# Manual of accounting – Interim financial reporting 2012

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# Contents of illustrative financial statements

# Introduction

## Objective and scope

IAS 34, 'Interim financial reporting', prescribes the minimum content for an interim financial report, and the principles for recognition and measurement. Interim financial statements can comprise complete or condensed financial statements. The interim financial report for IFRS GAAP plc contains condensed financial statements; it does not include all of the notes that would be required in a complete set of financial statements. However, the primary financial statements are presented in a format consistent with the consolidated financial statements that are required to be presented in an annual financial report under IAS 1, 'Presentation of financial statements'. This publication also provides additional PwC guidance in 'commentary' boxes on how to present this information (see p2006 for commentary on the financial statements as whole, and p2030 for commentary on the notes to the financial statements).

This publication reflects IFRSs in issue at 1 March 2012 that are required to be applied by an existing preparer of IFRS financial statements with an annual period beginning on or after 1 January 2012. Preparers should check for IASB pronouncements made after 1 March 2012 that might apply to their interim financial statements. Guidance on interim financial statements for first-time adopters of IFRS is available at www.pwc.com/ca/en/ifrs.

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

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

When preparing interim financial statements in accordance with IAS 34, management should take into account its local legal and regulatory requirements, which may require additional disclosures to be made in the interim condensed financial statements.

### What is new in the 2012 illustrative condensed interim financial statements?

- Appendix illustrating example disclosures for the early adoption of IFRS 9, 'Financial instruments'; and
- Appendix illustrating example disclosures for the early adoption of IFRS 11, 'Joint arrangements'; and
- Appendix illustrating example disclosures for the early adoption of IFRS 13, 'Fair value measurement'; and
- Updated interim disclosure checklist (for IFRS 13 and the IAS 1 amendment for early adopters).

## Top interim reporting pitfalls

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

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

## Management commentary guidance

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

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

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

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

- The performance measures that management uses to evaluate the entity's performance against its objectives, which helps users to assess the degree to which goals and objectives are being achieved.

## PwC commentary – Condensed interim financial statements

1. An interim financial report contains either a complete set of financial statements, as described in IAS 1 or a set of condensed financial statements, as described in IAS 34.

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

34p10 **Items to appear on the face of condensed financial statements**

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

**PwC observation**

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

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

34p20(a-e) **Minimum requirement**

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

(d) a cash flow statement cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year; and

(e) selected explanatory notes.

34p20(b) 5. For a half-year report, the current interim period and the financial year to date are the same. However, where an entity prepares quarterly interim financial reports, the statement of comprehensive income in the interim financial reports for the second and third quarters will need to include additional columns showing the financial year to date and the comparative financial year to date for the corresponding interim period.

## Periods covered

### *Entities that report half-yearly*

Based on the requirements of IAS 34p20, the table below illustrates the statements required to be presented in the interim financial report of an entity that reports half-yearly, with a 31 December 20X2 year end.

#### *Statements required for entities that report half-yearly*

| Statement | Current | Comparative |
|---|---|---|
| Balance sheet at | 30 June 20X2 | 31 December 20X1 |
| Statement of comprehensive income (and, where applicable, separate income statement): | | |
| – 6 months ended | 30 June 20X2 | 30 June 20X1 |
| Statement of changes in equity: | | |
| – 6 months ended | 30 June 20X2 | 30 June 20X1 |
| Statement of cash flows: | | |
| – 6 months ended | 30 June 20X2 | 30 June 20X1 |

### *Entities that report quarterly*

Based on the requirements of IAS 34p20, the following table below illustrates the statements required to be presented in the second quarter interim financial report of an entity that reports quarterly, with a 31 December 20X2 year end.

#### *Statements required for entities that report quarterly*

| Statement | Current | Comparative |
|---|---|---|
| Balance sheet at | 30 June 20X2 | 31 December 20X1 |
| Statement of comprehensive income (and, where applicable, separate income statement): | | |
| – 6 months ended | 30 June 20X2 | 30 June 20X1 |
| – 3 months ended | 30 June 20X2 | 30 June 20X1 |
| Statement of changes in equity: | | |
| – 6 months ended | 30 June 20X2 | 30 June 20X1 |
| Statement of cash flows: | | |
| – 6 months ended | 30 June 20X2 | 30 June 20X1 |

6. If condensed interim financial statements are presented for a different interim reporting period, the heading of the financial statements should specify the interim reporting period covered (for example, 'For the quarter ended 30 September 2012' or 'For the third quarter ended 31 March 2013'); the heading for

the figures should indicate whether they are presented for a quarter, a half-year or the financial year to date, as appropriate.

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

*(All amounts in C thousands unless indicated otherwise)*

## Interim income statement

34p8(b), 20(b)

| | | Notes | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
|---|---|---|---|---|
| | | | Unaudited | |
| | **Continuing operations** | | | |
| | Revenue | | 32,100 | 30,174 |
| | Cost of sales | 11 | (14,426) | (14,604) |
| | **Gross profit** | | 17,674 | 15,570 |
| | Distribution costs | | (8,349) | (7,418) |
| | Administrative expenses | | (4,128) | (3,607) |
| | **Operating profit** | | **5,197** | **4,545** |
| | Finance income | | 1 | 1 |
| | Finance costs | | (779) | (609) |
| | Share of profit of associates | | 295 | 55 |
| | **Profit before income tax** | | 4,714 | 3,992 |
| | Income tax expense | | (893) | (637) |
| | **Profit for the period from continuing operations** | | **3,821** | **3,355** |
| IFRS5p33(a) | **Discontinued operations** | | | |
| | Profit for the period from discontinued operations | 8 | 60 | 85 |
| | **Profit for the period** | | **3,881** | **3,440** |
| | Profit attributable to: | | | |
| | – Owners of the parent | | 3,431 | 2,935 |
| | – Non-controlling interest | | 450 | 505 |
| | | | **3,881** | **3,440** |
| | **Earnings per share from continuing and discontinued operations attributable to the equity holders of the parent during the period** (expressed in C per share)[1] | | | |
| | **Basic earnings per share** | | | |
| 33p66 | From continuing operations | | 0.26 | 0.23 |
| 33p68 | From discontinued operations | | 0.02 | 0.02 |
| | | | **0.28** | **0.25** |
| | **Diluted earnings per share** | | | |
| 33p66 | From continuing operations | | 0.22 | 0.21 |
| 33p68 | From discontinued operations | | 0.02 | 0.02 |
| | | | **0.24** | **0.23** |

The notes on pages 2014 to 2032 are an integral part of these condensed interim financial statements.

[1] IAS 33p68 requires presentation of basic and diluted amounts per share for discontinued operations either in the income statement or in the notes to the financial statements. The group has elected to show this information in the income statement.

*(All amounts in C thousands unless indicated otherwise)*

## Interim statement of comprehensive income

34p8(b), 20(b)

| | Notes | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
|---|---|---|---|
| | | Unaudited | |
| **Profit for the period** | | **3,881** | **3,440** |
| **Other comprehensive income** | | | |
| Gains on revaluation of land and buildings | | 195 | 260 |
| Change in value of available-for-sale financial assets | | 16 | 14 |
| Actuarial gain/loss on post employment benefit obligations | 18 | 81 | (153) |
| Cash flow hedges | | 284 | 18 |
| Net investment hedge | | 4 | – |
| Currency translation differences | | (5) | 15 |
| Income tax relating to components of other comprehensive income[2] | | (172) | (44) |
| **Other comprehensive income for the period, net of tax** | | **403** | **110** |
| **Total comprehensive income for the period** | | **4,284** | **3,550** |
| Attributable to: | | | |
| – Owners of the parent | | 3,834 | 3,045 |
| – Non-controlling interest | | 450 | 505 |
| **Total comprehensive income for the period** | | **4,284** | **3,550** |
| Total comprehensive income attributable to owners of the parent arising from: | | | |
| – Continuing operations | | 3,774 | 2,960 |
| IFRS5p33(d) – Discontinued operations | 8 | 60 | 85 |
| | | **3,834** | **3,045** |

The notes on pages 2014 to 2032 are an integral part of these condensed interim financial statements.

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

*(All amounts in C thousands unless indicated otherwise)*

## Interim balance sheet[3]

34p8(a), 20(a)

| | | Notes | 30 June 2012 Unaudited | 31 December 2011 Audited |
|---|---|---|---|---|
| | **Assets** | | | |
| | **Non-current assets** | | | |
| | Property, plant and equipment | 14 | 15,298 | 16,595 |
| | Goodwill | 15 | 2,049 | – |
| | Other intangible assets | 14 | 4,433 | 3,140 |
| | Investments in associates | 10 | 1,110 | 290 |
| | Other non-current financial assets | | 767 | 800 |
| | Deferred income tax asset | | 85 | 77 |
| | Available-for-sale financial assets | | 4,062 | 3,999 |
| | Derivative financial instruments | | 654 | 960 |
| | | | **28,458** | **25,861** |
| | **Current assets** | | | |
| | Inventories | | 13,230 | 12,730 |
| | Trade and other receivables | | 8,241 | 9,135 |
| | Other current financial assets | | 279 | 206 |
| | Cash and cash equivalents (excluding bank overdrafts) | | 522 | 498 |
| | Derivative financial instruments | | 400 | 665 |
| | | | **22,672** | **23,234** |
| IFRS5p38,40 | Assets of disposal group classified as held for sale | 8 | 1,400 | – |
| | | | **24,072** | **23,234** |
| | **Total assets** | | **52,530** | **49,095** |
| | **Equity and liabilities** | | | |
| | **Equity attributable to owners of the parent** | | | |
| | Share capital | 16 | 24,632 | 24,032 |
| | Other reserves | | 3,290 | 3,056 |
| | Retained earnings | | 4,773 | 1,552 |
| | | | **32,695** | **28,640** |
| | **Non-controlling interests** | | 3,188 | 2,975 |
| | **Total equity** | | **35,883** | **31,615** |
| | **Liabilities** | | | |
| | **Non-current liabilities** | | | |
| | Borrowings | 17 | 5,230 | 5,110 |
| | Other non-current financial liabilities | | 2,037 | 1,396 |
| | Derivative financial instruments | | 60 | 234 |
| | Deferred income tax liabilities | | 660 | 380 |
| | Retirement benefit obligations | 18 | 2,237 | 2,725 |
| | Provisions for other liabilities and charges | 19 | 1,305 | 977 |
| | | | **11,529** | **10,822** |
| | **Current liabilities** | | | |
| | Trade and other payables | | 2,556 | 4,289 |
| | Derivative financial instruments | | 49 | 100 |
| | Current income tax liabilities | | 587 | 728 |
| | Borrowings | 17 | 827 | 603 |
| | Provisions for other liabilities and charges | 19 | 359 | 938 |
| | | | **4,378** | **6,658** |
| IFRS5p38,40 | Liabilities of disposal group classified as held for sale | 8 | 740 | – |
| | | | **5,118** | **6,658** |
| | **Total liabilities** | | **16,647** | **17,480** |
| | **Total equity and liabilities** | | **52,530** | **49,095** |

The notes on pages 2014 to 2032 are an integral part of these condensed interim financial statements.

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

*(All amounts in C thousands unless indicated otherwise)*

# Interim statement of changes in equity

34p8(c), 20(c)

| | | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | Share capital | Other reserves | Retained earnings | Total | Non-controlling interest | Total equity |
| **Balance at 1 January 2012** | | **24,032** | **3,056** | **1,552** | **28,640** | **2,975** | **31,615** |
| Profit for the period | | – | – | 3,431 | 3,431 | 450 | 3,881 |
| Other comprehensive income | | – | 322 | 81 | 403 | – | 403 |
| **Total comprehensive income** | | **–** | **322** | **3,512** | **3,834** | **450** | **4,284** |
| Value of employee services | | – | – | 700 | 700 | – | 700 |
| Proceeds from shares issued | 16 | 600 | – | – | 600 | – | 600 |
| Purchase of treasury shares[4] | 16 | – | (135) | – | (135) | – | (135) |
| Convertible bond – equity component | 17 | – | 77 | – | 77 | – | 77 |
| Dividends | 13 | – | – | (991) | (991) | (248) | (1,239) |
| Funding from non-controlling interest | | | | | | 400 | 400 |
| Acquisition of subsidiary | 9 | – | – | – | – | (389) | (389) |
| Acquisition of associate | 10 | – | (30) | | (30) | – | (30) |
| | | **600** | **(88)** | **(291)** | **221** | **(237)** | **(16)** |
| **Balance at 30 June 2012 (unaudited)** | | **24,632** | **3,290** | **4,773** | **32,695** | **3,188** | **35,883** |
| **Balance at 1 January 2011** | | **23,917** | **1,297** | **523** | **25,737** | **2,379** | **28,116** |
| Profit for the period | | – | – | 2,935 | 2,935 | 505 | 3,440 |
| Other comprehensive income | | – | 263 | (153) | 110 | – | 110 |
| **Total comprehensive income** | | **–** | **263** | **2,782** | **3,045** | **505** | **3,550** |
| Value of employee services | | – | – | 500 | 500 | – | 500 |
| Proceeds from shares issued | 16 | 800 | – | – | 800 | – | 800 |
| Dividends | 13 | – | – | (1,659) | (1,659) | (252) | (1,911) |
| | | **800** | **–** | **(1,159)** | **(359)** | **(252)** | **(611)** |
| **Balance at 30 June 2011 (unaudited)** | | **24,717** | **1,560** | **2,146** | **28,423** | **2,632** | **31,055** |

The notes on pages 2014 to 2032 are an integral part of these condensed interim financial statements.

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

*(All amounts in C thousands unless indicated otherwise)*

## Interim statement of cash flows

34p8(d), 20(d)

| | Notes | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
|---|---|---|---|
| | | Unaudited | |
| **Cash flows from operating activities** | | | |
| Continuing operations: | | | |
| – Cash generated from operations | | 11,638 | 8,824 |
| – Income taxes paid | | (893) | (603) |
| – Interest paid | | (437) | (347) |
| – Discontinued operations[5] | 8 | 720 | 1,166 |
| **Net cash flows from operating activities** | | **11,028** | **9,040** |
| **Cash flows from investing activities** | | | |
| Continuing operations: | | | |
| – Acquisition of subsidiary, net of cash acquired | 9 | (6,750) | – |
| – Purchases of property, plant and equipment | 14 | (7,977) | (6,204) |
| – Proceeds on disposal of property, plant and equipment | | 300 | 60 |
| – Purchase of intangibles | 14 | (700) | – |
| – Other investing cash flow – net | | (115) | 275 |
| Discontinued operations[5] | 8 | 3,633 | (92) |
| **Net cash flows from investing activities** | | **(11,609)** | **(5,961)** |
| **Cash flows from financing activities** | | | |
| Continuing operations: | | | |
| – Dividends paid | | (1,239) | (1,911) |
| – Issue of convertible bonds | 17 | 1,004 | – |
| – Proceeds of share issue | 16 | 600 | 800 |
| – Repayments of borrowings | 17 | (163) | (225) |
| – Other finance cash flows – net | | (15) | (737) |
| – Purchase of treasury shares | 16 | (135) | – |
| – Funding from non-controlling interest | | 400 | |
| Discontinued operations[5] | 8 | (113) | (103) |
| **Net cash flows from financing activities** | | **339** | **(2,176)** |
| **Net (decrease)/increase in cash, cash equivalents and bank overdrafts** | | (242) | 903 |
| Cash, cash equivalents and bank overdrafts at start of period | | 401 | 977 |
| Exchange gains/(losses) | | 93 | (17) |
| **Cash and cash equivalents at end of period** | | **252** | **1,863** |
| Cash and cash equivalents comprises: | | | |
| Bank overdrafts | | (270) | (145) |
| Cash and cash equivalents (excluding bank overdrafts) | | 522 | 2,008 |
| **Cash and cash equivalents** | | **252** | **1,863** |

The notes on pages 2014 to 2032 are an integral part of these condensed interim financial statements.

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

*(All amounts in C thousands unless indicated otherwise)*

# Notes to the condensed interim financial statements

## 1. General information

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

1p138(a-b) The group has manufacturing plants around the world and sells mainly in countries within the UK, the US, Europe and Russia. During the period, the group acquired control of Shoe Shop Ltd, a shoe and leather goods retailer operating in the US and most western European countries.

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

These condensed interim financial statements were approved for issue on 24 August 2012. These condensed interim financial statements have been reviewed, not audited[6].

## 2. Basis of preparation

34p15, 19 These condensed interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRSs.

## 3. Accounting policies

34p28, 16A (a) The accounting policies adopted are consistent with those of the previous financial year except as described below.

IFRS GAAP Plc has increased its investment in Soles Ltd in the period ended 30 June 2012. As a result, Sole Limited which was an available for sale investment has become an associate of the Group. The Group has adopted the 'cost of each purchase' method to account for the investment in the associate. Further details are provided in Note 10.

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

### PwC commentary – New and amended standards

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption). There are no new IFRSs or IFRICs that are effective for the first time for this interim period that would be expected to have a material impact on this group.

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

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

*(All amounts in C thousands unless indicated otherwise)*

## 4. Estimates

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

34p16A(d) In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

## 5. Financial risk management

### 5.1 Financial risk factors

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2011 There have been no changes in the risk management department since year end or in any risk management policies.

### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. For one non-current borrowing of C1,500 with maturity date 30 September 2015, the group expects early settlement in 2014 due to the continuing positive cash flows from operating activities.

### 5.3 Fair value estimation

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

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

*(All amounts in C thousands unless indicated otherwise)*

**IFRS7 p27B(a)** The following table presents the group's assets and liabilities that are measured at fair value at 30 June 2012.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Trading derivatives | – | 459 | 220 | 679 |
| Derivatives used for hedging | – | 375 | – | 375 |
| Available-for-sale financial assets | | | | |
| – Equity securities | 403 | – | – | 403 |
| – Debt investments | 3,423 | 236 | – | 3,659 |
| **Total assets** | **3,826** | **1,070** | **220** | **5,116** |
| **Liabilities** | | | | |
| Derivatives used for hedging | – | 109 | – | 109 |
| **Total liabilities** | **–** | **109** | **–** | **109** |

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2011.

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

**IFRS7 p27B(e), 34p15B(k)** In 2012, the group transferred a held-for-trading forward foreign exchange contract from Level 2 into Level 3. This is because the counterparty for the derivative encountered significant financial difficulties; this resulted in a significant increase to the discount rate due to increased counterparty credit risk, which is not based on observable inputs. If the change in the credit default rate for that derivative shifted +/- 5%, the impact on profit or loss would be C20.

**IFRS7 p20(a)(ii), 34p15B(b)** The group reclassified available-for-sale investments losses of C87 (2011: C35) from other comprehensive income into the income statement. Losses in the amount of C55 (2011: C20) were due to impairments.

*(All amounts in C thousands unless indicated otherwise)*

## PwC commentary – Financial risk management

In addition to the requirements in IAS 34p15B(b) and (k) disclosed above, the group determined the fair value hierarchy as relevant and significant for users of its interim financial information and therefore disclosed it under IAS 34p15 / 15C. IAS 34p15/15C require that events or transactions that are significant to an understanding of the changes in the entity's financial position and performance since the end of the last annual reporting period should be disclosed.

Similarly, for annual periods beginning on or after 1 July 2011, IFRS 7p42A-G requires additional disclosure applying to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party — for example, on the legal sale of a bond. Alternatively, a transfer takes place when the entity retains the contractual rights of the financial asset but assumes a contractual obligation to pay the cash flows on to another party, as is often the case when factoring trade receivables. Where a new standard that deals with disclosures is effective in the year, those new disclosures need not be given in the condensed interim report, unless specifically required by the standard which is not the case with the IFRS 7 amendment on 'Transfers of Financial Assets'. However, IAS 34p15/15C may require such disclosure if it is significant to the understanding of the entity's position and performance.

The entity has determined that there are no significant transfers of financial assets that would require disclosure under the guidance given above.

## 6. Seasonality of operations

**34p16A(b)** Due to the seasonal nature of the US and UK retail segment, higher revenues and operating profits are usually expected in the second half of the year than the first six months. Wholesale revenues and operating profits are more evenly spread between the two half years. In the financial year ended 31 December 2011, 39% of revenues accumulated in the first half of the year, with 61% accumulating in the second half.

## 7. Operating segment information

**IFRS8 p22(a)** The strategic steering committee is the group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance.

**IFRS8 p22(a-b)** The strategic steering committee considers the business from both a geographic and product perspective. Geographically, management considers the performance in the UK, US, China, Russia and Europe. From a product perspective, management separately considers the wholesale and retail activities in these geographies. The group only has retail activities in the UK and US. The wholesale segments derive their revenue primarily from the manufacture and wholesale sale of the group's own brand of shoes, Footsy Tootsy. The UK and US retail segments derive their revenue from retail sales of shoe and leather goods including the group's own brand and other major retail shoe brands.

**IFRS8 p22(a)** Although the China segment does not meet the quantitative thresholds required by IFRS 8 for reportable segments, management has concluded that this segment should be reported, as it is closely monitored by the strategic steering committee as a potential growth region and is expected to materially contribute to group revenue in the future.

*(All amounts in C thousands unless indicated otherwise)*

**IFRS8p16** All other segments primarily relate to the sale of design services and goods transportation services to other shoe manufacturers in the UK and Europe and wholesale shoe revenue from the Central American region. These activities are excluded from the reportable operating segments, as these activities are not reviewed by the strategic steering committee.

**IFRS8 p27(b), 28** The strategic steering committee assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes discontinued operations and the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

**IFRS8 p27(a)** Sales between segments are carried out at arm's length. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

**34p16A(g)** The following table presents revenue and profit information regarding the groups operating segments for the six months ended 30 June 2012 and 2011 respectively.

*Revenue*

| | Six months ended 30 June 2012 | | | Six months ended 30 June 2011 | | |
|---|---|---|---|---|---|---|
| | **Total segment revenue** | **Inter segment revenue** | **Revenue from external customers** | **Total segment revenue** | **Inter segment revenue** | **Revenue from external customers** |
| UK Wholesale | 10,984 | (978) | **10,006** | 12,866 | (906) | **11,960** |
| UK Retail | 6,731 | — | **6,731** | 4,711 | — | **4,711** |
| US Wholesale | 3,183 | — | **3,183** | 3,044 | — | **3,044** |
| US Retail | 2,500 | — | **2,500** | 2,949 | — | **2,949** |
| Russia | 2,324 | — | **2,324** | 1,200 | — | **1,200** |
| China | 2,600 | — | **2,600** | 2,450 | — | **2,450** |
| Europe | 3,560 | — | **3,560** | 2,350 | — | **2,350** |
| All other segments | 1,196 | — | **1,196** | 1,510 | — | **1,510** |
| Total | **33,078** | **(978)** | **32,100** | 31,080 | (906) | **30,174** |

*EBITDA*

| | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
|---|---|---|
| | **Adjusted EBITA** | **Adjusted EBITA** |
| UK Wholesale | 6,185 | 5,110 |
| UK Retail | 3,190 | 2,964 |
| US Wholesale | 1,681 | 1,316 |
| US Retail | 1,724 | 1,923 |
| Russia | 980 | 771 |
| China | 1,300 | 680 |
| Europe | 2,050 | 1,320 |
| All other segments | 430 | 111 |
| **Total** | **17,540** | **14,195** |

*(All amounts in C thousands unless indicated otherwise)*

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

| | 30 June 2012 | 30 June 2011 |
|---|---|---|
| **Adjusted EBITDA for reportable segments** | 17,110 | 14,084 |
| Other segments EBITDA | 430 | 111 |
| **Total segments** | **17,540** | **14,195** |
| Corporate overheads | (258) | (165) |
| Depreciation | (8,422) | (6,318) |
| Amortisation | (294) | (182) |
| Impairments | (1,300) | (1,785) |
| Inventory write-downs | (790) | – |
| Restructuring costs | – | (1,200) |
| Legal claims | (1,279) | – |
| **Operating profit** | 5,197 | 4,545 |
| Finance income | 1 | 1 |
| Finance costs | (779) | (609) |
| Share of post tax profits of associates | 295 | 55 |
| **Profit before income tax and discontinued operations** | **4,714** | **3,992** |

34p16A (g),(iv) There has been no material change in total assets from the amount disclosed in the last annual financial statements.

34p16A (g),(v) There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

## PwC commentary – IFRS 8 and discontinued operations

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

## 8. Discontinued operations and disposal groups

34p16A (c),(i), 34p10, DV

### 8.1 Discontinued operations

On 6 March 2012, the group announced its intention to sell the leather accessories division. The group initiated an active programme to locate a buyer and complete the sale during the first half of the year. The business was sold on 23 May 2012 for cash consideration of C3,710 ; its results are presented in this interim financial information as a discontinued operation.

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

*(All amounts in C thousands unless indicated otherwise)*

### 8.2 Income statement and cash flow information

IFRS5p33

| | | Six months ended | |
|---|---|---|---|
| | | 30 June 2012 | 30 June 2011 |
| | Revenue | 4,200 | 3,100 |
| | Expenses | (3,852) | (2,976) |
| | Profit before income tax from discontinued operations | 348 | 124 |
| 12p81 | Income tax | (90) | (39) |
| | Profit after income tax from discontinued operations | 258 | 85 |
| | Pre-tax loss recognised on disposal of discontinued operations | (289) | – |
| 12p81 | Income tax | 91 | – |
| | Post tax loss recognised on disposal of discontinued operations | (198) | – |
| | **Profit from discontinued operations** | **60** | **85** |

### 8.3 Disposal group

34p16A(c), 34p10, DV The assets and liabilities related to company Sandal Shoes Limited (part of the UK wholesale segment) have been presented as held for sale following shareholder approval of the decision to dispose of this operation. The completion date for the transaction is expected to be before September 2012. Sandal Shoes Limited assets and liabilities are a disposal group. However, Sandal Shoes Limited is not a discontinued operation at 30 June 2012, as it does not represent a major line of business.

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

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

| | | 30 June 2012 |
|---|---|---|
| IFRS5p38 | **Assets classified as held for sale** | |
| | Property, plant and equipment | 410 |
| | Intangible assets | 150 |
| | Inventory | 630 |
| | Other current assets | 210 |
| | **Total assets of the disposal group** | **1,400** |
| | **Liabilities directly associated with assets classified as held for sale:** | |
| | Trade and other payables | 346 |
| | Borrowings | 200 |
| | Other current liabilities | 74 |
| | Provisions | 120 |
| | **Total liabilities of the disposal group** | **740** |
| | **Total net assets of the disposal group** | **660** |

*(All amounts in C thousands unless indicated otherwise)*

## 9. Business combinations

**IFRS3p B64(a-d), (k)** On 1 March 2012, the group acquired 92.8% of the share capital of Shoe Shop Ltd, a shoe and leather goods retailer operating in the US and most western European countries. The total consideration was C7,050. As a result of the acquisition, the group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale. None of the goodwill is expected to be deductible for tax purposes.

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

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

| | **Consideration** | **1 March 2012** |
|---|---|---|
| | Cash | 6,900 |
| **IFRS3p B64(g)(i)** | Contingent consideration | 150 |
| **IFRS3p B64(f)** | **Total consideration** | **7,050** |
| **IFRS3p B64(i)** | **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| | **Provisional fair value** | |
| | Cash and cash equivalents | 150 |
| | Property, plant and equipment | 1,970 |
| | Trademarks | 662 |
| | Licenses | 700 |
| | Inventories | 2,348 |
| | Trade and other receivables | 610 |
| | Trade and other payables | (380) |
| | Employee benefit liabilities, including pensions | (170) |
| | Borrowings | (260) |
| | Net deferred tax assets/(liabilities) | (240) |
| | **Total identifiable net assets** | **5,390** |
| | **Non-controlling interest** | **(389)** |
| | Goodwill | 2,049 |
| | | **7,050** |

**IFRS3p B64(m)** Acquisition-related costs of C100 have been charged to administrative expenses in the consolidated income statement for the period-end.

### PwC commentary – Fair value of acquired assets

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

*(All amounts in C thousands unless indicated otherwise)*

**IFRS3p B64(f) (iii), B67(b), B64(g) (ii–iii)** The contingent consideration arrangement requires the group to pay the former owners of Shoe Shop Ltd 10% of the profit of Shoe Shop Ltd, in excess of C750 for 2012, up to a maximum undiscounted amount of C500.

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

The fair value of the contingent consideration arrangement of C150 was estimated by applying the income approach. The fair value estimates are based on a discount rate of 8% and assumed probability-adjusted profit in Shoe Shop Ltd of C2,000 to C3,000.

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

**IFRS3p B67(a)** The fair value of the acquired identifiable intangible assets (including the licenses) of C1,362 is provisional pending receipt of the final valuations for those assets. Deferred tax of C300 has been provided in relation to these fair value adjustments.

**IFRS3p B64(o)** The non-controlling interest has been recognised as a proportion of net assets acquired.

## PwC commentary – Fair value measurement

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

**IFRS3p B64(o)** The fair value of the non-controlling interest in Shoe Shop Ltd, an unlisted company, was estimated by applying market approach and an income approach. The fair value estimates are based on:

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

**IFRS3p B64(q)(i)** The revenue included in the consolidated income statement from 1 March 2012 to 30 June 2012 contributed by Shoe Shop Ltd was C2,300. Shoe Shop also contributed profit of C750 over the same period.

**IFRS3p B64(q)(ii)** Had Shoe Shop Ltd been consolidated from 1 January 2012, the consolidated income statement for the six months ended 30 June 2012 would show pro-forma revenue of C45,200 and pro-forma profit of C4,754[8].

[8] The information on combined revenue and profit does not represent actual results for the year and is therefore labelled as pro forma.

*(All amounts in C thousands unless indicated otherwise)*

## 10. Investment in associates

On the 15 February 2012, IFRS GAAP Plc increased its investment in Soles Ltd from 10% to 30%, which resulted in the investment being classified from an available-for-sale holding to an associate.

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

| | **Six months ended 30 June 2012** |
|---|---|
| Beginning of the period | 290 |
| Addition[9] | 525 |
| Share of profit from associate | 295 |
| **End of the period** | **1,110** |

### PwC commentary – Valuation method

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

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

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

| | **Six months ended 30 June 2012** |
|---|---|
| Assets | 3,500 |
| Liabilities | 2,000 |
| Revenues | 800 |
| Share of profit | 110 |
| Percentage held | 30% |

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

*(All amounts in C thousands unless indicated otherwise)*

## 11. Exceptional items

Items that are material either because of their size or their nature or that are non-recurring are considered as exceptional items and are presented within the line items to which they best relate. During the current period, the exceptional items as detailed below have been included in cost of sales in the income statement.

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

| | Six months ended | |
|---|---|---|
| | **30 June 2012** | **30 June 2011** |
| **Operating items** | | |
| Impairment charge relating to property, plant and equipment | 1,300 | 1,785 |
| Inventory write-down | 790 | – |

The impairment charge of C1,300 in the period relates to the impairment of a machine that produces leather accessories (belonging to the US wholesale segment) that do not meet European security criteria, with the recoverable amount being the fair value less costs to sell. The fair value less cost to sell for the machine was determined with reference to an active market. The impairment charge of C1,785 in the six months ended 30 June 2011 related mainly to a machinery that was no longer usable because of technological obsolescence.

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

## 12. Income taxes

34p30(c) Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2012 is 35% (the estimated tax rate for the six months ended 30 June 2011 was 33%). This increase is mainly due to an increase of 7% in the income tax rate in One-Land. This increase is applicable from 1 January 2012.

## 13. Dividends

34p16A(f) A dividend of C991 (2011: C1,659) that relates to the period to 31 December 2011 was paid in May 2012.

DV In addition, an interim dividend of 5 cents per share (2011: 5 cents per share) was proposed by the board of directors on 20 July 2012 and approved by shareholders on 1 August 2012. It is payable on 31 October 2012 to shareholders who are on the register at 30 September 2012. This interim dividend, amounting to C765 (2011: C750), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year to 31 December 2012.

*(All amounts in C thousands unless indicated otherwise)*

## 14. Property, plant and equipment and other intangible assets

34p16A(c), 15B(d) In May 2012, the group acquired a new machine to test new shoe technology at a cost of C6,000.

| | PPE | Other intangible assets |
|---|---|---|
| **Six months ended 30 June 2012** | | |
| Opening net book amount as at 1 January 2012 | 16,595 | 3,140 |
| Acquisition of subsidiary (Note 9) | 1,970 | 1,362 |
| Additions | 7,977 | 700 |
| Disposals | (352) | – |
| Discontinued operations – sale of the leather accessories division (Note 8) | (760) | (325) |
| PPE and intangibles classified as held for sale – Sandal Shoes Limited (Note 8) | (410) | (150) |
| Depreciation and amortisation | (8,422) | (294) |
| Impairment (Note 11) | (1,300) | – |
| **Closing net book amount as at 30 June 2012** | **15,298** | **4,433** |

DV

| | PPE | Other intangible assets |
|---|---|---|
| **Six months ended 30 June 2011** | | |
| **Opening net book amount as at 1 January 2011** | 15,722 | 3,504 |
| Additions | 6,204 | – |
| Disposals | (351) | – |
| Depreciation and amortisation | (6,318) | (182) |
| Impairment | (1,785) | – |
| **Closing net book amount as at 30 June 2011** | **13,472** | **3,322** |

## 15. Goodwill

| | 30 June 2012 |
|---|---|
| At the beginning of the period | – |
| Acquisition of a subsidiary (Note 9) | 2,049 |
| **At the end of the period** | **2,049** |

*(All amounts in C thousands unless indicated otherwise)*

## 16. Share capital

| | | Number of shares (thousands) | Ordinary shares | Share premium | Total |
|---|---|---|---|---|---|
| 34p16A(e) | **Opening balance as at 1 January 2012** | 15,000 | 15,000 | 9,032 | 24,032 |
| | Proceeds from shares issued – employee share option scheme | 400 | 400 | 200 | 600 |
| | **At 30 June 2012** | **15,400** | **15,400** | **9,232** | **24,632** |
| DV | **Opening balance as at 1 January 2011** | 14,700 | 14,700 | 9,217 | 23,917 |
| | Proceeds from shares issued – employee share option scheme | 300 | 300 | 500 | 800 |
| | **At 30 June 2011** | **15,000** | **15,000** | **9,717** | **24,717** |

34p16A(e) The group acquired 100,000 of its own shares through purchases on the Global Money Exchange on 1 April 2012. The total amount paid to acquire the shares, net of income tax, was C135 and has been deducted from shareholders' equity. The shares are held as 'Treasury shares'. The company has the right to re-issue these shares at a later date. All shares issued were fully paid.

34p16A(e) Employee share option scheme: options exercised during the period to 30 June 2012 resulted in 400,000 shares being issued (30 June 2011: 300,000 shares), with exercise proceeds of C600 (30 June 2011: C800). The related weighted average price at the time of exercise was C2.50 (30 June 2011:C2.45) per share.

## 17. Borrowings and loans

| | | 30 June 2012 | 31 December 2011 |
|---|---|---|---|
| DV | Non-current | 5,230 | 5,110 |
| | Current | 827 | 603 |
| | | **6,057** | **5,713** |

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

| | |
|---|---|
| **Six months ended 30 June 2012** | |
| Opening amount as at 1 January 2012 | 5,713 |
| Acquisition of subsidiary (Note 9) | 260 |
| Borrowings classified as held for sale (Note 8) | (200) |
| Borrowings from discontinued operation | (450) |
| Repayments of borrowings | (163) |
| Convertible bonds – liability component | 897 |
| **Closing amount as at 30 June 2012** | **6,057** |
| **Six months ended 30 June 2011** | |
| Opening amount as at 1 January 2011 | 4,310 |
| Repayments of borrowings | (225) |
| **Closing amount as at 30 June 2011** | **4,085** |

*(All amounts in C thousands unless indicated otherwise)*

The group issued one thousand 5.0% convertible bonds at a total nominal value of C1,100 on 1 May 2012. The bonds mature five years from the issue date at their nominal value of C1,100 or can be converted into shares at the holder's option at the rate of 33 shares per C1. The value of the liability component (C897) and the equity conversion component (C107), net of transaction costs of C96, were determined at issuance of the bond. The fair value of the liability component included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves, net of deferred tax of C30.

The group has the following undrawn borrowing facilities:

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Floating rate: | | |
| – expiring beyond one year | 9,000 | 9,000 |

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

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

## 18. Retirement benefit obligations

34p16A(c) On 21 February 2012, a change in legislation in One-Land resulted in the group being required to settle a significant proportion of its defined benefit pensions obligations in that country. The cost of settling the obligation exceeded the amount recognised as a defined benefit obligation. The settlement resulted in an additional expense of C265.

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

| | Six months ended | |
|---|---|---|
| | 30 June 2012 | 30 June 2011 |
| Current service costs | 751 | 498 |
| Interest costs | 431 | 314 |
| Expected return on plan assets | (510) | (240) |
| Past service costs | 18 | 16 |
| Losses on settlement | 265 | – |
| | **955** | **588** |

*(All amounts in C thousands unless indicated otherwise)*

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

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Present value of funded obligations | 6,155 | 6,999 |
| Fair value of plan assets | (5,991) | (6,853) |
| Present value of unfunded obligations | 2,218 | 2,742 |
| Unrecognised past service cost | (145) | (163) |
| **Liability in the balance sheet** | **2,237** | **2,725** |

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

## 19. Provisions for other liabilities and charges

| | | Legal claims | Restructuring | Other | Total |
|---|---|---|---|---|---|
| | **Six months ended 30 June 2012** | | | | |
| 34p16A (c), 15B(c) | **Opening amount at 1 January 2012** | 135 | 1,200 | 580 | 1,915 |
| | Additional provisions | 1,279 | – | 150 | 1,479 |
| | Unused amount reversed | – | (180) | (60) | (240) |
| | Utilised during the period | – | (1,020) | (300) | (1,320) |
| | Transfer to disposal groups – classified as held for sale | – | – | (120) | (120) |
| | **Closing amount at 30 June 2012** | **1,414** | **–** | **250** | **1,664** |
| | **Six months ended 30 June 2011** | | | | |
| DV | **Opening amount at 1 January 2011** | 60 | – | 210 | 270 |
| | Additional provisions | 80 | 1,200 | 90 | 1,370 |
| | Unused amount reversed | (10) | – | (80) | (90) |
| | **Closing amount at 30 June 2011** | **130** | **1,200** | **220** | **1,550** |

34p16A(i), (d), 15B(c) A provision of C1,200 was recognised in respect of the restructuring of the leather accessories segment as at 30 June 2011. This restructuring was completed in April 2012, at which point C180 of the restructuring provision was reversed as unutilised.

34p15B(f) The legal claims provision of C285 as at 1 January 2012 relates to certain legal claims brought against the group by customers. The balance as at 30 June 2012 is expected to be utilised in September 2012. A new legal claim arose in May 2012 brought against the group by customers of the US retail segment. A provision of C1,279 was consequently recognised in profit or loss within administrative expenses. The provision is not expected to be utilised in less than one year. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided for at 30 June 2012.

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

*(All amounts in C thousands unless indicated otherwise)*

## 20. Contingent liabilities

34p15B(m) Since 2010, the group has been defending an action brought by an environment agency in Europe. The group has disclaimed liability. No provision in relation to this claim has been recognised in this condensed interim financial statements, as legal advice indicates that it is not probable that a significant liability will arise. Further claims for which provisions have been made are reflected in Note 19.

## 21. Related-party transactions

34p15B(j) During the six months to 30 June 2012, sales of C972 (six months to 30 June 2011: C1,020) were made to Blue Shoes Inc, a company in which Mr Name A, a director of Red Shoes Inc, a subsidiary of the group, is also a director and shareholder. At 30 June 2012, an amount of C224 (31 December 2011: C182) was due from Blue Shoes Inc in respect of those sales.

34p15B(j) A loan to Mrs Name X, a key management executive of Green Shoes Inc, an associate of the group has been advanced in May 2012. The loan's term and conditions are as follows:

| Name | Amount of loan | Term | Amount reimbursed as at 30 June 2012 | Interest rate |
|---|---|---|---|---|
| Mrs Name X | 70 | Repayable monthly over 2 years | 6 | 6.3% |

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

Key management compensation amounted to C2,916 for the six months ended 30 June 2012 (30 June 2011: C2,200). See below.

| | | 30 June 2012 | 30 June 2011 |
|---|---|---|---|
| DV | Salaries and other short-term benefits | 1,998 | 1,985 |
| | Termination benefits | 600 | – |
| | Settlement of defined benefit plan | 12 | – |
| | Post-employment benefits | 123 | 85 |
| | Other long-term benefits | 33 | 23 |
| | Share-based payments | 150 | 107 |
| | | **2,916** | **2,200** |

*(All amounts in C thousands unless indicated otherwise)*

## 22. Events occurring after the reporting period

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

34p16A(h) On 12 June 2012, the group announced its intention to acquire all of the shares of Supa Boots Ltd for C2, 200. The transaction still has to be approved by the group's shareholders and by regulatory authorities. Approvals are not expected until late 2012 or early 2013.

34p16A(h) On 15 July 2012 a shop was broken into and a number of goods (shoes and other leather goods) with a net book value of C12,000 were stolen. The group has submitted an insurance claim for the replacement of these items. The group expects to be only partially reimbursed for the incurred loss.

34p16A(h) On 2 August 2012 there was severe flooding in one of the group's major eastern European leather goods factories. Refurbishment costs are expected to exceed the insurance claim payout by C900.

## PwC commentary – Notes to the condensed interim financial statements

### 34p15 1. Significant events and transactions

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

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

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

*(All amounts in C thousands unless indicated otherwise)*

34p16A

## 2. Other disclosures

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

34p16A(a)

## 3. Accounting policies

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

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

*Impact of standards issued but not yet applied*

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

34p16A(g)

## 4. Segment information

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

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

*(All amounts in C thousands unless indicated otherwise)*

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

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

**6. Materiality**

Materiality is defined in IAS 1p7 as follows:

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

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

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

34p11A **7. Earnings per share**

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

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

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

*(All amounts in C thousands unless indicated otherwise)*

# Auditor's review report – ISRE 2410

**ISRE 2410**

PricewaterhouseCoopers LLP
Address
Country
Telephone
Facsimile

## Report on review of interim financial information to IFRS GAAP plc

### Introduction

We have reviewed the accompanying interim balance sheet of IFRS GAAP plc as of 30 June 2012 and the related interim statements of income, changes in equity and cash flows for the half-year period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim financial reporting' as issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as issued by the IASB.

PricewaterhouseCoopers LLP
Chartered Accountants
[Location]
[Date]

Notes:

(a) The format of the report will need to be tailored to reflect the legal framework of particular countries. In some countries, there is no requirement for auditors to report on interim financial information.

(b) For reports issued on companies in the European Union, a different wording may be more appropriate, such as 'in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (IAS 34)'.

*(All amounts in C thousands unless indicated otherwise)*

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

34p8(b), 20(b)

| | | Notes | Six months ended 30 June 2012 | 30 June 2011 |
|---|---|---|---|---|
| | | | **Unaudited** | |
| | Revenue from continuing operations | | **32,100** | 30,174 |
| | Changes in inventories of finished goods and work in progress | | **(136)** | 250 |
| | Raw materials and consumables used | | **(9,595)** | (9,719) |
| | Employee benefits expense | | **(4,051)** | (6,332) |
| | Depreciation and amortisation expense | | **(8,716)** | (6,500) |
| | Impairment of inventory write-down[1] | 11 | **(790)** | – |
| | Impairment charge relating to PPE and intangible assets[1] | 11 | **(1,300)** | (1,785) |
| | Other expenses | | **(2,315)** | (1,543) |
| | Finance income | | **1** | 1 |
| | Finance costs | | **(779)** | (609) |
| | Share of profits of associates | | **295** | 55 |
| | **Profit before income tax** | | **4,714** | **3,992** |
| | Income tax expense | | **(893)** | **(637)** |
| | **Profit for the period from continuing operations** | | **3,821** | 3,355 |
| IFRS5p 33(a) | **Discontinued operations** | | | |
| | Profit for the period from discontinued operations | 8 | **60** | 85 |
| | **Profit for the period** | | **3,881** | **3,440** |
| | Profit attributable to: | | | |
| | – Owners of the parent | | **3,431** | 2,935 |
| | – Non-controlling interest | | **450** | 505 |
| | | | **3,881** | **3,440** |
| | **Earnings per share from continuing and discontinued operations attributable to the equity holders of the parent during the period** (expressed in cents per share) | | | |
| | **Basic earnings per share** | | | |
| 33p66 | From continuing operations | | 0.26 | 0.23 |
| 33p68 | From discontinued operations | | 0.02 | 0.02 |
| | | | **0.28** | **0.25** |
| | **Diluted earnings per share** | | | |
| 33p66 | From continuing operations | | 0.22 | 0.21 |
| 33p68 | From discontinued operations | | 0.02 | 0.02 |
| | | | **0.24** | **0.23** |

[1] Further detail of the inventory write-down and the impairment charge relating to PPE and intangible assets is given in note 11.

*(All amounts in C thousands unless indicated otherwise)*

# Appendix II – Example disclosures for entities that early adopt IFRS 9 (2010)

## PwC commentary – IFRS 9 (2010)

This appendix presents PwC's guidance on the requirements of IFRS 9, 'Financial instruments' (2010), for entities that chose to adopt before 1 January 2012. The interim period disclosures at 30 June 2012 have been revised for amendments made to IFRS 9 (2010) issued in December 2011.

**IFRS9p 7.2.14**

Based on the amendments in December 2011, IFRS 9 (2010) allows for early adoption but is retrospectively applicable for annual periods beginning on or after 1 January 2015. If an entity adopts IFRS 9 (2010) for annual periods beginning before 1 January 2012, it does not need to restate prior periods and is not required to provide the disclosures required by IFRS 7 as amended in December 2011. If the entity adopts IFRS 9 (2010) for annual periods beginning on or after 1 January 2012 and before 1 January 2013, it elects either to provide the disclosures required by IFRS 7 as amended in December 2011 or to restate prior periods. If the entity adopts IFRS 9 (2010) for annual periods on or after 1 January 2013, it provides the disclosures required by IFRS 7 as amended in December 2011 and does not need to restate prior periods.

As interim information related to IFRS 9 (2010) includes only disclosure of significant events and transactions as required by IAS 34, see Appendix V in our 'Illustrative IFRS corporate financial statements for 2011 year ends', which contains more comprehensive disclosures for an annual reporting period.

The main assumptions applied in this appendix are as follows:

1. The group adopted IFRS 9 (2010) at 1 January 2011; applied the limited exemption in IFRS9p7.2.14; and has not restated prior periods in its year of the initial application.
2. The group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available for sale, because these investments do not meet the definition of held for trading of IFRS 9 (2010) Appendix A.
3. Debt instruments and debentures were considered to meet the criteria to be classified at amortised cost in accordance with IFRS 9 (2010), because the objective of the group's business model is to hold these debt securities in order to collect their contractual cash flows, and the contractual cash flows solely represent payments of principal and interest on the principal outstanding. They were reclassified from available for sale to financial assets at amortised cost.
4. The group did not designate any financial asset or financial liabilities as at fair value through profit or loss on initial application in accordance with IFRS 9 p4.1.5 or IFRS 9 p4.2.2.
5. The group does not have unquoted equities or derivatives on unquoted equities.

The list below outlines the changes that would be required to the primary statements and disclosures in the interim financial information presented in the main body of this publication if IFRS 9 (2010) had been adopted before 1 January 2012.

*(All amounts in C thousands unless indicated otherwise)*

## Interim consolidated income statement – IFRS 9 (2010)

No impact on presentation.

## Interim consolidated statement of comprehensive income – IFRS 9 (2010)

IFRS 9 (2010) was adopted in the previous period, so the interim consolidated statement of comprehensive income should no longer include a line item disclosure relating to 'Available-for-sale financial assets' for the six-month period ended 30 June 2011 and 2012. However, the statement of other comprehensive income should include the line item 'Gain arising on revaluation of financial assets at fair value through other comprehensive income', which is only applicable for equity investments.

## Interim consolidated balance sheet – IFRS 9 (2010)

Instead of including a line item disclosure relating to 'Available-for-sale financial assets' as in the past, a balance sheet disclosure will now include a line item 'Financial assets at fair value through other comprehensive income', which is only applicable for equity investments. Debts instruments previously classified as available-for-sale financial assets should now be disclosed in 'Financial assets at amortised cost'.

## Notes to the financial statements

The changes described for the consolidated statement of comprehensive income and the consolidated statement of financial position should be reflected in the notes. For example, instead of 'Available-for-sale financial assets – equity securities', disclosure should refer to 'Financial assets at fair value through other comprehensive income'.

IFRS7p27, 27A

## Fair value hierarchy

Management should assess if the disclosure of the fair value hierarchy required for the annual financial statements is material to an understanding of the interim financial information. Due to the reclassification of the available-for-sale debt assets to 'Financial assets at amortised cost' under IFRS 9, the group determined the fair value hierarchy to be irrelevant or insignificant to the user of its interim financial information.

## Financial assets at fair value through other comprehensive income

### PwC commentary

PwC recommends considering the notes disclosures below, although these are not specifically required by IAS 34 unless there have been significant events or transactions in the period.

IFRS7p11A If management has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by IFRS 9p5.7.5, it should disclose:

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

*(All amounts in C thousands unless indicated otherwise)*

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Listed securities: | | |
| – Equity securities UK | 98 | 24 |
| – Equity securities – Europe | 260 | 384 |
| – Equity securities – US | 45 | 38 |
| **Financial assets at fair value through other comprehensive income** | **403** | **446** |

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

Dividends recognised during the first half of 2012 related to this equity investments amount to C12. No dividends were recognised for investments derecognised during the reporting period.

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

## PwC commentary

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

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

IFRS7p11B The group disposed UK equity securities during the reporting period due to management decisions to reduce their exposure to GBP equity investments. The fair value at the date of derecognition was C85 and the cumulative gain C8.

## Items of income expense, gains or losses

## PwC commentary

IFRS7p20(a) Management should disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure should include the reasons for derecognising those financial assets.

During the reporting period, the group disposed of C120 of financial assets at amortised cost less than three months to maturity and realised a gain of C1 from the sale recognised within ‘Finance income’ in the income statement.

*(All amounts in C thousands unless indicated otherwise)*

# Appendix III – Example disclosures for entities that early adopt IFRS 10, IFRS 11 and IFRS 12

## Accounting policies[1]

This appendix illustrates sample disclosures that would be required if an entity early adopts IFRS 10, IFRS 11 and IFRS 12.

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

The group has early adopted the following standards, together with the consequential amendments to other IFRSs, for the financial year ended 31 December 2012.

- IFRS 10, 'Consolidated financial statements' — IFRS 10 was issued in May 2011 and replaces all the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements', and SIC-12, 'Consolidation – special purpose entities'. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The group has applied IFRS 10 retrospectively in accordance with the transition provisions of IFRS 10.

  The adoption of IFRS 10 has resulted in consolidation of ABC Pte Ltd ('ABC'), in which the group owns 49.5%. IAS 27 did not require consolidation of ABC, as the group held below 50% of the votes, while decisions required a majority vote. Under IFRS 10, ownership of less than 50% of the votes constitutes power if it provides the group with the practical ability to unilaterally direct ABC.

  The group has the practical ability to unilaterally direct ABC. The group's ownership interest is very high relative to other investors, who own less than 1% each. The large number of other investors who must act together to outvote the group makes it unlikely for them to affect the group's decisions.

  The financial effects of consolidating ABC are summarised in note x – Adoption of IFRS 10, below.

- IFRS 11, 'Joint arrangements' – IFRS 11 was issued in May 2011 and supersedes IAS 31 'Interests in joint ventures' and SIC 13 'Jointly controlled entities – Non monetary contributions by venturers'. On transition, adjustments in accordance with the transition provisions of the standard are recorded at the beginning of the earliest period presented.

  Before 1 January 2011, the group's interest in its jointly controlled entity was accounted for using the equity method.

[1] These disclosures have been included to comply with the requirements of IAS 34. For a complete set of financial statements, disclosure requirements as per IAS 8 and IFRS 12 have to be complied with.

*Changes in accounting policy*

The group adopted IFRS 11, 'Joint arrangements', on 1 January 2011. This resulted in the group changing its accounting policy for its interests in the jointly controlled entity. Under IFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than just the legal structure of the joint arrangement.

Under IFRS 11, the jointly controlled entity has been assessed to be a joint operation. See note y – Adoption of IFRS 11, for further details.

The group has applied the new policy for its interest in the joint operation in accordance with the transition provisions of IFRS 11. The group recognised its investment in the assets and liabilities relating to the joint operation at the beginning of the earliest period presented (1 January 2011), by disaggregating them from the carrying amount of the investment based on the information used in applying the equity method. The difference between the investment previously accounted for using equity method and the net amount of the assets/liabilities has been adjusted against the retained earnings.

In respect of its interest in the joint operation, the group recognises its share of assets, liabilities, revenues and expenses. The group accounts for the assets, liabilities, revenues and expenses in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

The financial effects of the change in accounting policies at 1 January 2011 and 31 December 2011 are shown in notes x and y below.

- IFRS 12, 'Disclosure of interests in other entities' – IFRS 12 was issued in May 2011, and provides disclosure requirements on interests in subsidiaries, associates, joint ventures, and unconsolidated structured entities.
- IAS 27, 'Separate financial statements' – IAS 27 was amended in May 2011 after IFRS 10 was published. The revised IAS 27 deals only with the accounting for subsidiaries, associates and joint ventures in the separate financial statements of the parent company.
- IAS 28, 'Investments in associates and joint ventures' – IAS 28 was amended in May 2011 after IFRS 11 was published. The amended IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

## Note x – Adoption of IFRS 10

34p16A(a) Based on IFRS 10 requirements, the group is deemed to have de facto control of ABC Pte Ltd, a 49.5% subsidiary. This subsidiary was not previously required to be consolidated under IAS 27; it was instead equity accounted under IAS 28. The group has consolidated ABC Pte Ltd retrospectively, as required by the transition provisions of IFRS 10. The table below illustrates the resulting financial effects:

*Impact on statement of financial position*

| Increase/(decrease) | 31 December 2011 | 1 Jan 2011 |
|---|---|---|
| Assets: | | |
| – Property, plant and equipment | 3,800 | 2,500 |
| – Trade and other debtors | 1,200 | 800 |
| – Cash | 1,000 | 700 |
| – Investment in associate | (1,980) | (1,485) |
| Liabilities: | | |
| – Trade and other payables | 1,000 | 500 |
| – Borrowings | 1,000 | 500 |
| Equity: | | |
| – Non-controlling interest | 2,020 | 1,515 |

*Impact on statement of comprehensive income*

| Increase/(decrease) | Year ended 31 December 2011 | Six months ended 30 June 2011 |
|---|---|---|
| Revenues | 6,000 | 2,100 |
| Operating expenses | 3,600 | 950 |
| Finance costs | 200 | 70 |
| Share of profits of associate | (990) | (495) |
| Profit before tax | 1,210 | 605 |
| Tax expense | 200 | 80 |
| Profit after tax | 1,010 | 505 |

*Impact on statement of cash flows*

| Increase/ (decrease) | Year ended 31 December 2011 | Six months ended 30 June 2011 |
|---|---|---|
| Cash flows from operating activities | 950 | 265 |
| Cash flows from investing activities | (205) | 170 |
| Cash flows from financing activities | 135 | 95 |
| Net increase/(decrease) in cash and cash equivalents | (250) | (120) |

## Note y – Adoption of IFRS 11

34p16A(a) *Joint arrangements*

IFRS GAAP Plc has an interest in a joint arrangement JV1 established as limited liability company in Germany. Under IAS 31, this was assessed as jointly controlled entity and was equity accounted.

The group has reassessed the classification of this joint arrangement under IFRS 11.

JV1 is engaged is processing of leather. All of the leather processed by JV1 is sold to the parties to the joint arrangement (that is, the group and its partner). The leather is sold at a price to ensure that JV1 operates at break- even level. JV1 does not have any independent borrowings and fully depends on the group and the partner for its cash flows. Based on these facts and circumstances, it was assessed that the group has rights to the assets and obligations for the liabilities relating to JV1. It has therefore been classified as a joint operation. The group has 50% shareholding interest in JV1.

The group has accounted for its share of assets, liabilities, income and expenses of JV1. The table below illustrates the resulting financial effects:

*Impact on statement of financial position*

| **Increase/ (decrease)** | **31 December 2011** | **1 January 2011** |
|---|---|---|
| Assets: | | |
| – Property, plant and equipment | 2,500 | 2,000 |
| – Trade and other debtors | 600 | 500 |
| – Cash | 300 | 250 |
| – Investment in jointly controlled entity | (2,000) | (1,500) |
| **Total** | **1,400** | **1,250** |
| Liabilities: | | |
| – Trade and other payables | 700 | 1,050 |
| – Borrowings | 700 | 800 |
| **Total** | **1,400** | **1,850** |
| Equity: | | |
| – Retained earnings | – | **(600)** |

*Impact on statement of comprehensive income*

| **Increase/ (decrease)** | **Year ended 31 December 2011** | **Six months ended 30 June 2011** |
|---|---|---|
| Revenues | 2,750 | 1,650 |
| Operating expenses | 1,600 | 1,100 |
| Finance costs | 550 | 310 |
| Share of profits of joint controlled entity | (500) | (200) |
| **Profit before tax** | **100** | **40** |
| Tax expense | 100 | 40 |
| Profit after tax | – | – |

*Impact on statement of cash flows*

| **Increase/ (decrease)** | **Year ended 31 December 2011** | **Six months ended 30 June 2011** |
|---|---|---|
| Cash flows from operating activities | 600 | 350 |
| Cash flows from investing activities | (175) | (150) |
| Cash flows from financing activities | (125) | (75) |
| Net increase/(decrease) in cash and cash equivalents | 300 | 125 |

# Appendix IV – Example disclosures for entities that early adopt IFRS 13

## PwC commentary – IFRS 13, 'Fair value measurement'

This appendix illustrates disclosures for financial instruments that will be required by IAS 34p16A(j) for companies that have early-adopted IFRS 13 on 1 January 2012. These disclosures have been added to IAS 34 as a consequential amendment resulting from IFRS 13.

Fair value disclosures for non-financial assets and liabilities may also be required based on existing IAS 34 guidance (for example, fair value disclosures under IFRS 3 are required by IAS 34.16A(i)). These pre-existing disclosure requirements are not illustrated in this appendix. Illustrative fair value disclosures for non-financial assets can be found in other publications (for example, the 'Illustrative IFRS consolidated financial statements for 2011 year ends').

Some of the disclosures provided in this appendix that are now required by IFRS 13 may also be disclosed in Note 5 of these interim illustrative financial statements. These were previously disclosed only to the extent required under IAS 34p15B (that is, if there were significant changes since the last set of annual financial statements). However, IFRS 13 requires additional disclosures for financial instruments regardless of whether or not there were significant changes.

IFRS 13p 93(a-b)

## Fair value hierarchy

The following table presents the group's financial assets and liabilities that are measured at fair value at 30 June 2012.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Trading derivatives | – | 459 | 220 | 679 |
| Derivatives used for hedging | – | 375 | – | 375 |
| Available-for-sale financial assets | | | | |
| – Equity securities | 403 | – | – | 403 |
| – Debt investments | 3,423 | 236 | – | 3,659 |
| **Total assets** | **3,826** | **1,070** | **220** | **5,116** |
| **Liabilities** | | | | |
| Derivatives used for hedging | – | 109 | – | 109 |
| **Total liabilities** | **–** | **109** | **–** | **109** |

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2011.

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

IFRS13p 93(c)

There were no transfers between Levels 1 and 2 during the period.

Transfers between Levels 2 and 3 are addressed in the Level 3 reconciliation.

IFRS13p 93(d)

## Valuation techniques used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts and interest rate swaps. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

Level 2 debt investments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

IFRS13p 93(e)

## Fair value measurements using significant unobservable inputs (Level 3)

| | | Trading derivatives 30 June 2012 |
|---|---|---|
| | Opening balance at 1 January | – |
| | Transfers to/ (from) Level 3* | 240 |
| | Losses recognised in profit and loss | (20) |
| | Closing balance at 30 June/31 December | 220 |
| IFRS13p 93(e)(i) | Total losses for the period included in profit or loss for assets held at the end of the reporting period, under 'Finance costs' | 20 |
| IFRS13p 93(f) | Change in unrealised losses for the period included in profit or loss for assets held at the end of the reporting period, under 'Finance costs' | 20 |

IFRS13p 93(c-d), (e)(iv), (h)

* In 2012, the group transferred a held-for-trading forward foreign exchange contract that has been fair valued using a discounted cash flow approach, from Level 2 into Level 3. This is because the counterparty for the derivative encountered significant financial difficulties, which resulted in a significant increase to the discount rate due to increased counterparty credit risk, which is not based on observable inputs.

The discount rate used to compute the fair value is 15%. If the change in the credit default rate for that derivative shifted +/- 5%, the impact on profit or loss would be C20. The higher the discount rate, the lower the fair value.

IFRS13p95 The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

IFRS13p93(d) Other than as described above, there were no other changes in valuation techniques during the period.

## PwC commentary – Comparative information

As per IFRS 13.C3, comparative information need not be provided for periods before initial application of IFRS 13.

IFRS13p93(g)

## Group's valuation processes

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

IFRS13p93H, IE 65 The main Level 3 input used by the group pertains to the discount rate for forward foreign exchange contracts where the counterparty is experiencing financial difficulty. It is estimated based on the weighted average cost of capital of public companies that are, in the opinion of the group, in a comparable financial position with the counterparty to the forward contract. The group has subscriptions to information brokers that allow the group to gather such information.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, AC and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

IFRS7p25

## Fair value of financial assets and liabilities

The fair value of borrowings are as follows:

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Non-current | 4,980 | 5,005 |
| Current | 815 | 581 |
| | 5,795 | 5,586 |

IFRS7p29 The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents (excluding bank overdrafts)
- Trade and other payables
- The following assets and liabilities within the held-for-sale disposal group:
  - Cash and cash equivalents
  - Other current assets
  - Trade and other payables
  - Borrowings
  - Other current liabilities

# Interim reporting disclosure checklist

This disclosure checklist outlines the minimum disclosures required by IAS 34, 'Interim financial reporting', and other IFRSs published by the IASB up to and including March 2012 insofar as they affect interim reports.

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

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

This disclosure checklist does not deal with the measurement requirements of IFRS; a thorough understanding of the standards and interpretations that are relevant to the reporting entity's circumstances will be necessary.

This checklist is presented in a format designed to facilitate the collection and review of disclosures for each component of the interim report. All disclosures have been grouped by subject, where appropriate. The references in the left-hand margin of the checklist refer to the paragraphs of the standards in which the disclosure requirements appear. Additional notes and explanations in the checklist are shown in *italics*. Requirements that are new since 2011 interim periods are highlighted in grey.

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

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

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

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

| | | Y-NA-NM | Ref |
|---|---|---|---|
| | **General** | | |
| 34p5, 10 | Has the entity published in its interim report either: | | |
| | (a) a complete set of financial statements (described in IAS 1)? or | | |
| | (b) a set of condensed financial statements (described in IAS 34)? | | |
| | *Notes*:<br>*(a) If a complete set of financial statements is published in the interim report, the form and content of those statements should conform to the requirements of IAS 1 for a complete set of financial statements. All disclosures required by IAS 34 as well as all those required by other standards should be included.*<br>*(b) If a condensed set of financial information is published in the interim report, as a minimum, disclosures required by IAS 34 should be included. Disclosures required by other IFRSs are not required for condensed interim financial information, except where they are material to an understanding of the current interim period.* | | |
| 34p14 | If the most recent annual financial statements were consolidated financial statements, is the interim report also prepared on a consolidated basis? | | |
| | **Statement of comprehensive income** | | |
| 34p8, 20 | Does the interim report include a condensed statement of comprehensive income prepared for the interim period and cumulatively for the current financial year to date presented as either: | | |
| | (a) a condensed single statement? or | | |
| | (b) a condensed separate income statement and a condensed statement of comprehensive income? | | |
| | *Notes:*<br>*(a) The same format should be followed in the interim statement of comprehensive income as was followed in the most recent annual financial statements (that is either as a single statement or a separate income statement and a statement of comprehensive income).*<br>*(b) Where a condensed income statement is presented, this should be immediately before the statement of comprehensive income.* | | |
| 34p10 | Does the condensed statement of comprehensive income include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements? | | |
| 34p10 | Does the condensed statement of comprehensive income include additional line items, without which the interim report would be misleading? | | |
| 34p20 | Does the condensed statement of comprehensive income contain comparative information for the comparable interim periods (current period and financial year to date, if different) of the immediately preceding year? | | |
| 34p11 | If IAS 33 is applicable, are basic and diluted earnings per share presented in the condensed statement of comprehensive income? | | |
| 34p11A | *If an entity presents the components of profit or loss in a separate income statement it should present basic and diluted earnings per share in that separate statement.* | | |

| | | Y-NA-NM | Ref |
|---|---|---|---|
| | **Balance sheet** | | |
| 34p8, 20 | Does the interim report include a condensed balance sheet prepared as at the end of the interim period? | | |
| 34p10 | Does the condensed balance sheet include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements? | | |
| 34p10 | Does the condensed balance sheet include additional line items, without which the interim report would be misleading? | | |
| 34p20 | Does the condensed balance sheet contain comparative information as at the end of the immediately preceding financial year? | | |
| | **Statement of changes in equity** | | |
| 34p8 | Does the interim report include a condensed statement of changes in equity showing all changes in equity? | | |
| 34p8A | If an entity presents the components of profit or loss in a separate income statement as described in IAS 1 para 81 (as revised in 2007), it presents interim condensed information from that separate statement. | | |
| | *Note: In accordance with IAS 1 para 81, the separate statement refers to 'a statement displaying components of profit or loss'* | | |
| 34p10 | Does the condensed statement of changes in equity include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements? | | |
| 34p10 | Does the condensed statement of changes in equity include additional line items, without which the interim report would be misleading? | | |
| 34p20 | Is the condensed statement of changes in equity prepared cumulatively for the financial year to date? | | |
| 34p20 | Is a comparative statement of changes in equity for the comparable year-to-date period of the immediately preceding financial year included in the interim report? | | |
| | **Statement of cash flows** | | |
| 34p8, 20 | Does the interim report include a condensed statement of cash flows prepared cumulatively for the current financial year to date? | | |
| 34p10 | Does the condensed statement of cash flows include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements? | | |
| 34p10 | Does the condensed statement of cash flows include additional line items, without which the interim report would be misleading? | | |
| 34p20 | Does the condensed statement of cash flows show comparative information for the comparable year-to-date period of the immediately preceding financial year? | | |
| | **Explanatory notes** | | |
| 34p15 | *IAS 34 assumes that a reader of the interim report will also have access to the most recent annual financial statements. It is not necessary for the notes to duplicate information already given in the most recent annual financial statements. Instead, an explanation of material events and transactions that are significant to an understanding of the changes in financial position and performance since the last annual financial statements should be given.* | | |

| | | Y-NA-NM | Ref |
|---|---|---|---|
| 34p6, 15 | Does the interim report focus on new activities, events and circumstances and provide explanations of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the last annual reporting date? | | |
| 34p6 | Does the interim report include a discussion of the effect of economic turbulence and market conditions, liquidity difficulties or any going concern issues, together with management's plans for addressing them? | | |
| 34p19 | Does the interim report contain a basis of preparation paragraph that states clearly whether the interim report has been prepared in accordance with IAS 34? | | |
| 34p19 | *Note:*<br>*An interim report should not be described as complying with IFRS unless it complies with all the requirements of each applicable standard and each applicable IFRIC interpretation.* | | |
| 34p16A(a) | Does the interim report contain a statement that the same accounting policies, methods of computation and presentation have been followed in its preparation as were applied in the most recent annual financial statements; or, if those policies, methods or presentation have been changed, include a description of the nature and effect of the change? | | |
| 34p43 | *Note:*<br>*If there has been a change in accounting policy, other than one for which the transition is specified by a new standard or interpretation, management should restate the comparative information presented in the interim report in accordance with IAS 8.* | | |
| 34p16A(b) | Does the interim report contain explanatory comments about the seasonality or cyclicality of interim operations? | | |
| 34p21 | *Note:*<br>*Financial information for the 12 months ending on the interim reporting date and comparative information for the prior 12-month period may be useful for an entity whose business is highly seasonal. Such entities are encouraged to consider reporting such information in addition to the information required by IAS 34 para 20.* | | |
| 34p16A(c) | Does the interim report contain the nature and amount of items occurring in the financial year-to-date affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence? | | |
| 34p15B(a) | Does the interim report contain details of any write-down of inventories to net realisable value and the reversal of such a write-down? | | |
| 34p15B(b) | Does the interim report contain the recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss? | | |
| 34p15B(c) | Does the interim report contain the reversal of any provisions for the costs of restructuring? | | |
| 34p15B(d) | Does the interim report contain details of any property, plant and equipment acquired or disposed of during the financial year to date? | | |
| 34p15B(e) | Does the interim report contain details of any commitments to purchase property, plant and equipment after the end of the interim period? | | |

| | | Y-NA-NM | Ref |
|---|---|---|---|
| 34p16A(d) | Does the interim report contain the nature and amount of changes in estimates of amounts reported in prior interim periods of the current year, or in prior years, if those changes have a material effect in the current interim period (for example, changes in estimates relating to inventory write-downs, impairment losses, provision re-estimates etc)? | | |
| 34p15B(f) | Does the interim report contain details of litigation settlements since the last annual balance sheet date? | | |
| 34p15B(i) | Does the interim report contain details of any loan default or breach of a loan agreement since the last annual balance sheet date that has not been remedied on or before the end of the interim period? | | |
| 34p16A(e) | Does the interim report contain details of issuances, repurchases and repayments of debt and equity securities since the last annual balance sheet date? | | |
| 34p16A(f) | Does the interim report contain details of dividends paid (aggregate or per share), separately for ordinary shares and other shares during the financial year to date? | | |
| 34p16A(h) | Does the interim report contain details of material events subsequent to the end of the interim period that have not been reflected in the interim financial statements? | | |
| 34p16 A (i) | Does the interim report detail the effect of changes in the composition of the entity during the interim period (for example, business combinations, acquisitions and disposals of subsidiaries and long-term investments, restructurings and discontinued operations)? | | |
| 34p15B(g) | Does the interim report contain details of the correction of prior-period errors (as defined in IAS 8)? | | |
| 34p15B(h) | Does the interim report contain details of 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 costs? | | |
| 34p15B(j) | Does the interim report contain details of related-party transactions (as defined in IAS 24) for the financial year to date? | | |
| 34p15B(k) | Does the interim report contain details of transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments? | | |
| 34p15B(l) | Does the interim report contain details of changes in the classification of financial assets as a result of a change in the purpose or use of those assets? | | |
| 34p15B(m) | Does the interim report contain details of changes in contingent liabilities or contingent assets? | | |
| 34p16A | Does the interim report contain details of any other events or transactions that are material to an understanding of the current interim period? | | |
| | **Segment information** | | |
| | Does the interim report contain: | | |
| 34p16A(g)(i) | ■ Revenues from external customers, if included in the measure of segment profit or loss provided to the chief operating decision-maker? | | |
| 34p16A(g)(ii) | ■ Intersegment revenues, if included in the measure of segment profit or loss provided to the chief operating decision-maker? | | |
| 34p16A(g)(iii) | ■ A measure of segment profit or loss? | | |

| | | Y-NA-NM | Ref |
|---|---|---|---|
| 34p16(g)(iv) | ■ Total assets for which there has been a material change from the amount disclosed in the last annual financial statements? | | |
| 34p16A(g)(v) | ■ A description of the differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss? | | |
| 34p16A(g)(vi) | ■ A reconciliation of the total of the reportable segments' profit or loss to the entity's profit or loss before tax and discontinued operations, with material reconciling items separately identified and described? | | |
| IFRS8p29<br>IFRS8p30 | *Notes:*<br>*(a) If an entity changes the structure of its internal organisation such that the composition of its reportable segments change, the corresponding information for earlier periods, including interim periods, should be restated unless the information is not available and the cost to develop it would be excessive.*<br>*(b) Following a change in reportable segments, an entity should disclose whether it has restated the corresponding amounts. If corresponding amounts are not restated, the entity should disclose current period segment information on both the old and new bases, unless the information is not available and the cost to develop it would be excessive.* | | |
| | **IFRS 3** | | |
| | *Where a business combination has an acquisition date after the end of the interim period but before the interim financial report is authorised for issue, IAS 34 does not require entities to disclose the information required by IFRS 3. The following disclosures are best practice only. The requirement in IAS 34 to provide IFRS 3 disclosures in condensed interim financial reports applies only to a business combination occurring during the interim period.* | | |
| | For each business combination that was effected during the period does the entity disclose: | | |
| IFRS3p B64(a) | ■ The name and a description of the acquiree? | | |
| IFRS3p B64(b) | ■ The acquisition date? | | |
| IFRS3p B64(c) | ■ The percentage of voting equity interests acquired? | | |
| IFRS3p B64(d) | ■ The primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree? | | |
| IFRS3p B64(e) | ■ A qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, and intangible assets that do not qualify for separate recognition or other factor? | | |
| IFRS3pB64(f) | For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), does the entity disclose the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration? | | |
| | *Note: This includes items such as:* | | |
| | *(a) Cash;* | | |
| | *(b) Other tangible or intangible assets, including a business or subsidiary of the acquirer;* | | |

| | | Y-NA-NM | Ref |
|---|---|---|---|
| | *(c) Liabilities incurred – for example, a liability for contingent consideration; and* | | |
| | *(d) Equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of determining the fair value of those instruments or interests.* | | |
| | For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue) for contingent consideration arrangements and indemnification assets, does the entity disclose: | | |
| IFRS3p B64(g) | ■ The amount recognised as of the acquisition date? | | |
| IFRS3p B64(g) | ■ A description of the arrangement and the basis for determining the amount of the payment? | | |
| IFRS3p B64 | ■ An estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated? If the maximum amount of the payment is unlimited, the acquirer discloses that fact. | | |
| | For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), for acquired receivables, does the entity disclose: | | |
| IFRS3p B64(h) | ■ The fair value of the receivables? | | |
| IFRS3p B64(h) | ■ The gross contractual amounts receivable? | | |
| IFRS3p B64(h) | ■ The best estimate at the acquisition date of the contractual cash flows not expected to be collected? | | |
| | *Note:* *The three disclosures above should be provided by major class of receivable, such as loans, direct finance leases and any other class of receivables.* | | |
| | For each business combination that was took place during the period (or after the reporting period but before the financial statements are authorised for issue), does the entity disclose: | | |
| IFRS3pB64(i) | ■ The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed? | | |
| IFRS3pB64(j) | ■ A brief description of the nature of the obligation and of the expected timing of any resulting outflows of economic benefits? | | |
| | *Note:* *This would normally be expected to include disclosure of likely settlement period and discount rate (if used).* | | |
| IFRS3pB64(j) | ■ An indication of the uncertainties about the amount or timing of those outflows (where necessary to provide adequate information, disclose the major assumptions made concerning future events)? | | |
| IFRS3pB64(j) | ■ The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement? | | |
| IFRS3pB64(j) | ■ Except where the possibility of any outflow in settlement is remote, the following information about each class of contingent liability: | | |
| | (a) A brief description of the nature of the contingent liability; | | |

| | | Y-NA-NM | Ref |
|---|---|---|---|
| | (b) Where practicable | | |
| | (i) an estimate of its financial effect, measured under IAS 37 paragraphs 36-52, | | |
| | (ii) an indication of the uncertainties about the amount or timing of any outflow, and | | |
| | (iii) the possibility of any reimbursement; and | | |
| | (c) Where relevant, the fact that the information is not disclosed because it is not practicable to do so? | | |
| IFRS3p B64(k) | For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), does the entity disclose the total amount of goodwill that is expected to be deductible for tax purposes? | | |
| | For each business combination that was effected during the period, for transactions that are recognised separately from the acquisition of assets and assumption of liabilities in the business combination in accordance with IFRS 3 para 51, does the entity disclose: | | |
| IFRS3pB64(l) | ■ A description of each transaction? | | |
| IFRS3pB64(l) | ■ How the acquirer accounted for each transaction? | | |
| IFRS3pB64(l) | ■ The amounts recognised for each transaction and the line item in the financial statements in which each amount is recognised? | | |
| IFRS3pB64(l) | ■ If the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount? | | |
| IFRS3p B64(m) | The disclosure of separately recognised transactions includes the amount of acquisition-related costs and, separately, the amount of those costs recognised as an expense and the line item or items in the statement of comprehensive income in which those expenses are recognised. Has management recognised the amount of any issue costs as an expense and disclosed how they were recognised ? | | |
| | For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), and which resulted in a bargain purchase, does the entity disclose: | | |
| IFRS3p B64(n) | ■ The amount of any gain recognised in accordance with IFRS 3 para 34 and the line item in the statement of comprehensive income in which the gain is recognised? | | |
| IFRS3p B64(n) | ■ A description of the reasons why the transaction resulted in a gain? | | |
| | For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), for each business combination in which the acquirer holds less than 100% of the equity interest in the acquiree at the acquisition date, does the entity disclose: | | |
| IFRS3p B64(o) | The amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount? | | |
| IFRS3p B64(o) | ■ For each non-controlling interest in an acquiree measured at fair value, the valuation techniques and key model inputs used for determining that value? | | |

| | | Y-NA-NM | Ref |
|---|---|---|---|
| | *Note:*<br>*A non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly to a parent.* | | |
| | For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), does the entity disclose: | | |
| IFRS3p B64(p) | ■ The acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date? | | |
| IFRS3p B64(p) | ■ The amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination and the line item in the statement of comprehensive income in which that gain or loss is recognised? | | |
| | For each business combination that was effected during the period (or after the reporting period but before the financial statements are authorised for issue), does the entity disclose: | | |
| IFRS3p B64(q) | ■ The amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period? | | |
| IFRS3p B64(q) | ■ The revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period? | | |
| | *Note:*<br>*If obtaining any of the information required is impracticable, the acquirer discloses that fact and explains why the disclosure is impracticable.* | | |
| | For adjustments recognised in the current reporting period or previous reporting periods in relation to a business combination, does the acquirer disclose the following for each material business combination or in aggregate for individually immaterial business combinations that are material collectively: | | |
| IFRS3p B67(a) | ■ If the initial accounting for a business combination is incomplete for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognised in the financial statements for the business combination have been determined only provisionally: | | |
| | (a) The reasons why the initial accounting for the business combination is incomplete? | | |
| | (b) The assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete? and | | |
| | (c) The nature and amount of any measurement period adjustments recognised during the reporting period? | | |
| IFRS3p B67(b) | ■ For each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires: | | |
| | (a) Any changes in the recognised amounts, including any differences arising upon settlement? | | |
| | (b) Any changes in the range of outcomes (undiscounted) and the reasons for those changes? and | | |
| | (c) The valuation techniques and key model inputs used to measure contingent consideration? | | |

| | | Y-NA-NM | Ref |
|---|---|---|---|
| | Does the acquirer disclose for contingent liabilities recognised in a business combination, the following information for each class of provision: | | |
| IFRS3p B67(c) | ■ For each class of provision: | | |
| | (a) The carrying amount at the beginning and end of the period? | | |
| | (b) Additional provisions made in the period, including increases to existing provisions? | | |
| | (c) Amounts used (that is, incurred and charged against the provision) during the period? | | |
| | (d) Unused amounts reversed during the period? and | | |
| | (e) The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate? | | |
| IFRS3pB64(j) | ■ A brief description of the nature of the obligation and of the expected timing of any resulting outflows of economic benefits? | | |
| | *Note:* *This is normally expected to include disclosure of likely settlement period and discount rate (if used).* | | |
| IFRS3pB64(j) | ■ An indication of the uncertainties about the amount or timing of those outflows (where necessary to provide adequate information, disclose the major assumptions made concerning future events)? | | |
| | ■ The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement? | | |
| | For adjustments recognised in the current reporting period or previous reporting periods in relation to a business combination, and for each material business combination or in aggregate for individually immaterial business combinations that are material collectively, does the acquirer disclose a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period showing separately: | | |
| IFRS3p B67(d) | ■ The gross amount and accumulated impairment losses at the beginning of the reporting period? | | |
| IFRS3p B67(d) | ■ Additional goodwill recognised during the reporting period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with IFRS 5? | | |
| IFRS3p B67(d) | ■ Adjustments resulting from the subsequent recognition of deferred tax assets during the reporting period in accordance with IFRS 3 para 67? | | |
| IFRS3p B67(d) | ■ Goodwill included in a disposal group classified as held for sale in accordance with IFRS 5 and goodwill derecognised during the reporting period without having previously been included in a disposal group classified as held for sale? | | |
| IFRS3p B67(d) | ■ Impairment losses recognised during the reporting period in accordance with IAS 36? | | |
| IFRS3p B67(d) | ■ If any portion of the goodwill recognised in a business combination during the period has not been allocated to a cash-generating unit (group of units) at the reporting date, does the acquirer disclose the amount of the unallocated goodwill together with the reasons why that amount remains unallocated? | | |

| | | Y-NA-NM | Ref |
|---|---|---|---|
| IFRS3p B67(d) | ■ Net exchange rate differences arising during the reporting period in accordance with IAS 21? | | |
| IFRS3p B67(d) | ■ Any other changes in the carrying amount during the reporting period? | | |
| IFRS3p B67(d) | ■ The gross amount and accumulated impairment losses at thep end of the reporting period? | | |
| IFRS3p B67(e) | For adjustments recognised in the current reporting period or previous reporting periods in relation to a business combination, and for each material business combination or in the aggregate for individually immaterial business combinations that are material collectively, does the acquirer disclose the amount and an explanation of any gain or loss recognised in the current reporting period that both: | | |
| | ■ Relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or previous reporting period? and | | |
| | ■ Is of such a size, nature or incidence that disclosure is relevant to understanding the combined entity's financial statements? | | |
| IFRS3p B63 | If the specific disclosures required by this and other IFRSs do not enable users of the financial statements to evaluate the nature and financial effect of business combinations and of the impact of any adjustments arising from them, does the acquirer disclose whatever additional information is necessary to meet those objectives? | | |
| | **Requirements for interim periods covered by the entity's first IFRS financial statements** | | |
| | *The IFRS 1 requirements below refer to interim financial reports prepared under IAS 34 for interim periods covered by the entity's first IFRS financial statements. They supplement the requirements of IAS 34 for such interim periods. See Example 10 in the IFRS 1 Implementation Guidance for an illustration of the reconciliations required.* | | |
| IFRS1p 32(a) | Where an entity presents an interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements, and it presented an interim financial report for the comparable interim period of the immediately preceding financial year, does the interim financial report include: | | |
| | ■ A reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under IFRSs at that date?; and | | |
| | ■ A reconciliation to its total comprehensive income in accordance with IFRSs for that comparable interim period (current and year to date)? | | |
| | *The starting point for that reconciliation is total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.* | | |
| IFRS1p 32(b) | In addition to the reconciliations required by IFRS 1 paragraph 32(a), does the first interim financial report in accordance with IAS 34 for part of the period covered by the entity's first IFRS financial statements include the following reconciliations, described in IFRS 1 paragraphs 24(a)and 24(b) (supplemented by the details required by IFRS 1 paragraphs 25 and 26) (unless this disclosure requirement is met by a cross-reference to another published document that includes these reconciliations): | | |

| | | Y-NA-NM | Ref |
|---|---|---|---|
| IFRS1p 24(a) | ■ A reconciliation of its equity reported in accordance with previous GAAP to its equity in accordance with IFRSs for both of the following dates:<br>(i) the date of transition to IFRSs? and<br>(ii) the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP? and | | |
| IFRS1p 24(b) | ■ A reconciliation to its total comprehensive income in accordance with IFRSs for the latest period in the entity's most recent annual financial statements? | | |
| | *The starting point for that reconciliation is total comprehensive income in accordance with previous GAAP for the same period, or, if an entity did not report such a total, profit or loss under previous GAAP.* | | |
| *IFRS1p25* | *The reconciliations required by IFRS 1 paragraphs 24(a) and 24(b) of (see above) are required to give sufficient detail to enable users to understand the material adjustments to the balance sheet and statement of comprehensive income.* | | |
| IFRS1p25 | If the entity presented a statement of cash flows under its previous GAAP, does it explain the material adjustments to the statement of cash flows? | | |
| IFRS1p26 | If the entity has become aware of errors made under previous GAAP, do the reconciliations required by IFRS 1 paragraphs 24(a) and 24(b) (see above) distinguish the correction of those errors from changes in accounting policies? | | |
| IFRS1p27A | If during the period covered by its first IFRS financial statements an entity changes its accounting policies or its use of the exemptions contained in IFRS 1, does it explain the changes between its first IFRS interim financial report and its first IFRS financial statements, in accordance with paragraph 23 of IFRS 1; and does it update the reconciliations required by IFRS 1 paragraph 24(a) and (b)? | | |
| IFRS1p32(c) | If an entity changes its accounting policies or its use of the exemptions contained in IFRS 1,does it explain the changes in each such interim financial report in accordance with IFRS 1 paragraph 23 and the reconciliations required by IFRS 1 paragraphs 32(a) and 32(b)? | | |
| IFRS1p33 | If a first-time adopter did not, in its most recent annual financial statements under previous GAAP, disclose information material to an understanding of the current interim period, does it that information or include a cross-reference to another published document that includes it? | | |
| | **Available for early adoption: Amendments to IAS 1, 'Presentation of items of other comprehensive income'** | | |
| | *Presentation of items of other comprehensive income (amendments to IAS 1), issued in June 2011 amended IAS 34 paragraphs 8, 8A, 11A and 20. The revised requirements of IAS 1 should be applied for annual period beginning on or after 1 July 2012. If an entity applies these revised requirements for an earlier period, the required disclosure requirements for interim financial reporting should also be applied early.* | | |
| | *Only the paragraphs that have been amended have been presented below. Paragraphs that are not affected have been omitted. We denote these by [...].* | | |
| 34p8 | Does the interim financial report include, at a minimum, the following components:<br>[...]<br>■ a condensed statement or condensed statements of profit or loss and other comprehensive income? | | |

| | | Y-NA-NM | Ref |
|---|---|---|---|
| 34p8A | If an entity presents items of profit or loss in a separate statement as described in IAS 1 paragraph 10A (as amended in 2011), does it presents interim condensed information from that statement? | | |
| 34p11A | If an entity presents the items of profit or loss in a separate statement as described in IAS 1 paragraph 10A (as amended in 2011), does it present basic and diluted earnings per share in that statement? | | |
| 34p20 | Does the interim report include interim financial statements (condensed or complete) for periods as follows:<br>[...]<br><br>■ statements of profit or loss and other comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparative statements of profit or loss and other comprehensive income for the comparable interim periods (current and year to date) of the immediately preceding financial year? | | |
| | *As permitted by IAS 1 (as amended in 2011), an interim report may present for each period either a single statement or statements of profit or loss and other comprehensive income.* | | |
| | **IFRS 13, 'Fair value measurement'** | | |
| | *IFRS 13, 'Fair value measurement', issued in May 2011 added paragraph 16 A(j) to IAS 34. The IFRS 13 requirements should be applied for annual period beginning on or after 1 January 2013. If an entity applies IFRS 13, the required disclosure requirements for interim financial reporting should also be applied early.* | | |
| 34p16A(j) | In addition to disclosing significant events and transactions in accordance with paragraphs 15-15C, is the following information included in the notes to its interim financial statements or elsewhere in the interim financial report?<br>[...]<br><br>■ for financial instruments, the disclosures about fair value required by IFRS 13 paragraphs 91-93 (h), 94-96, 98 and 99 and IFRS 7 paragraphs 25, 26 and 20-30. | | |
| | *The information should normally be reported on a financial year-to-date basis.* | | |
| | *The entity should repeat the disclosures about fair value required by paragraphs 91-93(h), 94-96, 98 and 99 of IFRS 13 and IFRS 7 paragraphs 25, 26 and 28-30 in its interim financial report.* | | |