.B9). A new actuarial calculation is not required (see 6.1.3.4).

## 6.2.2 Major planned periodic maintenance or overhaul

The cost of a planned major periodic maintenance or overhaul or other seasonal expenditure that is expected to occur late in the year is not anticipated for interim reporting purposes unless an event has caused the entity to have a legal or constructive obligation. The mere intention or necessity to incur expenditure related to the future is not sufficient to give rise to an obligation (IAS 34.B2).

## 6.2.3 Provisions

A provision is recognised when an entity has no realistic alternative but to make a transfer of economic benefits as a result of an event that has created a legal or constructive obligation. The amount of the obligation is adjusted upward or downward, with a corresponding loss or gain recognised in profit or loss, if the entity's best estimate of the amount of the obligation changes.

IAS 34 requires that an entity applies the same criteria for recognising and measuring a provision at an interim date as it would at the end of its financial year. The existence or non-existence of an obligation to transfer benefits is not a function of the length of the reporting period. It is a question of fact (IAS 34.B3/B4).

## 6.2.4 Contingent lease payments

Contingent lease payments can be an example of a legal or constructive obligation that is recognised as a liability. If a lease provides for contingent payments based on the lessee achieving a certain level of annual sales, an obligation can arise in the interim periods of the financial year before the required annual level of sales has been achieved, if that required level of sales is expected to be achieved and the entity, therefore, has no realistic alternative but to make the future lease payment (IAS 34.B7).

## 6.2.5 Other planned but irregularly occurring costs

An entity's budget may include certain costs expected to be incurred irregularly during the financial year, such as charitable contributions and employee training costs. Those costs are generally discretionary, even though they are planned and tend to recur from year to year. Recognising an obligation at the end of an interim financial reporting period for such costs that have not yet been incurred is not consistent with the definition of a liability (IAS 34.B11).

## 6.2.6 Tax

6.2.6.1 *Measuring interim income tax expense*

The basic principle set out in IAS 34.28 is that the same accounting recognition and measurement principles are applied in interim financial reports as in annual financial statements. Interim income tax expenses are therefore accrued using the tax rate that would be applicable to expected total annual earnings. The estimated average annual income tax rate is required to be re-estimated on a year to date basis.

*Example - Progressive tax*

Entity A's pre-tax period in its interim financial statements (for the six month ended 30 June) is CU 450,000. It expects to earn an annual pre-tax profit of CU 650,000 due to its seasonal business. Entity A's jurisdiction applies a tax rate of 20% for earnings below CU 500,000. A tax rate of 30% is applied to all earnings above this amount. The estimated annual tax charge will therefore amount to CU 145,000 (22.31%). Entity A is required to recognise a tax expense of CU 100,000 (450,000 x 22.31%) and not an amount of 90,000 (450,000 x 20%) in its interim financial statements.

*Example - Losses*

Entity B reports quarterly, earns CU 15,000 pre-tax profit in the first quarter but expects to incur losses of CU 5,000 in each of the three remaining quarters (thus having zero income for the year), and operates in a jurisdiction with a tax rate of 20 %.

The following table shows the amount of income tax expense that is reported in each quarter, although at annual period ends entities often report only the annual tax amount and would omit the 4<sup>th</sup> quarter:

|                    | <i>1<sup>st</sup> Quarter</i> | <i>2<sup>nd</sup> Quarter</i> | <i>3<sup>rd</sup> Quarter</i> | <i>4<sup>th</sup> Quarter</i> | <i>Annual</i> |
|--------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------|
| <i>Tax expense</i> | <i>CU 3,000</i>               | <i>CU (1,000)</i>             | <i>CU (1,000)</i>             | <i>CU (1,000)</i>             | <i>-</i>      |

To the extent practicable, a separate estimated average annual effective income tax rate is determined for each taxing jurisdiction and applied individually to the interim period pre-tax income of each jurisdiction. Similarly, if different income tax rates apply to different categories of income (such as capital gains or income earned in particular industries), to the extent practicable a separate rate is applied to each individual category of interim period pre-tax income. However IAS 34 acknowledges that although this degree of precision is desirable, it may not be achievable in all cases. A weighted average of rates across jurisdictions or across categories of income may be used instead, based on the assumption that it is a reasonable approximation.

6.2.6.2 *Difference in financial reporting year and tax year*

Where the financial reporting year and the income tax year differ (e.g. the tax year is January to December, financial year is July to June), income tax expense for the interim periods of that financial reporting year is measured using separate weighted average estimated effective tax rates. The relevant tax rate is applied to the portion of pre-tax income earned in each of those income tax years.



*Example - Different tax-reporting year*

An entity's financial reporting year ends on 30 June and it reports quarterly. Its taxable year ends on 31 December. For the financial year that begins 1 July, Year 1 and ends 30 June, Year 2, the entity earns CU 10,000 pre-tax in each quarter. The annual income tax rate is 30% in Year 1 and is increased to 40% in Year 2. The entity would recognise the following tax charges in its financial statements:

|                    | <i>1<sup>st</sup> Quarter<br/>ending<br/>30 Sept<br/>Year 1</i> | <i>2<sup>nd</sup> Quarter<br/>ending<br/>31 Dec<br/>Year 1</i> | <i>3<sup>rd</sup> Quarter<br/>ending<br/>31 March<br/>Year 2</i> | <i>4<sup>th</sup> Quarter<br/>ending<br/>30 June<br/>Year 2</i> | <i>Year<br/>ending<br/>30 June<br/>Year 2</i> |
|--------------------|---|--|--|---|---|
| <i>Tax expense</i> | <i>CU 3,000</i>   | <i>CU 3,000</i>  | <i>CU 4,000</i>  | <i>CU 4,000</i>   | <i>CU 14,000</i>                              |

*6.2.6.3 Tax credits*

Some tax jurisdictions give taxpayers credits against the tax payable based on amounts of capital expenditures, exports, research and development expenditures, or other bases. Anticipated tax benefits of this type for the full year are generally reflected in computing the estimated annual effective income tax rate, because those credits are granted and calculated on an annual basis under most tax laws and regulations.

Tax benefits that relate to a one-off event are recognised in computing income tax expense in the related interim period, in the same way as special tax rates applicable to particular categories of income. These are not blended into a single effective annual tax rate. Moreover, in some jurisdictions tax benefits or credits, including those related to capital expenditure and levels of exports, while reported on the income tax return, are similar to a government grant and are recognised in the interim period in which they arise (IAS 34.B19).

*6.2.6.4 Tax loss and tax credit carrybacks and carryforwards*

The benefits of a tax loss carryback are reflected in the interim period in which the related tax loss occurs. IAS 12.13 notes that:

*'The benefit relating to a tax loss that can be carried back to recover current tax of a previous period shall be recognised as an asset'.*

A corresponding reduction of tax expense or increase in tax income is also recognised.

IAS 12.34 notes that:

*'A deferred tax asset shall be recognised for the carryforward 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 12.36 sets out criteria for assessing the probability of taxable profit against which the unused tax losses and credits can be utilised. Those criteria are applied at the end of each interim period and, if they are met, the effect of the tax loss carryforward is reflected in the computation of the estimated average annual effective income tax rate. That means that the recognised tax benefits are spread equally over all the interim periods.

*Example - Recognition of deferred tax assets*

An entity that reports quarterly has accumulated carryforward losses that amount to CU 10,000 at the start of the current period. A deferred tax asset has not been recognised in relation to these losses. The entity earns CU 10,000 in the first quarter of the current year and, in a change to its previous assumptions, expects to earn CU 10,000 in each of the three remaining quarters. The estimated average annual income tax rate is expected to be 40%. Tax expense is as follows:

|                             | 1 <sup>st</sup><br>Quarter | 2 <sup>nd</sup><br>Quarter | 3 <sup>rd</sup><br>Quarter | 4 <sup>th</sup><br>Quarter | Annual            |
|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-------------------|
| Current tax                 | CU 4,000                   | CU 4,000                   | CU 4,000                   | CU 4,000                   | CU 16,000         |
| Effect carry-forward losses | <u>CU (1,000)</u>          | <u>CU (1,000)</u>          | <u>CU (1,000)</u>          | <u>CU (1,000)</u>          | <u>CU (4,000)</u> |
| Tax expense                 | CU 3,000                   | CU 3,000                   | CU 3,000                   | CU 3,000                   | CU 12,000         |

## 6.2.7 Contractual or anticipated purchase price changes

Volume rebates or discounts and other contractual changes in the prices of raw materials, labour, or other purchased goods and services are anticipated in interim periods, by both the payer and the recipient, if it is probable that they have been earned or will take effect.

Thus, contractual rebates and discounts are anticipated but discretionary rebates and discounts are not anticipated because the resulting asset or liability would not satisfy the conditions in the Conceptual Framework that an asset must be a resource controlled by the entity as a result of a past event and that a liability must be a present obligation whose settlement is expected to result in an outflow of resources (IAS 34.B23).

## 6.2.8 Depreciation and amortisation

Depreciation and amortisation for an interim period is based only on assets owned during that interim period. It does not take into account asset acquisitions or disposals planned for later in the financial year (IAS 34.B24).

## 6.2.9 Inventories

Inventories are measured for interim financial reporting under the same principles as at the financial year-end. IAS 2 *Inventories* establishes the requirements for recognising and measuring inventories. Inventories pose particular problems at the end of any financial reporting period because of the need to determine inventory quantities, costs, and net realisable values. Nonetheless, the same measurement principles are applied for interim inventories. To save cost and time, entities often use estimates to measure inventories at interim dates to a greater extent than at the end of annual reporting periods (IAS 34.B25).

6.2.9.1 *Net realisable value of inventories*

The net realisable value of inventories is determined by reference to selling prices and related costs to complete and dispose of the inventory at interim dates. An entity will reverse a write-down to net realisable value in a subsequent interim period only if it would be appropriate to do so at the end of the financial year (IAS 34.26).

#### 6.2.9.2 *Interim period manufacturing cost variances*

Price, efficiency, spending, and volume variances of a manufacturing entity are recognised in income at interim reporting dates to the same extent that those variances would be recognised in income at financial year-end. Deferral of variances that are expected to be absorbed by year-end is not appropriate because it could result in reporting inventory at the interim date at more or less than its portion of the actual cost of manufacture (IAS 34.B28).

#### 6.2.10 Foreign currency translation gains and losses

Foreign currency translation gains and losses are measured for interim financial reporting using the same principles as at the financial year-end.

IAS 21 *The Effects of Changes in Foreign Exchange Rates* specifies how to translate the financial statements for foreign operations into the presentation currency. Entities are required to use the actual average and closing rates for the interim period. Entities do not anticipate future changes in foreign exchange rates in the remainder of the current financial year when translating foreign operations at an interim date.

If IAS 21 requires translation adjustments to be recognised as income or expense in the period in which they arise, that principle is applied during each interim period. Entities do not defer some foreign currency translation adjustments at an interim date if the adjustment is expected to reverse before the end of the financial year (IAS 34.B29-B31).

#### 6.2.11 Interim financial reporting in hyperinflationary economies

Interim financial reports in hyperinflationary economies are prepared using the same principles as at the financial year-end.

IAS 29 *Financial Reporting in Hyperinflationary Economies* requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the end of the reporting period, and the gain or loss on the net monetary position is included in net income. Also, comparative financial data reported for prior periods are restated to the current measuring unit.

Entities follow those same principles at interim dates, thereby presenting all interim data in the measuring unit as of the end of the interim period, with the resulting gain or loss on the net monetary position included in the interim period's net income. Entities do not annualise the recognition of the gain or loss. Nor do they use an estimated annual inflation rate in preparing an interim financial report in a hyperinflationary economy (IAS 34.B32-B34).

#### 6.2.12 Intangible assets

An entity applies the definition and recognition criteria for an intangible asset in the same way in an interim period as in an annual period.

Costs incurred before the recognition criteria for an intangible asset are met are recognised as an expense. Costs incurred after the specific point in time at which the criteria are met are recognised as part of the cost of an intangible asset. 'Deferring' costs as assets in an interim statement of financial position in the hope, or on the basis, that the recognition criteria will be met later in the financial year is not permitted (IAS 34.B8).

### 6.2.13 Impairment of assets

IAS 36 *Impairment of Assets* requires that an impairment loss be recognised if the recoverable amount has declined below carrying amount.

IAS 34 requires that an entity applies the same impairment testing, recognition, and reversal criteria at an interim date as it would at the end of its financial year. That does not mean, however, that an entity must necessarily prepare a detailed impairment calculation at the end of each interim period. Rather, an entity will review for indications of significant impairment since the end of the most recent financial year to determine whether such a calculation is needed (IAS 34.B35/B36).

### 6.2.14 Impairment of goodwill and investments in equity instruments (IFRIC 10)

In July 2006 the IFRS Interpretations Committee (IFRIC) issued IFRIC 10 *Interim Financial Reporting and Impairment*, which became effective for periods beginning on or after 1 November 2006.

The interpretation addresses the issue of whether an entity should reverse a goodwill impairment recognised in an interim period if a loss would not have been recognised, or a smaller loss would have been recognised, had interim financial statements not been prepared, with the impairment assessment being made at the end of a subsequent reporting period.

The issue arises because IAS 36 *Impairment of assets* requires an entity to assess goodwill for impairment at the end of each reporting period and to recognise an impairment loss at that date if required. It is not permitted to revise such impairment in subsequent periods. However, at the end of a subsequent interim reporting period, conditions may have changed that the impairment loss would have been reduced or avoided had the impairment assessment been made only at that date. This contradicts IAS 34 that states that the frequency of reporting should not affect annual results.

The committee concluded that the requirements in IAS 36 take precedence over IAS 34 and, therefore did not permit the reversal of goodwill impairment recognised in a previous interim period.

The same approach applies to investments in equity instruments that are classified as Available for Sale, or are measured at cost, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The issue is relevant to these instruments, because an impairment charge recorded in profit or loss is not permitted to be reversed through profit or loss if the fair value of the equity instruments subsequently increases.

An entity is not permitted to extend this interpretation by analogy to other areas of potential conflict between IAS 34 and other standards.

A Layout (International) Group Plc

Interim condensed consolidated financial statements

For the six month ended 30 June 2017



## About these interim condensed financial statements

The purpose of these interim condensed financial statements is to assist preparers of condensed interim financial statements in accordance with IFRS, especially in accordance with IAS 34 *Interim Financial Reporting*.

A Layout (International) Group Plc prepares its interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*. The group is a listed company. The parent's functional and the presentation currency is CU. The majority of preparers of interim condensed financial statements only publish an annual and a half-year end report. This publication is therefore presented as a half year end report.

The interim condensed financial statements have been prepared in compliance with all standards and interpretations issued by the IASB that have to be applied by companies with a financial year beginning on 1 January 2017. No standards have been early adopted. A Layout (International) Group Plc is an existing preparer of adopted IFRS consolidated financial statements. Consequently, IFRS 1 (Revised 2008) *First time adoption of International Financial Reporting Standards* is not applicable.

Additional disclosures may be required in order to comply with local laws, national financial reporting standards and/or stock exchange regulations. Interim condensed consolidated financial statements would usually also include a management commentary or other narrative either because it is required by local law or because management chooses to do so. This information is not included in this publication as they are by definition (country) specific.

The illustrative condensed interim financial statements are presented on the right (odd numbered) pages. The corresponding technical references and explanations are provided on the left (even numbered) pages.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication is not therefore intended to represent a comprehensive guide of all possible disclosures and as such cannot be relied upon to cover all situations. You should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact your respective BDO member firm to discuss these matters in the context of your particular circumstances. BDO member firms, their partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

## Early adoption of Standards and Amendments

Entities intending to apply the following Standards or Amendments earlier than their mandatory effective date in their next annual financial statements (and hence also applying them in their current interim financial statements) would also need to consider any associated amendments made to IAS 34 *Interim Financial Reporting* in their interim financial statements

| Standard  | Associated Amendment to IAS 34  |
|---|---|
| IFRS 15 <i>Revenue from Contracts with Customers</i> (mandatorily effective for periods beginning on or after 1 January 2018) | <ul style="list-style-type: none"><li>• Paragraph 15B(b) - disclose losses from the impairment of assets arising from contracts and the reversal of such impairment losses.</li><li>• Paragraph 16A(l) - the disaggregation of revenue from contracts required by paragraphs 114 - 115 of IFRS 15</li></ul> |



Updates to note in this 30 June 2017 version of the illustrative interim consolidated financial statements

A number of amendments to Standards have become effective for financial periods beginning on (or after) 1 January 2017, and are therefore applicable for the 30 June 2017 interim financial statements.

These amendments (listed below) have been included in these illustrative interim consolidated financial statements (where applicable) as if they had been applied for the first time as at 1 January 2017 (i.e. during the 2017 interim financial period).

*New standards and amendments effective for periods beginning on or after 1 January 2017 and therefore relevant to interim financial statements*

| IFRS   | IASB Effective Date | EU Endorsement status | BDO IFR Publications   |
|--|---------------------|-----------------------|--|
| Annual Improvements to IFRSs 2014 - 2016 Cycle (IFRS 12 <i>Disclosure of Interests in Other Entities</i> ) | 1 January 2017      | Expected Q3 2017      | BDO <i>IFR Bulletin</i> 2016/17 (click <a href="#">here</a> ). |
| <i>Issued: December 2016</i>   |                     |                       |  |
| IAS 12 <i>Income Taxes</i> (Amendment - Recognition of Deferred Tax Assets for Unrealized Losses)          | 1 January 2017      | Endorsed              |  |
| <i>Issued: January 2016</i>  |                     |                       |  |
| IAS 7 <i>Statement of Cash Flows</i> (Disclosure Initiative Amendments)                                    | 1 January 2017      | Endorsed              |  |
| <i>Issued: January 2016</i>  |                     |                       |  |

The improvement to IFRS 12 *Disclosure of Interests in Other Entities* and the disclosure initiative amendment to IAS 7 *Statement of Cash Flows* affect disclosures only in annual financial reports and did not result in any changes to the disclosure requirements of IAS 34. The amendment to IAS 12 *Income Taxes* clarifies the accounting for deferred tax assets related to debt instruments measured at fair value but are not deemed to be impaired (for example, an investment in a fixed rate bond where the fair value has declined due to changes in interest rates, but the asset is not considered to have become impaired in value). Specifically it clarifies that deferred taxes should be recognised for deductible temporary differences arising from unrealised losses on debt instruments measured at fair value if all other recognition criteria for deferred taxes are met, regardless of whether it is planned to recover the instrument through sale or by holding it to maturity. This accounting was already applied by A Layout (International) Group Plc.

Therefore none of the amendments set out above are applicable and/or have a significant impact on A Layout (International) Group Plc's interim consolidated financial statements. In addition, A Layout (International) Group Plc has not adopted IFRS 15 *Revenue from Contracts with Customers* early and so the additional disclosures specified on the opposite page have not been given (see note 2 for further information on the likely impact of this standard).

## Statement of comprehensive income

- Note            Some entities label their primary financial statement as “unaudited” if they are not audited. This can either be for transparency reason or because it is a local requirement.
- IAS 34.10        These interim financial statements are prepared in the form of condensed financial statements. These are only required to include headings and subtotals that were included in the most recent annual financial statements. Line items that if omitted would result in misleading interim financial statements are also required to be presented.
- However most preparers present the statement of comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in equity in the same format as in their annual statement (see chapter 2). These illustrative condensed interim financial statements are consequently presented with the same line items as in the annual financial statements.
- IAS 34.20 (b)  
Appendix A      The interim statement of comprehensive income is required to include the current interim period and cumulatively for the current financial year to date, with comparative statements of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year.
- A Layout (International) Group Plc only prepares half yearly interim financial statements (i.e. it does not prepare quarterly statements). As a result of this only two periods (current and comparative for the half year) are presented.
- IAS 34.30 (c)    To illustrate:  
Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.
- IAS 34.37-42  
Appendix B/C    IAS 34 provides certain guidance for recognition and measurement in interim financial statements which also includes some examples for the use of estimates. These are described in Chapter 6 of this publication.
- IAS 1.82A        Requires that items of other comprehensive are presented by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other IFRSs:
- a) Will not be reclassified subsequently to profit or loss; and
  - b) Will be reclassified subsequently to profit or loss when specific conditions are met.

A Layout (International) Group Plc

Interim consolidated statement of comprehensive income  
(Single statement approach, analysed by function of expense)  
For the six months ended 30 June 2017

| (in CU '000)   | Note | 2017          | 2016          |
|--|------|---------------|---------------|
| Revenue  | 3    | 81,879        | 83,432        |
| Cost of sales  |      | (65,094)      | (65,883)      |
| <b>Gross profit</b>  |      | <b>16,785</b> | <b>17,549</b> |
| Other operating income   |      | 530           | 611           |
| Administrative expenses  |      | (4,128)       | (4,362)       |
| Distribution expenses  |      | (4,389)       | (4,581)       |
| Other expenses   |      | (3,101)       | (4,465)       |
| <b>Profit from operations</b>  |      | <b>5,697</b>  | <b>4,752</b>  |
| Finance expense  |      | (945)         | (303)         |
| Finance income   |      | 142           | 393           |
| Loss from disposal group   | 4    | (214)         | -             |
| Share of post-tax profits of equity accounted investments  |      | 306           | 457           |
| <b>Profit before tax</b>   |      | <b>4,986</b>  | <b>5,299</b>  |
| Tax expense  | 5    | (1,298)       | (1,324)       |
| <b>Profit from continuing operations</b>   |      | <b>3,688</b>  | <b>3,974</b>  |
| Profit on discontinued operation, net of tax   |      | -             | 374           |
| <b>Profit for the period</b>   |      | <b>3,688</b>  | <b>4,348</b>  |
| Other comprehensive income   |      |               |               |
| <i>Items to be reclassified to profit or loss in subsequent periods</i>                              |      |               |               |
| Cash flow hedges   |      | 218           | 345           |
| Available-for-sale investments   |      | (47)          | (201)         |
| Exchange gains arising on translation of foreign operations  |      | -             | 973           |
| Income tax - items reclassified to profit or loss  |      | (35)          | (28)          |
| <i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>     |      | 137           | 1,089         |
| <i>Items not reclassified to profit or loss in subsequent periods</i>                                |      |               |               |
| Loss on property revaluation   |      | (850)         | (2,890)       |
| Actuarial gains on defined benefit pension schemes   |      | 242           | 158           |
| Income tax - items not reclassified to profit or loss  |      | 152           | 841           |
| <i>Net other comprehensive income not being reclassified to profit or loss in subsequent periods</i> |      | (456)         | (1,892)       |
| <b>Total other comprehensive income for the period</b>   |      | <b>(320)</b>  | <b>(803)</b>  |
| <b>Total comprehensive income for the period</b>   |      | <b>3,369</b>  | <b>3,546</b>  |

## Statement of comprehensive income

- IAS 34.11 In the statement that presents the components of profit or loss for an interim period, an entity shall present basic and diluted earnings per share for that period when the entity is within the scope of IAS 33 *Earnings per Share*.
- IAS 34.11A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 (as revised in 2007), it presents basic and diluted earnings per share in that separate statement.
- Note A Layout (International) Group Plc presents EPS for continuing operations, which is not required by IAS 34. However, the company regards EPS from continuing operations as a relevant indicator for investors.

A Layout (International) Group Plc

Interim consolidated statement of comprehensive income  
(Single statement approach, analysed by function of expense)  
For the six months ended 30 June 2017 (*Continued*)

| (in CU '000)  | Note | 2017  | 2016  |
|---|------|-------|-------|
| Profit for the period attributable to:  |      |       |       |
| Owners of the parent  |      | 3,408 | 4,117 |
| Non-controlling interest  |      | 280   | 231   |
|   |      | 3,688 | 4,348 |
| Total comprehensive income for the period attributable to:  |      |       |       |
| Owners of the parent  |      | 3,089 | 3,315 |
| Non-controlling interest  |      | 280   | 231   |
|   |      | 3,369 | 3,546 |
| Earnings per share for profit for the period attributable to the owners of the parent during the year |      |       |       |
| Basic (CU cent)   |      | 4.5   | 5.5   |
| Diluted (CU cent)   |      | 4.1   | 4.9   |
| Continuing operations   |      |       |       |
| Basic (CU cent)   |      | 4.5   | 5.0   |
| Diluted (CU cent)   |      | 4.1   | 4.5   |

## Statement of financial position

IAS 34.20 (a) The interim statement of financial position is required to present the financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year. There is no requirement for a comparative statement of financial position as of the end of the comparative interim financial period.

IAS 34.37-42  
Appendix B/C IAS 34 provides certain guidance for recognition and measurement in interim financial statements which also includes some examples for the use of estimates. These are described in Chapter 6 of this publication.

IAS 34.9 If an entity publishes a complete set of financial statements in its interim financial report (as opposed to condensed interim financial statements), the form and content of those statements must comply with all the requirements of IAS 1 *Presentation of Financial Instruments*.

Note: A Layout is not preparing a complete set of financial statements in its interim financial report, instead it is presenting condensed consolidated statements in Accordance with IAS 34 *Interim Financial Statements* (refer to Note 1 Basis of preparation).

Therefore A Layout is only subject to the specific requirements of IAS 34, and not those of IAS 1.

For example, IAS 1 paragraphs 40A and 41 require a 'third balance sheet' to be presented when:

- An entity applies an accounting policy retrospectively that results in a material retrospective restatements or reclassification of items at the beginning of the earliest period presented
- There is a change in the presentation or reclassification of items.

IAS 34 includes no such requirements.

However entities will need to consider whether there is a regulatory or other requirement in their jurisdiction in respect of the 'third balance sheet' requirement, or other reporting requirements that are not included in IAS 34.

A Layout (International) Group Plc  
Interim consolidated statement of financial position

| (in CU '000)  | Note | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|---|------|--------------------------|------------------------------|
| <b>Assets</b>   |      |                          |                              |
| <b>Non-current assets</b>                             |      |                          |                              |
| Property, plant and equipment                         |      | 42,999                   | 47,501                       |
| Investment property                                   |      | 2,329                    | 2,649                        |
| Intangible assets                                     |      | 5,573                    | 6,183                        |
| Investments in equity-accounted investments           |      | 2,846                    | 2,685                        |
| Available-for-sale investments                        |      | 2,845                    | 3,125                        |
| Derivative financial assets                           |      | 591                      | 625                          |
| Other receivables                                     |      | 230                      | 180                          |
| Deferred tax assets                                   |      | 75                       | 200                          |
|   |      | 57,488                   | 63,148                       |
| <b>Current assets</b>                                 |      |                          |                              |
| Inventories   |      | 22,284                   | 21,194                       |
| Trade and other receivables                           |      | 18,260                   | 16,693                       |
| Available-for-sale investments                        |      | 221                      | 448                          |
| Derivative financial assets                           |      | 2,003                    | 2,314                        |
| Cash and cash equivalents                             |      | 26,900                   | 21,765                       |
| Assets in disposal groups classified as held for sale |      | -                        | 5,316                        |
|   |      | 69,668                   | 67,730                       |
| <b>Total assets</b>                                   |      | <b>127,156</b>           | <b>130,878</b>               |

See earlier guidance notes.



A Layout (International) Group Plc

Interim consolidated statement of financial position (continued)

| (in CU '000)  | Note | As at<br>30 June<br>2017 | As at<br>31 December<br>2016 |
|---|------|--------------------------|------------------------------|
| Issued capital and reserves attributable to owners of the parent                              |      |                          |                              |
| Share capital   |      | 10,068                   | 10,068                       |
| Share premium reserve   |      | 23,220                   | 23,220                       |
| Capital redemption reserve  |      | 100                      | 100                          |
| Treasury and ESOP share reserve   |      | (1,066)                  | (1,066)                      |
| Convertible debt option reserve   |      | 503                      | 503                          |
| Revaluation reserve   |      | 621                      | 1,258                        |
| Available-for-sale reserve  |      | 1,150                    | 1,177                        |
| Cash flow hedging reserve   |      | 1,066                    | 902                          |
| Foreign exchange reserve  |      | 6,253                    | 6,253                        |
| Retained earnings   |      | 23,334                   | 23,153                       |
|   |      | <u>65,248</u>            | <u>65,568</u>                |
| Non-controlling interest  |      | 3,867                    | 3,587                        |
| <b>Total equity</b>   |      | <b>69,115</b>            | <b>69,155</b>                |
| Liabilities   |      |                          |                              |
| Non-current liabilities   |      |                          |                              |
| Loans and borrowings  | 9    | 16,872                   | 14,292                       |
| Derivative financial liabilities  |      | 49                       | 43                           |
| Employee benefits   |      | 8,560                    | 8,452                        |
| Provisions  |      | 1,233                    | 1,303                        |
|   |      | <u>1,448</u>             | <u>1,440</u>                 |
|   |      | 28,162                   | 25,530                       |
| Current liabilities   |      |                          |                              |
| Trade and other payables  |      | 15,063                   | 14,850                       |
| Loans and borrowings  | 9    | 9,873                    | 15,230                       |
| Derivative financial liabilities  |      | 93                       | 69                           |
| Corporation tax liability   |      | 1,430                    | 2,644                        |
| Employee benefits   |      | 3,138                    | 2,817                        |
| Provisions  |      | 283                      | 256                          |
| Liabilities directly associated with assets in disposal groups<br>classified as held for sale |      | -                        | 327                          |
|   |      | <u>29,880</u>            | <u>36,193</u>                |
| <b>Total liabilities</b>  |      | <b>58,042</b>            | <b>61,723</b>                |
| <b>Total equity and liabilities</b>   |      | <b>127,156</b>           | <b>130,878</b>               |

## Statement of cash flows

IAS 34.20 (d) The interim statement of cash flows is required to include cash flows cumulatively for the financial year to date, together with the comparable year to date period of the preceding financial year. Unlike the interim Statement of comprehensive income, there is no requirement to present the cash flows of the current interim period for quarterly reporters. A Layout (International) Group Plc only prepares half yearly interim financial statements (i.e. it does not prepare quarterly statements).

A Layout (International) Group Plc

Interim consolidated statement of cash flows  
For the six months ended 30 June

| (in CU '000)  | Note | 2017         | 2016           |
|---|------|--------------|----------------|
| Cash flows from operating activities                                    |      |              |                |
| Profit for the period   |      | 3,688        | 4,348          |
| <i>Adjustments for:</i>   |      |              |                |
| Depreciation of property, plant and equipment                           |      | 3,920        | 4,583          |
| Amortisation of intangible fixed assets                                 |      | 610          | 505            |
| Impairment losses on intangible assets                                  |      | -            | 100            |
| Change in value of investment property                                  |      | 320          | 1,527          |
| Finance income  |      | (142)        | (393)          |
| Finance expense   |      | 945          | 303            |
| Share of profit from associates   |      | (306)        | (457)          |
| Profit on sale of discontinued operations, net of tax                   |      | -            | (63)           |
| Loss on sale on assets and liabilities in disposable groups, net of tax |      | 214          | -              |
| Loss / (gain) on sale of property, plant and equipment                  |      | 180          | (22)           |
| Share-based payment expense   |      | 465          | 439            |
| Income tax expense  |      | 1,423        | 1,324          |
|   |      | 11,317       | 12,194         |
| Increase in trade and other receivables                                 |      | (1,592)      | (853)          |
| Increase in inventories   |      | (1,090)      | (596)          |
| Increase / Decrease in trade and other payables                         |      | 213          | (267)          |
| Increase in provisions and employee benefits                            |      | 628          | 1,068          |
| <b>Cash generated from operations</b>                                   |      | <b>9,476</b> | <b>11,546</b>  |
| Income taxes paid   |      | (2,262)      | (1,763)        |
| <b>Net cash flows from operating activities</b>                         |      | <b>7,214</b> | <b>9,783</b>   |
| Investing activities  |      |              |                |
| Acquisition of subsidiary, net of cash acquired                         |      | -            | (3,185)        |
| Purchases of property, plant and equipment                              |      | (860)        | (5,169)        |
| Sale of property, plant and equipment                                   |      | 450          | 87             |
| Disposal of discontinued operation, net of cash disposed of             |      | -            | 6,300          |
| Disposal of assets and liabilities in disposable groups                 |      | 4,750        | -              |
| Purchase of intangibles   |      | (38)         | (650)          |
| Disposal / Purchases of available-for-sale financial assets             |      | 402          | (52)           |
| Disposal of Derivative financial assets                                 |      | 400          | -              |
| Interest received   |      | 142          | 136            |
| Dividends from associates   |      | 145          | 284            |
| <b>Net cash from / (used) in investing activities</b>                   |      | <b>5,391</b> | <b>(2,249)</b> |

See earlier guidance notes.

A Layout (International) Group Plc  
Interim consolidated statement of cash flows  
For the six months ended 30 June

| (in CU '000)   | Note | 2017    | 2016    |
|--|------|---------|---------|
| Financing activities                                 |      |         |         |
| Proceeds from bank borrowings                        |      | 3,100   | 2,300   |
| Repayment of bank borrowings                         |      | (5,500) | (753)   |
| Payments to finance lease creditors                  |      | (551)   | (405)   |
| Interest paid on convertible loan notes              |      | (225)   | (225)   |
| Interest paid on bank borrowings                     |      | (286)   | -       |
| Dividends paid on shares classified as liabilities   |      | (9)     | (9)     |
| Dividends paid to the holders of the parent          | 7    | (3,874) | (5,200) |
| Net cash (used in)/from financing activities         |      | (7,345) | (4,292) |
|  |      |         |         |
| Net increase in cash and cash equivalents            |      | 5,260   | 3,242   |
| Cash and cash equivalents at beginning of the period |      | 21,765  | 17,775  |
| Exchange losses on cash and cash equivalents         |      | (125)   | (188)   |
| Cash and cash equivalents at end of the period       |      | 26,900  | 20,829  |

## Statement of changes in equity

IAS 1.106 (b) Changes in accounting policy both, resulting from the initial application of a new standard or from a voluntarily change that results in more reliable and more relevant information are recognised retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

IAS 34.20 (c) The interim statement of changes in equity is required to include a statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.

There is no requirement to present an interim statement of changes in equity for the current interim period for quarterly reporters. A Layout (International) Group Plc only prepares half yearly interim financial statements (i.e. it does not prepare quarterly statements). Also, there is no requirement to present a statement of changes in equity for the immediately preceding financial year, even though the comparative statement of financial position is on that basis.

A Layout (International) Group Plc  
Interim consolidated statement of changes in equity  
For the six months ended 30 June 2017

Interim condensed consolidated statement of changes in equity

(in CU '000)

|  | Share capital | Share premium | Capital redemption reserve | Treasury shares / shares held by ESOP | Convertible debt option reserve | Revaluation reserve | Available-for-sale reserve | Cash flow hedging reserve | Foreign exchange reserve | Retained earnings | Total   | Non-controlling interest | Total equity |
|--|---------------|---------------|----------------------------|---------------------------------------|---------------------------------|---------------------|----------------------------|---------------------------|--------------------------|-------------------|---------|--------------------------|--------------|
| Balance at 1 January 2017                          | 10,068        | 23,220        | 100                        | (1,066)                               | 503                             | 1,258               | 1,177                      | 902                       | 6,253                    | 23,153            | 65,568  | 3,587                    | 69,155       |
| Comprehensive Income for the period                |               |               |                            |                                       |                                 |                     |                            |                           |                          |                   |         |                          |              |
| Profit   | -             | -             | -                          | -                                     | -                               | -                   | -                          | -                         | -                        | 3,408             | 3,408   | 280                      | 3,688        |
| Other comprehensive Income                         | -             | -             | -                          | -                                     | -                               | (638)               | (27)                       | 164                       | -                        | 182               | (320)   | -                        | (320)        |
| Total comprehensive Income for the period          | -             | -             | -                          | -                                     | -                               | (638)               | (27)                       | 164                       | -                        | 3,590             | 3,089   | 280                      | 3,369        |
| Contributions by and distributions to owners       |               |               |                            |                                       |                                 |                     |                            |                           |                          |                   |         |                          |              |
| Dividends  | -             | -             | -                          | -                                     | -                               | -                   | -                          | -                         | -                        | (3,874)           | (3,874) | -                        | (3,874)      |
| Share based payment                                | -             | -             | -                          | -                                     | -                               | -                   | -                          | -                         | -                        | 465               | 465     | -                        | 465          |
| Total contributions by and distributions to owners | -             | -             | -                          | -                                     | -                               | -                   | -                          | -                         | -                        | (3,409)           | (3,409) | -                        | (3,409)      |
| Balance at 30 June 2017                            | 10,068        | 23,220        | 100                        | (1,066)                               | 503                             | 621                 | 1,150                      | 1,066                     | 6,253                    | 23,334            | 65,248  | 3,867                    | 69,115       |

See earlier guidance notes.



A Layout (International) Group Plc  
Interim consolidated statement of changes in equity  
For the six months ended 30 June 2016

| (in CU '000)  | Share capital | Share premium | Capital redemption reserve | Treasury shares / shares held<br>by ESOP | Convertible debt option reserve | Revaluation reserve | Available-for-sale reserve | Cash flow hedging reserve | Foreign exchange reserve | Retained earnings | Total   | Non-controlling interest | Total equity |
|---|---------------|---------------|----------------------------|--|---------------------------------|---------------------|----------------------------|---------------------------|--------------------------|-------------------|---------|--------------------------|--------------|
| Balance at 1 January 2016   | 7,428         | 22,434        | 50                         | (1,230)                                  | 559                             | 4,360               | 1,470                      | 1,062                     | 4,482                    | 20,310            | 60,925  | 3,107                    | 64,032       |
| Comprehensive Income for the period                                     |               |               |                            |  |                                 |                     |                            |                           |                          |                   |         |                          |              |
| Profit  | -             | -             | -                          | -  | -                               | -                   | -                          | -                         | -                        | 4,117             | 4,117   | 231                      | 4,348        |
| Other comprehensive Income  | -             | -             | -                          | -  | -                               | (2,010)             | (149)                      | 165                       | 973                      | 119               | (803)   | -                        | (803)        |
| Total comprehensive Income for the period                               | -             | -             | -                          | -  | -                               | (2,010)             | (149)                      | 165                       | 973                      | 4,236             | 3,315   | 231                      | 3,546        |
| Contributions by and distributions to owners                            |               |               |                            |  |                                 |                     |                            |                           |                          |                   |         |                          |              |
| Dividends   | -             | -             | -                          | -  | -                               | -                   | -                          | -                         | -                        | (5,200)           | (5,200) | -                        | (5,200)      |
| Shares to be issued as part of consideration in<br>business combination | -             | -             | -                          | -  | -                               | -                   | -                          | -                         | -                        | -                 | 2,500   | -                        | 2,500        |
| Share based payment   | -             | -             | -                          | -  | -                               | -                   | -                          | -                         | -                        | 439               | 439     | -                        | 439          |
| Total contributions by and distributions to<br>owners                   | -             | -             | -                          | -  | -                               | -                   | -                          | -                         | -                        | (4,761)           | (2,261) | -                        | (2,261)      |
| Balance at 30 June 2016   | 7,428         | 22,434        | 50                         | (1,230)                                  | 559                             | 2,350               | 1,321                      | 1,227                     | 5,455                    | 19,785            | 61,979  | 3,338                    | 65,317       |

## Notes to the financial statements

IAS 34.19 If an entity's interim financial report is in compliance with IAS 34, that fact shall be disclosed. An interim financial report shall not be described as complying with IFRSs unless it complies with all the requirements of IFRSs.

*New standards and amendments* The following new standards, amendments and interpretations are also effective for the first time in these financial statements but none have had a material effect on the group and so have not been included in the illustrative disclosures on the facing page:

- Annual Improvements to IFRSs 2014 - 2016 Cycle (IFRS 12 *Disclosure of Interests in Other Entities*)
- IAS 12 Income Taxes (Amendment - Recognition of Deferred Tax Assets for Unrealized Losses)
- IAS 7 Statement of Cash Flows (Disclosure Initiative Amendments)

IAS 34.16 (a) An entity is required to include a statement that the same accounting policies and methods of computation are followed in the interim financial statements 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.

IAS 34.16A(d) Disclose the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported

Impact of accounting standards to be applied in the future of *The disclosure provided on the impact of IFRSs 9, 15 and 16 are prepared for a fictitious organization - A Layout (International) Group Plc. It is designed to give readers an indication of the type of information which an entity may wish to give in light of the Public Statement made by a number of regulators including the European Securities and Markets Authority (ESMA) in relation to both [IFRS 9](#) and [IFRS 15](#) and its expectations of companies concerning progressively more information about the adoption of these standards in both annual and interim financial statements leading up to their effective date. However, the actual disclosure provided by entities in relation to the status of their transition projects and the likely impacts would be expected to be specific to each individual entity. Although there has been no public statement by ESMA specifically on IFRS 16, a similar public statement has been made by the International Organisation of Securities Commissions (IOSCO) that encompasses all 3 standards (available [here](#)) and so A Layout (International) Group Plc has also provided some specific narrative on the likely impact of this standard.*

*Note, however, that there is no specific disclosure requirement in IAS 34 Interim Financial Reporting to provide information on the future impact of standards issued but not yet adopted..*

## 1 Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2016 annual report.

## 2 Significant accounting policies

A Layout (International) Group Plc has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2016 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2017, and will be adopted in the 2017 annual financial statements.

However, none of the new standards and amendments that are effective for the first time for periods beginning on (or after) 1 January 2017 have a material effect on A Layout (International) Group Plc.

### *Use of estimates and judgements*

The preparation of interim consolidated financial statements in compliance with IAS 34 requires the use of certain critical accounting estimates.

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the annual financial statements for the year ended 31 December 2016.

### *Impact of accounting standards to be applied in future periods*

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2017 (the date on which the company's next annual financial statements will be prepared up to) that the company has decided not to adopt early. The most significant of these are

- IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* (both mandatorily effective for periods beginning on or after 1 January 2018); and
- IFRS 16 *Leases* (mandatorily effective for periods beginning on or after 1 January 2019).

A Layout (International) Group Plc has progressed further its projects dealing with the implementation of these three key new accounting standards in the past 6 months and is able to provide the following information regarding their likely impact:

See earlier guidance notes.

Notes to the interim consolidated financial statements  
For the six months ended 30 June 2017

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*IFRS 9 Financial Instruments*

The company has identified that the adoption IFRS 9, which replaces IAS 39 *Financial Instruments: Recognition and Measurement from 1 January 2018*, will impact its consolidated financial statements in three key areas:

- The group will need to apply an expected credit loss model when calculating impairment losses on its trade and other receivables (both current and non-current). This will result in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the group must consider the probability of a default occurring over the contractual life of its trade receivables and contracts asset balances on initial recognition of those assets. Based on a limited amount of modelling carried out by the group, this is likely to increase the impairment provision by approximately 5% of outstanding gross debts at the year end which, under the existing incurred loss model, has been between 2% to 4% of the gross carrying amount of receivables over the last 5 years.
- The group has decided to classify all of its equity investments as being at fair value through other comprehensive income under IFRS 9, which are currently classified as available for sale in the group balance sheet. This will mean that all changes in the fair value of such assets up to the point of disposal will be recorded in other comprehensive income. Therefore, in contrast to the current accounting treatment, significant or prolonged declines in value below cost will not be recognised in the income statement, and the income statement will not reflect gains or losses on disposal because gains and losses recognised in other comprehensive income will not be recycled to profit or loss on any such disposal. As there were no disposals or impairments of available for sale assets in the 6 months to 30 June 2017 or 2018 IFRS 9 would not have impacted these interims in this regard, although future periods are likely to be impacted.
- Due to simplifications being introduced in IFRS 9's hedge accounting model, the group may find that it able to hedge account where it has not previously been able to, and this could result in changes in when gains and losses on derivatives and certain hedged items are recognised in profit or loss. As the company has systems which are currently set up to enable hedge accounting under IAS 39, a model which as an option it can continue to apply on adoption of IFRS 9, the company is still working on the cost-benefit analysis of whether the costs associated with moving to IFRS 9's model will be outweighed by the benefits of the additional hedging relationships that can be accounted for under that model.

*IFRS 15 Revenue from Contracts with Customers*

As a manufacturer, the group earns the majority of its revenues from the sale of goods rather than services. It predominantly manufactures those goods to specific orders, but also retains some finished goods for speculative sale. For the majority of its contracts the company recognises revenue at a point in time, typically on delivery of the goods to the customers premises or at the point of shipping. However, in a minority of contracts, typically for more bespoke orders, the group also recognises revenue as an order progresses through the manufacturing process. The group has concluded that adoption of IFRS will result in revenue on all contracts in progress at the interim reporting date being recognised at a point in time, either on delivery to the customer or at the point of shipping depending on when the specifics of a particular contract result in control of the goods being passed to the customer. Had IFRS 15 applied in this interim period then the net impact on the income statement based on affected contracts at 1 January 2017 and 30 June 2017 is that approximately CU 5 million of revenue and CU 4.8 million of costs would have been recognised subsequent to 30 June.

See earlier guidance notes.

## A Layout (International) Group Plc

### Notes to the interim consolidated financial statements For the six months ended 30 June 2017

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In addition, the group's operation in the US has a specific customer whose orders are fulfilled on a bill and hold basis. The criteria in IFRS 15 for recognising revenue on bill and hold sales are different to those in IAS 18 *Revenue*, and therefore would similarly result in revenue being recognised later than is currently the case. However, because of the volume of goods held on a bill and hold basis at 31 December 2016 is significantly greater than those held at 30 June 2017, there would have been a net increase in revenue of approximately CU 2.0 million and costs of approximately CU 1.9 million in these interim financial statements had IFRS 15 been applied.

Although the majority of the group's contracts with customers are not complex, with revenue being fixed for a specific quantity of goods, the company has identified a number of contracts that will need to be accounted for differently. At present it has not been possible to quantify these effects. Specifically:

- There are a number of contracts in which customers are given volume rebates based on quantities purchased over an extended period of time. Under the company's current policy it makes its best estimate of any rebates it will have to give based on available information. Under IFRS 15, it will assume products sold by the balance sheet date will attract a full rebate except to the extent that it is highly probable the full rebate will not be earned.
- For one key customer, the entity accepts orders and is paid up to 2 years in advance of delivering the products. Under the company's current policy it accounts for the cash received as deferred income and releases the cash received as revenue when it delivers the products. Under IFRS 15 it will be required to impute interest payable on the deferred income balance over the period to delivery, offset by higher revenue when the products are delivered.
- One major customer in Asia awarded a significant contract to the group which entitled it to certain discounts if it placed repeat orders in the future. Because any such future contracts will be profitable for the group, none of the revenue received on the initial contract was deferred under the group's current policy. However, IFRS 15 results in the discount available on future potential orders to be classified as a 'material right' and will result in revenue already recognised in the income statement on the original contract being deferred and recognised on the later of its expiry date (December 2020) or earlier if the customer exercises its right to a discount in future orders.

The Board has decided that it will apply IFRS 15 retrospectively, making use of any practical expedient available.

#### IFRS 16 *Leases*

Adoption of IFRS 16 will result in the group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment. At 31 December 2016 the commitment disclosed was CU 5 million, which is not materially different to the position at 30 June 2017 or the amount which is expected to be disclosed at 31 December 2017. Assuming the Group's lease commitments remain at this level, the effect of discounting those commitments might be expected to result in right-of-use assets and lease liabilities of approximately CU 4 million being recognised on 1 January 2019. Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost (which for the 6 months ended 30 June was approximately CU 750,000).

See earlier guidance notes.



A Layout (International) Group Plc

Notes to the interim consolidated financial statements  
For the six months ended 30 June 2017

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However, the group has also currently identified some service contracts, which are currently being analysed by reference to the criteria in IFRS 16 to see if they contain a lease. The process of identifying all such contracts that may contain leases for the purposes of IFRS 16, but which are not currently considered to be lease contracts under the group's current accounting policy, is still ongoing.

It is therefore not possible to quantify at this stage what the effect on the group would be if contracts are to be accounted for as leases for the first time under IFRS 16, although the impact could be to materially increase the amount of lease commitments and hence further increase the amount of lease liabilities and right-of use assets that will be recognised on balance sheet when the standard is first adopted.

Although no final decision has been made, the Board has tentatively decided to apply the modified retrospective method when it adopts IFRS 16 in its financial statements for the year ended 31 December 2019. Therefore there will be no impact on any accounting period up to and including 31 December 2018, with the leases recognised on balance sheet on the date of initial application of IFRS 16 (1 January 2019). In addition, the Board has tentatively decided to measure right-of-use assets by reference to the amount at which lease liabilities are measured on 1 January 2019 such that there will be no immediate impact on net assets as a result of adopting the standard.

- IAS 34.16A (g) If IFRS 8 *Operating Segments* requires the entity to disclose segment information in its annual financial statements then the following information should be given in the interim financial report. Disclosure should be made in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis:
- i. Revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker
  - ii. Intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker
  - iii. A measure of segment profit or loss
  - iv. Total assets for which there has been a material change from the amount disclosed in the last annual financial statements
  - v. 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
  - vi. 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), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.

A Layout (International) Group Plc

Notes to the interim consolidated financial statements  
For the six months ended 30 June 2017

3 Segment information

For the six month ended 30 June 2017

(in CU '000)

|                           | Toys   | Board games | Outdoor games | Abstract art (discontinued) | All other segments | Total  |
|---------------------------|--------|-------------|---------------|-----------------------------|--------------------|--------|
| External revenue          | 59,986 | 16,568      | 3,939         | -                           | 1,386              | 81,879 |
| Inter-segment revenue     | 6,722  | -           | -             | -                           | -                  | 6,722  |
| Segment profit before tax | 4,348  | 1,055       | 264           | -                           | 95                 | 5,762  |

For the six month ended 30 June 2016

(in CU '000)

|                           | Toys   | Board games | Outdoor games | Abstract art (discontinued) | All other segments | Total  |
|---------------------------|--------|-------------|---------------|-----------------------------|--------------------|--------|
| External revenue          | 61,000 | 17,408      | 3,618         | 3,251                       | 1,406              | 86,683 |
| Inter-segment revenue     | 7,222  | -           | -             | -                           | -                  | 7,222  |
| Segment profit before tax | 4,356  | 1,084       | 288           | 505                         | 108                | 6,341  |

|   |  |              |              |
|---|--|--------------|--------------|
| Reconciliation to reported profit before tax<br>(for the six month ended 30 June) |  | 2017         | 2016         |
| Profit and loss of reportable segments before tax                                 |  | 5,667        | 6,233        |
| Profit and loss other segments before tax   |  | 95           | 108          |
|   |  | <u>5,762</u> | <u>6,341</u> |
| Profit before tax on discontinued operation                                       |  | -            | (505)        |
| Share of post-tax profits of equity accounted investments                         |  | 306          | 457          |
| Elimination inter-segment profits   |  | (193)        | (260)        |
| Corporate expenses  |  | (889)        | (734)        |
| Profit before tax   |  | <u>4,986</u> | <u>5,299</u> |

## Notes to the financial statements

IAS 34.16A (b) ...an entity shall include the following information, in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report.

(b) Explanatory comments about the seasonality or cyclicity of interim operations.

IAS 34.21 For an entity whose business is highly seasonal, financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period may be useful. Accordingly, entities whose business is highly seasonal are encouraged to consider reporting such information in addition to the information called for in the preceding paragraph.

Note A Layout (International) Group Plc considers its business as highly seasonal as it is heavily dependent on Christmas sales. It has consequently provided additional financial information as required by IAS 34.21.

IAS 34.30 (c) Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

IAS 34.B13 This is consistent with the basic concept set out in IAS 34.28 that the same accounting recognition and measurement principles shall be applied in an interim financial report as are applied in annual financial statements. Income taxes are assessed on an annual basis. Interim period income tax expense is calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate. That estimated average annual rate would reflect a blend of the progressive tax rate structure expected to be applicable to the full year's earnings including enacted or substantively enacted changes in the income tax rates scheduled to take effect later in the financial year. IAS 12 Income Taxes provides guidance on substantively enacted changes in tax rates. The estimated average annual income tax rate would be re-estimated on a year-to-date basis, consistent with IAS 34.28. IAS 34.16A(d) requires disclosure of a significant change in estimate.

IAS 34.B14 To the extent practicable, a separate estimated average annual effective income tax rate is determined for each taxing jurisdiction and applied individually to the interim period pre-tax income of each jurisdiction. Similarly, if different income tax rates apply to different categories of income (such as capital gains or income earned in particular industries), to the extent practicable a separate rate is applied to each individual category of interim period pre-tax income. While that degree of precision is desirable, it may not be achievable in all cases, and a weighted average of rates across jurisdictions or across categories of income is used if it is a reasonable approximation of the effect of using more specific rates.

IAS 34.16A (i) ...an entity shall include the following information, in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report.

i) 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 by IFRS 3 *Business Combinations*.

Notes to the interim consolidated financial statements  
For the six months ended 30 June 2017

#### 4 Seasonal business

As with many retailers in Western society, A Layout (International) Group Plc is heavily dependent upon successful sales during the final quarter of the year. Sales tend to peak for the Christmas season and then decline after the holidays. These increased sales from September through December and declining sales in January and February result in lower revenue for the first half year and increased revenue for the second half year.

Revenue for the 12 months ended 30 June 2017 totalled CU195,482,000 (2016: CU201,072,000) and cost of sales of CU152,980,000 (2016: CU156,802,000).

#### 5 Tax

Tax is charged at 26% for the six months ended 30 June 2017 (30 June 2016: 25%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the six month period.

#### 6 Disposal group held for sale

Pony Games Limited ("Pony"), with its principal activity of manufacturing board games, was sold on 13 April 2017. It was wholly owned by A Layout (International) Group Plc. Following a strategic review management had concluded that considerable cost savings could be achieved if Zebra (a sister entity) undertakes manufacture previously allocated to Pony. The assets and liabilities of Pony were classified as held for sale in the last annual financial statements.

(in CU '000)

|   |              |
|---|--------------|
| <i>Consideration received (and net cash inflow)</i> | 4,750        |
| <i>Net assets disposed of</i>                       |              |
| Property, plant and equipment                       | 3,644        |
| Investment property                                 | 1,000        |
| Intangible assets                                   | 200          |
| Trade and other receivables                         | 338          |
| Other financial assets                              | 57           |
| Trade and other payables                            | (189)        |
| Other financial liabilities                         | (15)         |
|   | <u>5,035</u> |
| Pre-tax loss on disposal                            | (285)        |
| Related tax income                                  | 71           |
| <i>Loss on disposal</i>                             | <u>(214)</u> |

## Notes to the financial statements

IAS 34.16A (f) ...an entity shall include the following information, in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report.  
...  
(f) dividends paid (aggregate or per share) separately for ordinary shares and other shares.  
...

IAS 34.15B (j) The following is a list of events and transactions for which disclosures would be required if they are significant: the list is not exhaustive.  
....  
(j) related party transactions  
....

Note IAS 34.15B requires the disclosures of events and transactions that are significant. This means that an entity does not need to repeat all or update all disclosures that were provided in the last annual statements.

A Layout (International) Group Plc considers its trading transaction related parties and management compensation as significant and provides updated information regardless that related party transaction information was presented in its last annual financial statements. However, it has not provided information about its ultimate controlling party because the situation is unchanged from the last annual financial statements.

Notes to the interim consolidated financial statements  
For the six months ended 30 June 2017

7 Dividend

|   | 2017<br>CU'000 | 2016<br>CU'000 |
|---|----------------|----------------|
| Final dividend of CU cent 5.1 (2016: CU cent 7) per ordinary share proposed and paid during the period relating to the previous financial years results | 3,874          | 5,200          |

8 Related party transactions

(in CU '000)

During the six months ended 30 June group companies entered into the following transactions with related parties who are not members of the Group.

|                       | Sales of goods |       | Purchase of goods |       | Amounts owed by related parties |      | Amounts owed to related parties |      |
|-----------------------|----------------|-------|-------------------|-------|---------------------------------|------|---------------------------------|------|
|                       | 2017           | 2016  | 2017              | 2016  | 2017                            | 2016 | 2017                            | 2016 |
| A Layout (EU) Limited | 1,690          | 1,681 | -                 | -     | 998                             | 862  | -                               | -    |
| A Layout (USA) Inc    | -              | -     | 1,450             | 1,320 | -                               | -    | -                               | -    |
| Associates            | -              | -     | 350               | 422   | -                               | -    | 90                              | 60   |
| Joint ventures        | 120            | 98    | -                 | 38    | 39                              | 25   | -                               | 33   |

Sales of goods to related parties were made at the Group's usual list prices, less average discounts of five per cent. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationship between the parties.

| Related party relationship   | Type of transaction          | Transaction amount |       | Balance owed |       |
|--|------------------------------|--------------------|-------|--------------|-------|
|  |                              | 2017               | 2016  | 2017         | 2016  |
| Companies in which directors or their immediate family have a significant/controlling interest | Sales to related party       | 1,754              | 1,680 | 806          | 1,320 |
|  | Purchase from related party  | 1,268              | 1,668 | -            | -     |
| Associates   | Dividends received           | 145                | 284   | -            | -     |
| Joint ventures   | Sales of assets to the group | 160                | 40    | -            | -     |

## Notes to the financial statements

- IAS 24.17 An entity shall disclose key management personnel compensation in total and for each of the following categories:
- (a) short-term employee benefits
  - (b) post-employment benefits
  - (c) other long-term benefits
  - (d) termination benefits
  - (e) share-based payment.
- IAS 34.16A (e) ...an entity shall include the following information, in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report.
- (e) issues, repurchases and repayments of debt and equity securities.
- IAS 34.15B (i) The following is a list of events and transactions for which disclosures would be required if they are significant: the list is not exhaustive.
- ...
- any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period
- ....
- Note A Layout (International) Group Plc has not breached any of its loan covenants as of 30 June 2017 it has therefore not provided disclosures in regard of IAS 34.15B (i). The company would be obliged to follow IAS 1.73-76 it had so.
- IAS 34.16A (h) ...an entity shall include the following information, in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report.
- (h) events after the interim period that have not been reflected in the financial statements for the interim period.



Notes to the interim consolidated financial statements  
For the six months ended 30 June 2017

## 8 Related party transactions (continued)

### Key management personnel compensation

| (in CU '000)  | 2017         | 2016         |
|---|--------------|--------------|
| Salary  | 440          | 425          |
| Other long-term benefits                              | 352          | 1,621        |
| Total pension and other post-employment benefit costs | 930          | 920          |
| Share based payment expense                           | 465          | 439          |
| <b>Total</b>  | <b>2,187</b> | <b>3,405</b> |

## 9 Loans and borrowings

| (in CU '000)                    | 2017          | 2016          |
|---------------------------------|---------------|---------------|
| <i>At 1 January</i>             |               |               |
| Non-current                     | 14,292        | 10,176        |
| Current                         | 15,230        | 16,076        |
| <b>Total</b>                    | <b>29,522</b> | <b>26,252</b> |
| <b>Issues</b>                   |               |               |
| Non-current bank loan (secured) | 3,100         | 2,300         |
| <b>Repayments</b>               |               |               |
| Collateralised borrowings       | (1,000)       | (753)         |
| Current bank loan (secured)     | (4,500)       | -             |
| Finance Lease creditor          | (520)         | (372)         |
| <b>Other</b>                    | <b>143</b>    | <b>(17)</b>   |
| <i>At 30 June</i>               |               |               |
| <b>Total</b>                    | <b>26,745</b> | <b>27,410</b> |
| - Thereof non-current           | 16,872        | 12,476        |
| - Thereof current               | 9,873         | 14,934        |

A Layout (International) Group Plc has repaid its current bank loan amounting to CU4,500,000 in line with expected repayment terms and at the same time drew down CU3,100,000 under the current loan facility with a nominal interest rate of 4.25% for five years.

## 10 Events after the reporting period

A major lessee that accounted for approximately half of total rent received on investment property entered bankruptcy in July 2017 and will consequently not be able to fulfil its contractual obligation to pay future rentals. A Layout (International) Group Plc has therefore terminated the lease agreement originally ending December 2020. Given the current status of the property market it is unlikely that the investment property will be capable of generating the amount of income that would have been derived from the original contract.

## Notes to the financial statements

- IAS 34.16A (j) For financial instruments, the disclosures about fair value required by paragraphs 91-93(h), 94-96, 98 and 99 of IFRS 13 *Fair Value Measurement* and paragraphs 25, 26 and 28-30 of IFRS 7 *Financial Instruments: Disclosures*.
- IFRS 7.25 An entity must disclose the fair value for each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying Amount, except:
- IFRS 7.29
- When the carrying amount is a reasonable approximation of fair value (E.g. short-term trade receivables and payables)
  - For contracts containing a discretionary participation feature (as described in IFRS 4 *Insurance Contracts*) if the fair value of that feature cannot be measured reliably.
- IFRS 7.26 Financial assets and financial liabilities are to be grouped into classes for the purposes of fair value disclosures, but shall be offset only to the extent that their carrying amounts are offset in the statement of financial position.
- IFRS 7.28 In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) nor based on a valuation technique that uses only data from observable markets (see paragraph AG76 of IAS 39). In such cases, the entity shall disclose by class of financial asset or financial liability:
- a) Its accounting policy for recognising in profit or loss the difference between the fair value at initial recognition and the transaction price to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph B5.4.9 of IFRS 9).
  - b) The aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.
  - c) Why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.
- IFRS 7.30 In the cases described in paragraph 29(c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those contracts and their fair value, including:
- a) The fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;
  - b) A description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;
  - c) Information about the market for the instruments;
  - d) Information about whether and how the entity intends to dispose of the financial instruments; and
  - e) If financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.

Notes to the interim consolidated financial statements  
For the six months ended 30 June 2017

## 11 Fair Value

### (a) Carrying Amount versus Fair Value

The following table compares the carrying amounts and fair values of the group's financial assets and financial liabilities as at 30 June 2017.

The group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Trade receivables
- Trade payables
- Cash and cash equivalents.

| (in CU '000)                     | As at 30 June 2017 |               | As at 31 December 2016 |               |
|----------------------------------|--------------------|---------------|------------------------|---------------|
|                                  | Carrying Amount    | Fair Value    | Carrying Amount        | Fair Value    |
| <i>Financial Assets</i>          |                    |               |                        |               |
| Available-for-sale investments   | 3,066              | 3,066         | 3,573                  | 3,573         |
| Derivative financial assets      | 2,594              | 2,594         | 2,939                  | 2,939         |
| <b>Total</b>                     | <b>5,660</b>       | <b>5,660</b>  | <b>6,512</b>           | <b>6,512</b>  |
| <i>Financial Liabilities</i>     |                    |               |                        |               |
| Loans and borrowings             | 26,745             | 28,130        | 29,522                 | 30,909        |
| Derivative financial liabilities | 142                | 142           | 112                    | 112           |
| <b>Total</b>                     | <b>26,887</b>      | <b>28,272</b> | <b>29,634</b>          | <b>31,021</b> |

### (b) Fair value Hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

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

## Notes to the financial statements

Note IAS 34.16A(j) requires an entity to make disclosures required by IFRS 13 *Fair Value Measurement* paragraphs 91-93(h), 94-96, 98 and 99 in respect to financial instruments.

The extent of an entity's disclosures in accordance with these will depend on the type and nature of the financial instruments held by the entity

Only those relevant disclosures in respect of A Layout Plc are detailed below.

IFRS 13.91 An entity shall disclose information that helps users of its financial statements assess both of the following:

- a) For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements.
- b) For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

IFRS 13.92 In making these disclosures an entity considers:

- a) The level of detail necessary to satisfy the disclosure requirements;
- b) How much emphasis to place on each of the various requirements;
- c) How much aggregation or disaggregation to undertake; and
- d) Whether users of financial statements need additional information to
- e) Evaluate the quantitative information disclosed.

IFRS 13.93(b) For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3).

IFRS 13.93(c) Disclosure of transfers between level 1 and level 2 recurring fair value measurements

IFRS 13.93(e) for recurring Level 3 fair value measurements, a reconciliation from the opening balances to the closing balances, disclosing separately:

- i. Total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised.
- ii. Total gains or losses for the period recognised in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognised.
- iii. Purchases, sales, issues and settlements (each of those types of changes disclosed separately).
- iv. The amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 95). Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

Notes to the interim consolidated financial statements  
For the six months ended 30 June 2017

## 12 Fair Value (continued)

*(b) Fair value Hierarchy (continued)*

(in CU '000)

|  | As at<br>30 June<br>2017 | Level 1 | Level 2 | Level 3 |
|--|--------------------------|---------|---------|---------|
|--|--------------------------|---------|---------|---------|

*Financial Assets*

|                                |              |              |              |            |
|--------------------------------|--------------|--------------|--------------|------------|
| Available-for-sale investments | 3,066        | 2,524        | -            | 542        |
| Derivative financial assets    | 2,594        | -            | 2,594        | -          |
| <b>Total</b>                   | <b>5,660</b> | <b>2,524</b> | <b>2,594</b> | <b>542</b> |

*Financial Liabilities*

|                                  |            |          |            |          |
|----------------------------------|------------|----------|------------|----------|
| Derivative financial liabilities | 142        | -        | 142        | -        |
| <b>Total</b>                     | <b>142</b> | <b>-</b> | <b>142</b> | <b>-</b> |

(in CU '000)

|  | As at<br>31 December<br>2016 | Level 1 | Level 2 | Level 3 |
|--|------------------------------|---------|---------|---------|
|--|------------------------------|---------|---------|---------|

*Financial Assets*

|                                |              |              |              |            |
|--------------------------------|--------------|--------------|--------------|------------|
| Available-for-sale investments | 3,573        | 3,013        | -            | 560        |
| Derivative financial assets    | 2,939        | -            | 2,939        | -          |
| <b>Total</b>                   | <b>6,512</b> | <b>3,013</b> | <b>2,939</b> | <b>560</b> |

*Financial Liabilities*

|                                  |            |          |            |          |
|----------------------------------|------------|----------|------------|----------|
| Derivative financial liabilities | 112        | -        | 112        | -        |
| <b>Total</b>                     | <b>112</b> | <b>-</b> | <b>112</b> | <b>-</b> |

*(c) Reconciliation: Level 3 recurring fair value measurements*

| (in CU '000)  | As at<br>30 June<br>2017 | As at<br>30 June<br>2016 |
|---|--------------------------|--------------------------|
| <i>Available-for-sale investments</i>                   |                          |                          |
| Opening balance   | 560                      | 555                      |
| Net unrealised gain/(loss) recognised during the period | (18)                     | 2                        |
| <b>Closing balance</b>                                  | <b>542</b>               | <b>557</b>               |

The fair value change of (CU18,000) (2016: CU2,000) is included within the overall decrease relating to available for sale investments of CU47,000 (2016: CU201,000) recognised in other comprehensive income.

## Notes to the financial statements

IFRS 13.95 [Refer for transfers between hierarchy levels]

IFRS 13.93(d) For recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement.

If there has been a change in valuation technique (eg changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it.

For fair value measurements categorised within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement.

An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (e.g. when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity.

IFRS 13.93(g) For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period).

IFRS 13.93(h) For recurring Level 3 fair value measurements disclose:

- The sensitivity of changes in unobservable inputs
- Any interdependencies between unobservable inputs
- The impact of a reasonably possible change in significant unobservable inputs

IFRS 13.97 For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity shall disclose the information required by paragraph 93(b), (d) and (i).

However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorised within Level 3 of the fair value hierarchy required by paragraph 93(d).

For such assets and liabilities, an entity does not need to provide the other disclosures required by IFRS 13.

Notes to the interim consolidated financial statements  
For the six months ended 30 June 2017

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12 Fair Value (continued)

*(d) Transfers during the period*

During the 6 month period to 30 June 2017:

- There were no transfers between Level 1 and Level 2 fair value measurements
- There were no transfers into or out of Level 3 fair value measurements

*(e) Valuation techniques*

*(i) Available-for-sale investments*

For Level 1 available-for-sale investments the group uses the closing market price as at reporting date per share multiplied by the number of shares held.

For Level 3 available-for-sale investments the group uses a discounted cash flow model to determine fair value as at the reporting date. This approach requires the use of assumptions about certain unobservable inputs. Significant unobservable inputs as at 30 June 2017 include.

- Growth rate in cash flows: 1.9% (31 December 2016: 2.0%)
- Discount rate: 12.4% (31 December 2016: 12.4%)

The growth rate in cash flows and the discount rate are not interrelated.

A reasonably possible change in the growth rate of cash flows of +/- 2.0% would result in:

- An increase in carrying value of CU21,000 (+2.0%)
- A decrease in the carrying value of CU20,000 (-2.0%)

A reasonably possible change in the growth rate of the discount rate of +/- 1.2% would result in:

- A decrease in carrying value of CU35,000 (+1.2%)
- An increase in the carrying value of CU33,000 (-1.2%)

Management performs valuations internally and monitors the range of reasonably possible changes in significant observable inputs on a regular basis. Valuations of complex instruments are performed with the assistance of valuations experts on an instrument by instrument basis. The techniques used in determining the fair value of the group's financial instruments is selected on an instrument by instrument basis as to maximise to use of market based observable inputs.

*(ii) Derivative financial assets and liabilities*

Derivative financial assets and liabilities include foreign currency forward contracts. The determination of fair value includes reference to observable spot foreign exchange rates as at the reporting date.

*(iii) Loans and borrowings*

Loans and borrowings include amounts advanced to the group at both fixed and variable rates of interest.

Fair value for disclosure purposes as at the reporting date is determined by reference to the present value of future contractual cash flows discounted at observable market interest rates for instruments with similar characteristics to those held by the group (Level 2).

## Appendix 1: Quarterly report

IAS 34.20 (b)  
Appendix A

The interim statement of comprehensive income is required to include the current interim period and cumulatively for the current financial year to date, with comparative statements of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year.

In the example above this give the current quarter (3 months to 30 September) and cumulatively for the year to date (9 months to 30 September) with comparatives.



Interim consolidated statement of comprehensive income  
(Single statement approach, analysed by function of expense)  
For the nine months ended 30 September 2017

| (in CU '000)   | Note | 2017         |               | 2016           |                |
|--|------|--------------|---------------|----------------|----------------|
|  |      | 1 Jul-30 Sep | 1 Jan-30 Sep  | 1 Jul-30 Sep   | 1 Jan-30 Sep   |
| Revenue  |      | 37,941       | 119,820       | 41,164         | 124,596        |
| Cost of Sales  |      | (30,163)     | (95,257)      | (32,505)       | (98,389)       |
| <b>Gross profit</b>  |      | <b>7,778</b> | <b>24,563</b> | <b>8,658</b>   | <b>26,208</b>  |
| Other operating income   |      | 246          | 776           | 301            | 912            |
| Administrative expenses  |      | (1,913)      | (6,041)       | (2,152)        | (6,514)        |
| Distribution expenses  |      | (2,034)      | (6,423)       | (2,260)        | (6,841)        |
| Other expenses   |      | (1,437)      | (4,538)       | (2,203)        | (6,668)        |
| <b>Profit from operations</b>  |      | <b>2,640</b> | <b>8,337</b>  | <b>2,344</b>   | <b>7,096</b>   |
| Finance expense  |      | (438)        | (1,383)       | (149)          | (452)          |
| Finance income   |      | 66           | 208           | 194            | 586            |
| Loss from disposal group   |      | -            | (214)         | -              | -              |
| Share of post-tax profits of equity accounted investments  |      | 142          | 448           | 225            | 682            |
| <b>Profit before tax</b>   |      | <b>2,410</b> | <b>7,396</b>  | <b>2,614</b>   | <b>7,913</b>   |
| Tax expense  |      | (601)        | (1,899)       | (653)          | (1,978)        |
| <b>Profit from continuing operations</b>   |      | <b>1,709</b> | <b>5,397</b>  | <b>1,961</b>   | <b>5,935</b>   |
| Profit on discontinued operation, net of tax   |      | -            | -             | 155            | 529            |
| <b>Profit for the period</b>   |      | <b>1,709</b> | <b>5,397</b>  | <b>2,116</b>   | <b>6,464</b>   |
| Other comprehensive income   |      |              |               |                |                |
| <i>Items to be reclassified to profit or loss in subsequent periods</i>                              |      |              |               |                |                |
| Cash flow hedges   |      | 101          | 319           | 17             | 51             |
| Available-for-sale investments   |      | (22)         | (69)          | (99)           | (300)          |
| Exchange gains arising on translation of foreign ops.  |      | -            | -             | 480            | 1,453          |
| Income tax - items reclassified to profit or loss  |      | (16)         | (50)          | 241            | 213            |
| <i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>     |      | <b>63</b>    | <b>200</b>    | <b>639</b>     | <b>1,417</b>   |
| <i>Items not reclassified to profit or loss in subsequent periods</i>                                |      |              |               |                |                |
| Loss on property revaluation   |      | (394)        | (1,244)       | (1,426)        | (4,316)        |
| Actuarial gains - defined benefit pension schemes  |      | 112          | 354           | 78             | 236            |
| Income tax - items not reclassified to profit or loss  |      | 70           | 222           | 160            | 1,000          |
| <i>Net other comprehensive income not being reclassified to profit or loss in subsequent periods</i> |      | <b>(211)</b> | <b>(667)</b>  | <b>(1,188)</b> | <b>(3,080)</b> |
| <b>Total other comprehensive income for the period</b>   |      | <b>(148)</b> | <b>(468)</b>  | <b>(550)</b>   | <b>(1,663)</b> |
| <b>Total comprehensive income for the period</b>   |      | <b>1,561</b> | <b>4,930</b>  | <b>1,566</b>   | <b>4,801</b>   |

See earlier guidance notes.

Interim consolidated statement of comprehensive income  
(Single statement approach, analysed by function of expense)  
For the nine months ended 30 September 2017 *(continued)*

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| (in CU '000)  | Note | 2017         |              | 2016         |              |
|---|------|--------------|--------------|--------------|--------------|
|   |      | 1 Jul-30 Sep | 1 Jan-30 Sep | 1 Jul-30 Sep | 1 Jan-30 Sep |
| Profit for the period attributable to:  |      |              |              |              |              |
| Owners of the parent  |      | 1,571        | 4,979        | 2,002        | 6,119        |
| Non-controlling interest  |      | 138          | 418          | 114          | 345          |
|   |      | 1,709        | 5,397        | 2,116        | 6,464        |
| Total comprehensive income for the period attributable to:  |      |              |              |              |              |
| Owners of the parent  |      | 1,431        | 4,520        | (97)         | (294)        |
| Non-controlling interest  |      | 138          | 418          | 114          | 345          |
|   |      | 1,561        | 4,930        | 1,566        | 4,801        |
| Earnings per share for profit for the period attributable to the owners of the parent during the year |      |              |              |              |              |
| Basic (CU cent)   |      | 2.1          | 6.6          | 2.7          | 8.2          |
| Diluted (CU cent)   |      | 1.9          | 6.0          | 2.4          | 7.4          |
| Continuing operations   |      |              |              |              |              |
| Basic (CU cent)   |      | 2.1          | 6.6          | 2.5          | 7.5          |
| Diluted (CU cent)   |      | 1.9          | 6.0          | 2.2          | 6.7          |

# CONTACT

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

Alternatively, please visit [www.bdo.global](http://www.bdo.global) where you can find full lists of regional and country contacts.

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