VALUE IFRS Plc

UK illustrative condensed interim financial statements (June 2019)

This publication presents the sample interim financial reports of a fictional listed UK company, VALUE IFRS Plc. It illustrates the financial reporting requirements that would apply to such a company under International Financial Reporting Standards as adopted by the European Union as at 30 May 2019. Supporting commentary is also provided. For the purposes of this publication, VALUE IFRS Plc has a premium listing on the London Stock Exchange and is the parent entity in a consolidated entity.

VALUE IFRS Plc – UK illustrative condensed interim financial statements (June 2019) is for illustrative purposes only and should be used in conjunction with the relevant financial reporting standards and any other reporting pronouncements and legislation applicable in the UK.

UK Accounting Consulting Services
PricewaterhouseCoopers LLP

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Introduction

This publication presents illustrative condensed interim financial statements for a fictitious UK listed company, VALUE IFRS Plc, for the six months to 30 June 2019. The financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the European Union, issued at 30 May 2019, and that apply to annual reporting periods commencing on or after 1 January 2019, including IAS 34, 'Interim Financial Reporting'. Preparers should check for IASB pronouncements or EU endorsements made after 1 June that might apply to their interim financial statements.

IAS 34 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 VALUE IFRS 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'.

New requirements for 2019

Most companies will have to make changes to their accounting policies this year to reflect the adoption of IFRS 16, 'Leases'. This publication shows how the adoption of the standard might affect a corporate entity, and what types of disclosure could be included in an interim report to explain the impact (see note 19).

VALUE IFRS Plc has used the simplified transition approach, and it has applied the practical expedients and exemptions permitted under the standard, where relevant. In compiling the illustrative disclosures, we have assumed that the impact of the adoption was significant for VALUE IFRS Plc, and we have therefore provided relatively extensive disclosures. As explained in the commentary to the notes (paras 26–29 on page 48), it will ultimately depend on the individual circumstances of each entity as to how much detail should be disclosed.

We have further assumed that the other amendments to standards that apply from 1 January 2019 and that are unrelated to the adoption of IFRS 16 (see commentary to the notes, para 25 on page 47) do not require any changes in VALUE IFRS Plc's accounting policies. However, this assumption will not necessarily apply to all entities. Where there has been a change in policy that has a material impact on the reported amounts, this will also need to be disclosed in the notes.

Using this publication

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

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

The example disclosures are not the only acceptable form of presenting financial statements. Alternative presentations might be acceptable if they comply with the specific disclosure requirements prescribed in IFRS. This illustrative report also does not cover all possible disclosures that IFRS require.

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

Equally, 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 require. Further specific information might be required in order to ensure fair presentation under IFRS.

Top interim reporting pitfalls

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

- Principal risks and uncertainties not disclosed, or the disclosures are referenced to the annual report without providing a summary of the risks. For 2019, companies should consider disclosures with regard to the risks and uncertainties for the company as a result of Brexit. The UK regulator has explained that it wants to see company-specific disclosures on this issue, and many companies included this in their annual reports. As the situation with Brexit continues to evolve, it might be necessary for an interim report to include updated considerations on this issue.
- Omission of detailed 'going concern' assessment.
- Name and function of persons making the responsibility statement not given (or responsibility statement omitted entirely).
- Incorrect or no disclosure of new standards, amendments and IFRIC interpretations that are effective for the first time for the interim period and that required a change in accounting policy. Appropriate disclosures are particularly important for major new or revised standards that will require significant changes, such as IFRS 16 or IFRS 17, 'Insurance Contracts'.
- Basis of preparation note is incorrect (for example, it does not refer to the Disclosure Guidance and Transparency Rules, IAS 34 or IFRS as adopted by the European Union.
- No disclosure of the nature and amount of items that are unusual by their nature, size or incidence.
- Omission of some or all business combinations disclosures, especially those related to combinations after the interim reporting date.
- 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.
- Incomplete IFRS 7 and IFRS 13 financial instruments disclosures.
- Incomplete IFRS 15 disclosures around disaggregation of revenue.

The Disclosure Guidance and Transparency Rules

The Listing Rules and the Disclosure Guidance and Transparency Rules (DTR) apply to UK companies with shares or debt listed on a regulated market. In the UK, this means principally those listed on the main market.

What impact do the DTR have on interim reporting?

The DTR set out certain requirements in relation to interim reporting. Most significantly, they:

- require a three-month deadline for publication of half-yearly reports (online publication is sufficient);
- mandate that UK companies with shares or debt listed on a regulated market and that report under IFRS prepare half-yearly reports in accordance with IAS 34; and
- require the inclusion of a 'responsibility statement' by the directors.

Are there any exemptions available?

There are some exemptions from preparing half-yearly reports available under DTR 4.4. Issuers of wholesale debt only (denomination per unit is at least €100,000) are exempt.

Other exemptions from half-yearly reporting are available in relation to debt guaranteed by the state, preference shares, depository receipts, convertible securities, public sector organisations and issuers with registered offices in non-EEA states.

Under DTR Transitional Provision 19, an issuer of only debt securities with a denomination unit of at least €50,000 need not prepare half-yearly reports, provided that it was admitted to trading on an EU regulated market before 31 December 2010.

There are no exemptions from half-yearly reporting in the DTR for listed subsidiaries, even if a higher parent issues consolidated half-yearly reports.

Auditors' review

IAS 34 and legislation do not require interim reports to be reviewed by auditors. However, the DTR require, where management has engaged auditors to perform a review, the auditors' interim review report to be included in the interim report.

Alternative performance measures

There has been increasing use of alternative performance measures (APMs, sometimes referred to as 'non-GAAP measures') in narrative and summary disclosures in recent years. This has raised concern among regulators and users of financial statements. A particular cause for concern is where such information is described as being more representative or reliable than the numbers reported in accordance with IFRS. For example, the narrative discussion of performance might focus on strong growth in earnings before certain expenses, while the statement of comprehensive income prepared in accordance with accounting standards shows a decline in profit, or even a loss.

The European Securities and Markets Authority (ESMA) has issued its 'Guidelines on Alternative Performance Measures', which are effective for all announcements made after 3 July 2016.

These guidelines require issuers to:

- define APMs in a clear and readable way and give meaningful labels (impairments and restructuring charges are 'rarely … unusual or non-recurring');
- reconcile APMs to the most directly reconcilable IFRS statutory line item explaining material reconciling items;
- explain the use of APMs so that users understand relevance and reliability;
- not display APMs with more prominence, emphasis or authority than IFRS statutory measures;
- present APMs with comparatives which also need to be reconciled; and
- define APMs consistently over time and justify any changes made.

Management commentary

IAS 34 does not require entities to present a separate management commentary; however, the DTR require a half-yearly report to include an interim management report. This should contain at least:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and
- a description of the principal risks and uncertainties for the remaining six months of the financial year.

For issuers of shares, they must also include in the management commentary:

- related-party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the company during that period; and
- any changes in the related-party transactions described in the last annual report that could have a material effect on the financial position or performance of the company in the first six months of the current financial year.

The UK Listing Authority (UKLA), in Technical Note 501.1 (issued in December 2012) (UKLA/TN/501.1) states that, where the principal risks and uncertainties disclosed in the annual report remain valid at the half-yearly reporting date, it would be acceptable for the issuer, in its half-yearly report, to:

- state that the principal risks and uncertainties have not changed;
- provide a summary of those principal risks and uncertainties; and
- include a cross-reference to where a detailed explanation of the principal risks and uncertainties can be found in the annual report.

If the risks and uncertainties have changed since the annual report, the new principal risks and uncertainties should be described in the interim management report. For example, for 2019 interims, updated disclosures on the impact of Brexit might be required as the situation continues to evolve.

The Technical Note adds that, in deciding whether to include additional description, companies should consider the effect of economic turbulence and market conditions.

Additional best practice guidance on what to include in a management commentary can be found in the IASB's Practice Statement, 'Management commentary'.

Responsibility statements

The DTR state that the directors should include a responsibility statement confirming that:

- the condensed financial statements contained in the half-yearly report give a true and fair view (this requirement can be met by stating that they are prepared in accordance with IAS 34) [DTR 4.2.10R (4)]; and
- the interim management report (narrative) includes a fair review of the business and of any required related-party disclosures.

The name and function of the person(s) making the statement should be disclosed. 'Person' is not defined in the DTR. However, the UKLA, in Technical Note 501.1, confirmed that, in most cases, this is expected to be either the whole board of directors or one or more directors on behalf of the board. The name and function of those responsible should be explicitly stated in the responsibility statement. This would normally be done at the end of the responsibility statement. The UKLA does not expect this information to be cross-referenced to other documents.

Reporting on going concern

The UK Corporate Governance Code ('the Code') states that *"In annual and half-yearly financial statements, the directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements"*. [UKCGC C.1.3]. A viability statement is not required for interim reporting.

FRC guidance

In September 2014, the FRC updated the Code and included recommendations from the Sharman inquiry's report on Going Concern and Liquidity Risk. The FRC also published the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' (GRM), which includes guidance on both reporting on going concern and longer-term viability.

The GRM replaces the '2009 Going Concern and Liquidity Risk: Guidance for Directors of UK Companies'; however, it is primarily focused on entities applying the Code. For entities not applying the Code, the FRC published the 'Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risk' in April 2016. This gives best practice guidance on reporting on going concern, material uncertainties and principal risks.

Printed reports

Reflecting the increased use of websites, the half-yearly report does not need to be sent to shareholders or inserted as a paid advertisement in a national newspaper.

Do the DTR apply to AIM companies too?

AIM-listed companies are required to report under IFRS, but they do not come under the requirement to issue IAS 34-compliant interims. The DTR apply to UK companies with shares or debt listed on a regulated market. AIM is not classed as a 'regulated market' under EU law but an 'exchange regulated market'. AIM companies are therefore not subject to the DTR and should apply the AIM rules.

AIM rule 18 requires AIM-listed companies to produce a half-yearly report, but it does not mandate the use of IAS 34. AIM-listed companies therefore have the choice of whether to prepare half-yearly reports under IAS 34 or to comply with the minimum disclosures in AIM rule 18. They should be mindful of best practice guidance on the content of interim reports.

Is there guidance for UK GAAP reporters?

In March 2015 the FRC issued FRS 104, 'Interim Financial Reporting'.

The DTR remain mandatory for UK-listed companies that issue interim financial statements under FRS 101 or FRS 102, and that apply FRS 104 (for example, listed solus companies with no subsidiaries).

Other UK GAAP reporters (such as unlisted companies that voluntarily choose to issue half-yearly reports) are encouraged to use the guidance in FRS 104.

FRS 104 is consistent, in all major respects, with IAS 34 and the DTR, including terminology, but there are a number of differences to allow for the application of UK company law. This is discussed in chapter 7 of the Manual of accounting – Interim Financial Reporting. The significant differences are noted below:

- The section in IAS 34 headed 'Minimum components of an interim financial report' has been named 'Components of an interim financial report' in FRS 104. The section has been amended to incorporate the presentation requirements of the Companies Act and FRS 102.
- An entity that will not present a statement of cash flows in its next annual report is not required to include that statement in its interim report.
- The preparation requirements of paragraph 14 of IAS 34, relating to the preparation of consolidated interim financial statements, have been deleted. This deletion was included because entities that apply FRS 104 will generally prepare entity-only annual financial statements and interim financial reports. However, where an entity voluntarily prepares consolidated interim financial reports, paragraph 14 of IAS 34 might provide relevant guidance.
- The disclosures relating to changes in the business or economic circumstances that affect the fair value of an entity's financial assets and liabilities, whether those assets or liabilities are recognised at fair value or amortised cost, are only required for financial institutions (as defined in FRS 104).
- Related-party disclosures can be omitted for transactions between wholly owned members of a group. This is consistent with FRS 102, which exempts such transactions from disclosure in annual financial statements.
- Disclosure of the transfer between levels of the fair value hierarchy used in measuring the fair value of financial instruments has been deleted in FRS 104, because this disclosure is not required in annual financial statements prepared under FRS 102.
- Disclosures of changes in the classification of financial assets as a result of changes in the purpose or use of those assets has been deleted in FRS 104, because this disclosure is not required in annual financial statements prepared under FRS 102.
- Disclosure of the effect of business combinations is required in an entity's interim financial statements only if that information would be required to be disclosed in the annual financial statements.
- Where an entity is required to make disclosures, in its annual financial statements, relating to the fair values of financial instruments, this information is required in interim financial reports. This information is to assist users in evaluating the significance of financial instruments measured at fair value.
- Disclosures relating to investment entities (as defined in IFRS 10) have been deleted, because this disclosure is not required in annual financial statements prepared under FRS 102.
- Specific disclosures are required under FRS 104 where an entity transitions from one accounting framework to another. This would include transitioning from old UK GAAP to FRS 102, or from IFRS to FRS 102.

The auditors' review report

The Auditing Practices Board's 'Statement of standards for reporting accountants', ISRE (UK and Ireland) 2410, 'Review of interim financial information performed by the independent auditor of the entity', includes an example review report for use in the UK.

If an auditors' review or audit report comes under the Auditing Practices Board guidance on the review of interim financial information, the DTR require this to be reproduced in full. If the interim report has not been audited or reviewed, the DTR require a statement to this effect.

VALUE IFRS Plc

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IAS34(6)
Not mandatory

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by VALUE IFRS Plc during the interim reporting period. [1]

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

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

Commentary

Interim report to be read in conjunction with annual report

1. See paragraph 22 of the commentary to the notes to the consolidated financial statements (page 47) for our thoughts on why this disclosure should be retained.

DTR4.2.3R(2)

An explanatory statement is required, describing, as a minimum:

DTR4.2.7R(1)

- An indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements.

DTR4.2.7R(2)

- A description of the principal risks and uncertainties for the remaining six months of the financial year.

An explanatory statement is required, describing, as a minimum:

DTR4.2.8R(1)(a)

- Related-party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period.

DTR4.2.8R(1)(b)

- Any changes in the related-party transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

Areas of focus from the FRC on management commentary

- Fair balanced and understandable – There is an expectation from the regulator that the commentary that management uses is fair, balanced and understandable when discussing the financial results. This is also important in the context of alternative performance measures (APMs), which should not be more prominent than other statutory measures.
- Impact of new standards on results – The disclosures made around the new accounting standards of IFRS 9, IFRS 15 and IFRS 16 are a key area of focus. These illustratives set out the detailed disclosures needed on adopting IFRS 16, with supporting management commentary. The 2018 interim illustratives included the detailed disclosures needed on adopting IFRS 9 and IFRS 15.
- Where IFRS 16 is adopted using the simplified approach (not fully retrospectively) and there has been a significant impact on the results of the company, management will need to carefully consider how it articulates the change in performance, differentiating between what is attributable to the adoption of the new standard and what is attributable to the change in the underlying business.
- Brexit disclosures – The regulator expects disclosures to be made over the impact of Brexit on the company. The disclosures should avoid boilerplate language, should be company specific and should continue to be updated as the Brexit situation evolves. If disclosures have been made in the annual report, the interim report should update on whether the disclosures still reflect the latest position and impact on the company.

DTR4.2.7R(1)

Key events

The key events for the group in the interim period were:

IAS34(15B)(d)
IAS34(15B)(f)

- a significant increase in revenue from the furniture retail and electronic equipment divisions as a result of business combinations that occurred in the current and previous financial year (see note 11); this more than offset a reduction in revenue in the furniture wholesale segments (see note 2 below);
- an impairment loss of CU1,390,000 for the European IT consulting division as a result of the loss of two major contracts and increased cost (see note 7);
- an increase in the provision for legal claims against the UK furniture wholesale division (see note 8);
- an increase in warranty claims following problems with certain parts used in the manufacture of electronic equipment (see note 8);
- the acquisition of a vacant parcel of land to expand the production facilities of VALUE IFRS Electronics Group (see note 6);
- the renegotiation of the group's main borrowing facility, to secure funding for the construction of the new production plant for the electronic equipment division (see note 9);
- an increase of the contingent consideration payable in relation to the acquisition of Better Office Furnishings Limited (see note 11);
- the increase of the investment in Cedar Limited from 10% to 30% (see note 13);
- the adoption of the new leasing standard IFRS 16, 'Leases' (see note 19);

IAS34(15B)(d)

- the sale of the machinery hire business (see note 12); and

IAS34(15)

- the acquisition of a new subsidiary, which completed after the end of the reporting period (see note 15).

Principal risks

DTR4.2.7R(2)

Each division considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are updated at least annually. The principal risks and uncertainties for the remaining six months of the financial year are discussed below. Further details of the group's risk profile analysis can be found on pages 5 to 7 of our Annual Report for the year ended 31 December 2018, available from the VALUE IFRS plc website: www.website.com.

IAS34(6)
IAS34(15)
UKLA/TN/501.1

Continued uncertainty in the global economy has caused significant volatility in financial markets. Although market confidence and consumer spending patterns have been affected, the group remains well placed to grow revenues through ongoing product innovation and the recent acquisition of Better Office Furnishings Limited. 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.

The continued turbulence in financial markets means that there is a greater risk of loss associated with our customers' inability to meet their financial obligations. This risk has been mitigated through the ongoing monitoring of customer credit limits and reduction of credit limits for customers posing a greater risk of non-payment.

The group sources a number of its raw materials from south-east Asia. It mitigates the risks of disproportionate exposure to any one supplier or country by maintaining a number of long-term purchasing arrangements with a varied number of suppliers.

With the recent change of ownership of two key national accounts, the group is exposed to the risk of customers sourcing products through alternative suppliers, particularly low-cost producers. It mitigates against this risk through ongoing investment in innovative and trend-setting designs and high-performance materials. This forward-looking approach also allows us to sustain a product development pipeline and mitigate against existing products becoming obsolete.

The group should be able to realise the significant synergies arising from the acquisition of Better Office Furnishings Limited, whose strong position and profitability in its market will enable the group to venture into complementary distribution channels and increase brand exposure.

Since the delay in the Brexit timeline was confirmed during the period, the group has continued to monitor the ongoing negotiations, considering how this might change the impact assessment that was outlined on page 15 of the latest annual report.

At the current time the disclosure given in the annual report is still applicable and relevant, and the conclusions reached are still the group's best understanding of the impact that Brexit might have on the group.

Since the delay was announced, the group has spent more time on scenario planning and building contingency plans for supply chain management, which is one of the key areas of impact that we discussed within the annual report.

Related parties

DTR4.2.8R

Related-party disclosures are given in note 16.

DTR4.2.3R(1)
IAS34(8)(b)

Condensed consolidated statement of profit or loss [1-10,16]

IAS34(20)(b)

		Notes	Half-year 2019 CU'000	2018 CU'000
	Continuing operations			
IAS1(82)(a)	Revenue	2,3	**103,647**	87,704
IAS1(99), IAS2(36)(d)	Cost of sales of goods		**(41,016)**	(35,814)
	Cost of providing services		**(11,583)**	(12,100)
	Gross profit		**51,048**	39,790
IAS1(99)	Distribution costs		**(23,479)**	(11,533)
IAS1(99)	Administrative expenses		**(11,744)**	(5,767)
IAS1(82)(ba)	Net impairment losses on financial assets [13-14]		**(305)**	(222)
	Other income		**4,459**	3,703
	Other gains/(losses) – net		**50**	1,018
	Operating profit	4	**20,029**	26,989
	Finance income [13-14]		**855**	572
IAS1(82)(b)	Finance costs		**(3,704)**	(3,121)
	Finance costs – net		**(2,849)**	(2,549)
	Share of net profits of associates and joint ventures accounted for using the equity method	13	**205**	340
	Profit before income tax		**17,385**	24,780
	Income tax expense	4(b)	**(5,899)**	(7,878)
	Profit from continuing operations	4(a)	**11,486**	16,902
	(Loss)/profit from discontinued operation	12(b)	**(32)**	664
	Profit for the half-year		**11,454**	17,566
	Profit is attributable to:			
	Owners of VALUE IFRS Plc		**11,024**	17,113
	Non-controlling interests		**430**	453
			11,454	17,566
			Cents	Cents
IAS34(11)	**Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:** [11,12]			
	Basic earnings per share		**20.5**	29.3
	Diluted earnings per share		**19.8**	28.2
IAS34(11)	**Earnings per share for profit attributable to the ordinary equity holders of the company:** [11,12]			
	Basic earnings per share		**20.6**	30.5
	Diluted earnings per share		**19.9**	29.2

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

DTR4.2.3R(1)
IAS34(8)(b)

Condensed consolidated statement of comprehensive income [1-10]

IAS34(20)(b)

	Notes	Half-year 2019 CU'000	Half-year 2018 CU'000
Profit for the half-year		**11,454**	17,566
Other comprehensive income			
Items that might be reclassified to profit or loss (IAS1(82A))			
Changes in the fair value of debt instruments at fair value through other comprehensive income		**36**	(49)
Exchange differences on translation of foreign operations		**(38)**	(101)
Exchange differences on translation of discontinued operation	12(b)	**-**	170
Gains and losses on cash flow hedges		**161**	(132)
Costs of hedging		**8**	(20)
Hedging gains reclassified to profit or loss		**(41)**	(240)
Gains on net investment hedge		**85**	-
Income tax relating to these items (IAS1(91))		**(47)**	132
Items that will not be reclassified to profit or loss (IAS1(82A))			
Gain on revaluation of land and buildings	6	**1,495**	1,460
Changes in the fair value of equity investments at fair value through other comprehensive income		**108**	(79)
Remeasurements of retirement benefit obligations		**81**	(143)
Income tax relating to these items (IAS1(91))		**(505)**	(371)
Other comprehensive income for the half-year, net of tax		**1,343**	627
Total comprehensive income for the half-year		**12,797**	18,193
Total comprehensive income for the half-year is attributable to:			
Owners of VALUE IFRS Plc		**12,298**	17,685
Non-controlling interests		**499**	508
		12,797	18,193
Total comprehensive income for the period attributable to the owners of VALUE IFRS Plc arises from:			
Continuing operations		**12,330**	16,851
Discontinued operations (IFRS5(33)(d))	12	**(32)**	834
		12,298	17,685

Not mandatory

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

DTR4.2.3R(1)
IAS34(8)(a)

Condensed consolidated balance sheet [1-9]

IAS34(20)(a)

	Notes	30 June 2019 CU'000	31 December 2018 CU'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**142,480**	131,410
Right-of-use assets [15] (IFRS16(47)(a) **New requirement**)	19	**9,832**	-
Investment properties		**12,510**	13,300
Intangible assets	7	**27,265**	24,550
Deferred tax assets		**7,045**	7,307
Other assets		**247**	312
Investments accounted for using the equity method	13	**4,230**	3,775
Financial assets at fair value through other comprehensive income (IFRS7(8)(h))		**6,637**	6,782
Financial asset at fair value through profit or loss	17	**2,410**	2,390
Financial assets at amortised cost (IFRS7(8)(f))		**3,750**	3,515
Derivative financial instruments	17	**310**	308
Total non-current assets		**216,716**	193,649
Current assets			
Inventories		**26,780**	22,153
Other current assets		**144**	576
Contract assets (IFRS15(105))		**2,381**	1,486
Trade receivables		**16,731**	15,736
Other financial assets at amortised cost (IFRS7(8)(f))		**677**	1,100
Financial assets at fair value through profit or loss	17	**11,150**	11,300
Derivative financial instruments	17	**1,634**	1,854
Cash and cash equivalents (excluding bank overdrafts)		**38,082**	57,098
		97,579	111,303
Assets classified as held for sale		**-**	250
Total current assets		**97,579**	111,553
Total assets		**314,295**	305,202
LIABILITIES			
Non-current liabilities			
Borrowings	9	**94,193**	91,754
Lease liabilities [15] (IFRS16(47)(b) **New requirement**)	19	**7,950**	-
Deferred tax liabilities		**9,963**	12,465
Employee benefit obligations		**7,155**	6,749
Provisions		**1,668**	1,573
Total non-current liabilities		**120,929**	112,541

IAS34(20)(a)

	Notes	30 June 2019 CU'000	31 December 2018 CU'000
Current liabilities			
Trade and other payables		**15,536**	15,760
Contract liabilities (IFRS15(105))		**1,025**	1,982
Current tax liabilities		**1,228**	1,700
Borrowings	9	**8,110**	9,155
Lease liabilities [15] (IFRS16(47)(b) **New requirement**)	19	**2,178**	-
Derivative financial instruments	17	**1,136**	1,376
Employee benefit obligations		**800**	690
Provisions	8	**3,467**	2,697
Total current liabilities		**33,480**	33,360
Total liabilities		**154,408**	145,901
Net assets		**159,887**	159,301
EQUITY			
Share capital and share premium	10	**83,692**	83,054
Other equity		**1,636**	1,774
Other reserves		**17,983**	17,057
Retained earnings		**47,380**	47,954
Capital and reserves attributable to the owners of VALUE IFRS Plc		**150,691**	149,839
Non-controlling interests		**9,196**	9,462
Total equity		**159,887**	159,301

Not mandatory

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

DTR4.2.3R(1)
IAS34(8)(c)

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

		Attributable to the owners of VALUE IFRS Plc						
	Notes	Share capital and share premium CU'000	Other equity CU'000	Other reserves CU'000	Retained earnings CU'000	Total CU'000	Non-con-trolling interests CU'000	Total equity CU'000
Balance at 1 January 2018 (IAS34(20)(c))		**63,976**	**(550)**	**11,442**	**36,523**	**111,391**	**5,689**	**117,080**
Profit for the half-year		-	-	-	17,113	17,113	453	17,566
Other comprehensive income		-	-	585	(13)	572	55	627
Total comprehensive income for the half-year		**-**	**-**	**585**	**17,100**	**17,685**	**508**	**18,193**
Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year		-	-	118	-	118	-	118
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	79	(79)	-	-	-
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs	10	174		-	-	174	-	174
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax		9,730	-	-	-	9,730	-	9,730
Acquisition of treasury shares	10	-	(1,217)	-	-	(1,217)	-	(1,217)
Non-controlling interest on acquisition of subsidiary		-		-	-	-	5,051	5,051
Dividends provided for or paid	5	-		-	(11,586)	(11,586)	(1,710)	(13,296)
Employee share schemes – value of employee services		-		995	-	995	-	995
Issue of treasury shares to employees	10	-	1,091	(1,091)	-	-	-	-
		9,904	(126)	(96)	(11,586)	(1,904)	3,341	1,437
Balance at 30 June 2018		**73,880**	**(676)**	**12,128**	**41,958**	**127,290**	**9,538**	**136,828**

		Notes	Share capital and share premium CU'000	Other equity CU'000	Other reserves CU'000	Retained earnings CU'000	Total CU'000	Non-controlling interests CU'000	Total equity CU'000
			Attributable to the owners of VALUE IFRS Plc						
IAS34(20)(c)	**Balance at 31 December 2018**		**83,054**	**1,774**	**17,057**	**47,954**	**149,839**	**9,462**	**159,301**
	Change in accounting policy	19(a)	-	-	-	(46)	(46)	-	(46)
	Restated total equity at 1 January 2019		**83,054**	**1,774**	**17,057**	**47,908**	**149,793**	**9,462**	**159,255**
	Profit for the half-year		-		-	11,024	11,024	430	11,454
	Other comprehensive income		-		1,105	169	1,274	69	1,343
	Total comprehensive income for the half-year		**-**		**1,105**	**11,193**	**12,298**	**499**	**12,797**
	Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year		-	-	(5)	-	(5)	-	(5)
	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	(238)	238	-	-	-
	Transactions with owners in their capacity as owners:								
	Contributions of equity, net of transaction costs	10	638	-	-	-	638	-	638
	Acquisition of treasury shares	10	-	(1,270)	-	-	(1,270)	-	(1,270)
	Non-controlling interest on acquisition of subsidiary	11	-	-	-	-	-	1,720	1,720
	Step acquisition of associate	13	-	-	(30)	30	-	-	-
	Dividends provided for or paid	5	-	-	-	(11,989)	(11,989)	(2,485)	(14,474)
	Employee share schemes – value of employee services		-	-	1,226	-	1,226	-	1,226
	Issue of treasury shares to employees	10	-	1,132	(1,132)	-	-	-	-
			638	**(138)**	**64**	**(11,959)**	**(11,395)**	**(765)**	**(12,160)**
	Balance at 30 June 2019		**83,692**	**1,636**	**17,983**	**47,380**	**150,691**	**9,196**	**159,887**

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

DTR4.2.3R(1)
IAS34(8)(d)

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

	Notes	Half-year 2019 CU'000	Half-year 2018 CU'000
Cash flows from operating activities			
Cash generated from operations		**21,695**	42,441
Interest received		**855**	572
Interest paid		**(3,910)**	(3,616)
Income taxes paid		**(9,029)**	(14,634)
Net cash inflow from operating activities		**9,611**	23,763
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	11	**(10,175)**	(2,600)
Payments for property, plant and equipment	6	**(9,060)**	(2,411)
Payments for investment property		**-**	(1,150)
Payment for acquisition of associate	13	**(405)**	-
Payments for financial assets at fair value through other comprehensive income		**(563)**	(227)
Payments for financial assets at amortised cost		**(90)**	-
Payments for patents and trademarks	7	**(320)**	(9)
Payment of software development costs	7	**(725)**	(58)
Loans to related parties		**(641)**	(330)
Proceeds from sale of engineering division **	12	**-**	3,110
Proceeds from sale of property, plant and equipment		**3,700**	7,495
Proceeds from sale of financial assets at fair value through other comprehensive income		**694**	185
Repayment of loans by related parties		**658**	300
Distributions received from joint ventures and associates		**300**	170
Dividends received		**160**	150
Interest received on financial assets held as investments		**119**	108
Net cash (outflow)/inflow from investing activities		**(16,348)**	4,733
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities (IAS34(16A)(e))	10	**241**	-
Proceeds from borrowings (IAS34(16A)(e))	9	**12,778**	19,088
Acquisition of treasury shares	10	**(1,270)**	(1,217)
Share issue cost		**-**	(50)
Repayment of borrowings (IAS34(16A)(e))		**(8,450)**	(25,300)
Principal elements of lease payments (2018: Principal elements of finance lease payments) (IAS34(16A)(e), IAS7(17)(e))		**(675)**	(210)
Dividends paid to company's shareholders (IAS34(16A)(f))	5	**(11,592)**	(11,412)
Dividends paid to non-controlling interests in subsidiaries		**(2,485)**	(1,710)
Net cash outflow from financing activities		**(11,453)**	(20,811)
Net (decrease)/increase in cash and cash equivalents *		**(18,189)**	7,685
Cash and cash equivalents at the beginning of the half-year *		**54,448**	29,018
Effects of exchange rate changes on cash and cash equivalents		**(217)**	(384)
Cash and cash equivalents at end of the half-year *		**36,042**	36,319

* Cash and cash equivalents are net of bank overdrafts (CU2,040,000 at 30 June 2019 and CU2,250,000 at 30 June 2018)

** For cash flows of discontinued operations, see note 12 [16]

Not mandatory

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

Consolidated interim financial statements

Condensed financial statements

1. An interim financial report contains either a complete set of financial statements as described in IAS 1, 'Presentation of Financial Statements', or a set of condensed financial statements as described in IAS 34, 'Interim Financial Reporting'.

IAS34(10)

2. If an entity publishes condensed financial statements in its interim financial report, these condensed financial statements 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 as required by IAS 34.
3. The interim financial report for VALUE IFRS Plc contains condensed financial statements, in that it does not include all of the notes that would be required in a complete set of financial statements. However, the primary financial statements are presented in a format consistent with the consolidated financial statements that are required to be presented in an annual financial report under IAS 1. This is common and considered best practice.
4. In some countries, the extent to which line items can be aggregated in condensed interim financial statements might also be governed by local regulators or market requirements.

IAS34(10)

5. Additional line items or notes should be included if their omission would make the condensed interim financial report misleading. Certain transactions might not be significant in the context of the annual report, but they might need to be separately disclosed in the interim report. An example could be costs that are incurred unevenly during the year and that require separate presentation in the interim statement of profit or loss, but not in the annual financial statements.

Periods covered

IAS34(8)(e)
IAS34(20)(a)-(d)

6. The following tables summarise the minimum requirement for which primary statements need to be presented by entities that prepare half-yearly or quarterly reports. It is also a minimum requirement to provide selected explanatory notes to these primary statements.

Half-yearly reporting for period ending 30 June 2019

Statement	Current	Comparative
Balance sheet at the end of the current interim period and as at the end of the immediately preceding financial year	30 June 2019	31 December 2018
Statement of comprehensive income (and separate statement of profit or loss, where applicable): - 6 months ended	30 June 2019	30 June 2018
Statement of changes in equity: - 6 months ended	30 June 2019	30 June 2018
Statement of cash flows: - 6 months ended	30 June 2019	30 June 2018

Quarterly reporting – second quarter interim report for period ending 30 June 2019

Statement	Current	Comparative
Balance sheet at	30 June 2019	31 December 2018
Statement of comprehensive income (and separate statement of profit or loss, where applicable): - 6 months ended - 3 months ended	30 June 2019 30 June 2019	30 June 2018 30 June 2018
Statement of changes in equity: - 6 months ended	30 June 2019	30 June 2018
Statement of cash flows: - 6 months ended	30 June 2019	30 June 2018

Consolidated interim financial statements

IAS34(20)(b)

7. For a half-year report, the current interim period and the annual reporting period to date are the same. However, where an entity prepares quarterly interim financial reports, the statement of comprehensive income in the interim financial reports for the second and third quarters will need to include additional columns showing the annual reporting period to date and the comparative annual reporting period to date for the corresponding interim period (see table in para 6 above).
8. This interim report is for a half-year period. If an interim financial report is presented for a different interim reporting period, the heading of the financial statements should specify the interim reporting period covered (for example, 'For the quarter ended 31 March 2019' or 'For the third quarter ended 30 September 2019'), and the heading for the figures should indicate whether they are presented for a quarter, a half-year or the annual reporting period to date, as appropriate.

Third balance sheet

IAS1(BC33)

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

Separate statement of profit or loss

IAS1(10A)
IAS34(8A)

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

Earnings per share

IAS34(11),(11A)

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

IAS33(68)

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

Disclosure of specified separate line items in the financial statements

13. IAS 1 requires the separate presentation of the following line items in the statement of profit or loss:
    (a) interest revenue calculated using the effective interest rate method, separately from other revenue; * (IAS1(82)(a))
    (b) gains and losses from the derecognition of financial assets measured at amortised cost; * (IAS1(82)(aa))
    (c) impairment losses on financial assets, including reversals of impairment losses or impairment gains; (IAS1(82)(ba))
    (d) gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss; * and (IAS1(82)(ca))
    (e) gains and losses reclassified from OCI as a result of a reclassification of financial assets from the fair value through OCI measurement category to fair value through profit or loss. * (IAS1(82)(cb))

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

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

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

IFRS16(47)

15. Right-of-use assets and lease liabilities do not need to be presented as a separate line item in the balance sheet, as done by VALUE IFRS Plc, provided that they are disclosed separately in the notes. See also commentary paragraphs 30 and 31 on page 48 for further information.

Consolidated interim financial statements

Cash flows relating to discontinued operations

IFRS5(33)(c)

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

Alternative formats for financial statements

17. Appendix B to our *Illustrative IFRS consolidated financial statements for 2018 year-ends* publication shows the following alternative formats for the financial statements:
    (a) statement of profit or loss: classification of expenses by nature; and
    (b) statement of cash flows prepared using the direct method.

CA06(303)(1)(b)
IAS34(8)(e)

Notes to the condensed consolidated financial statements [46,47]

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

IAS34(6),(15)

Although global market conditions have affected market confidence and consumer spending patterns, the group remains well placed to grow revenues through ongoing product innovation and the recent acquisition of Complete Office Furniture Limited. The group has reviewed its exposure to climate-related, Brexit-related and other emerging business risks, but it has not identified any risks that could impact the financial performance or position of the group as at 30 June 2019. It has sufficient headroom to enable it to conform to covenants on its existing borrowings, and it has sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments.

Not mandatory

The financial position and performance of the group was particularly affected by the following events and transactions during the six months to 30 June 2019:

- a significant increase in revenue from the furniture retail and electronic equipment divisions as a result of business combinations that occurred in the current and previous financial year (see note 11); this more than offset a reduction in revenue in the furniture wholesale segments (see note 2 below);
- an impairment loss of CU1,390,000 for the European IT consulting division as a result of the loss of two major contracts and increased cost (see note 7);
- an increase in the provision for legal claims against the UK furniture wholesale division (see note 8);
- an increase in warranty claims following problems with certain parts used in the manufacture of electronic equipment (see note 8);
- the acquisition of a vacant parcel of land to expand the production facilities of VALUE IFRS Electronics Group (see note 6);
- the renegotiation of the group's main borrowing facility, to secure funding for the construction of the new production plant for the electronic equipment division (see note 9);
- an increase of the contingent consideration payable in relation to the acquisition of Better Office Furnishings Limited (see note 11);
- the increase of the investment in Cedar Limited from 10% to 30% (see note 13);
- the adoption of the new leasing standard IFRS 16, 'Leases' (see note 19); and **New illustration**
-

Since the end of the interim reporting period, the group has acquired 100% of the issued capital of Complete Office Furniture Limited (see note 15).

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

2 Segment and revenue information [5,43]

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

2(a) Description of segments

IFRS8(22)(a)

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

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

3 Furniture – retail: since January 2015, the manufacturing and wholesale business has been supplemented by a chain of retail stores in the UK.

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

6 Electronic equipment: although this segment is not large enough to be required to be reported separately under the accounting standards, it has been included here because it is seen to be a potential growth segment which is expected to materially contribute to group revenue in the future. This segment was established following the acquisition of VALUE IFRS Electronics Group in April 2018.

2(a) Description of segments

IAS34(16A)(g)(v)

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

IAS34(16A)(g)(v)

The engineering division was sold with effect from 1 March 2018. Information about this discontinued segment is provided in note 12.

IFRS8(23)

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

The table below shows the segment information provided to the strategic steering committee for the reportable segments for the half-year ended 30 June 2019, and also the basis on which revenue is recognised:

		Furniture - wholesale		Furniture - retail	IT consulting		Electronic equipment	All other seg-ments	Total
	Half-year 2019	**UK**	**China**	**UK**	**US**	**Europe**	**UK**		
		CU'000	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**
IAS34(16A)(g)(i)	Total segment revenue	31,700	20,165	17,277	13,905	9,370	9,800	3,330	105,547
IAS34(16A)(g)(ii)	Inter-segment revenue	(250)	(150)	(650)	(250)	(200)	(200)	(200)	(1,900)
	Revenue from external customers [12-14]	**31,450**	**20,015**	**16,627**	**13,655**	**9,170**	**9,600**	**3,130**	**103,647**
IAS34(16A)(l)	Timing of revenue recognition								
	At a point in time	31,450	20,015	16,627	1,000	600	9,600	3,130	82,422
	Over time	-	-	-	12,655	8,570	-	-	21,225
		31,450	**20,015**	**16,627**	**13,655**	**9,170**	**9,600**	**3,130**	**103,647**
IAS34(16A)(g)(iii)	**Adjusted EBITDA ***	**8,065**	**5,534**	**8,753**	**4,702**	**(1,520)**	**2,902**	**1,929**	**30,365**
	Half-year 2018 [5]								
IAS34(16A)(g)(i)	Total segment revenue	32,434	21,200	6,402	12,049	10,900	4,300	3,119	90,404
IAS34(16A)(g)(ii)	Inter-segment revenue	(600)	(300)	(400)	(500)	(300)	(300)	(300)	(2,700)
	Revenue from external customers [12-14]	**31,834**	**20,900**	**6,002**	**11,549**	**10,600**	**4,000**	**2,819**	**87,704**
IAS34(16A)(l)	Timing of revenue recognition								
	At a point in time	31,834	20,900	6,002	800	950	4,000	2,819	67,305
	Over time	-	-	-	10,749	9,650	-	-	20,399
		31,834	**20,900**	**6,002**	**11,549**	**10,600**	**4,000**	**2,819**	**87,704**
IAS34(16A)(g)(iii)	**Adjusted EBITDA**	**8,503**	**6,403**	**5,710**	**8,366**	**3,450**	**2,260**	**2,099**	**36,791**
IAS34(16A)(g)(iv)	**Total segment assets**								
	30 June 2019 *	69,049	50,700	66,286	26,970	19,825	32,440	23,699	288,969
	31 December 2018	61,830	45,500	51,600	31,640	23,510	32,305	28,862	275,247
IAS34(16A)(g)(iv)	**Total segment liabilities**								
	30 June 2019 *	10,405	5,100	10,728	2,800	2,200	6,938	2,697	40,868
	31 December 2018	7,005	4,800	5,950	3,900	2,600	5,259	1,112	30,626

* See note 19(a) for details about the impact from the change in accounting policy on the current period segment disclosures. [28]

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

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

IAS34(16A)(g)(vi)

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

	Notes	Half-year 2019 CU'000	2018 CU'000
Adjusted EBITDA		**30,364**	36,791
Inter-segment eliminations		**(270)**	(160)
Finance costs – net		**(2,849)**	(2,549)
Depreciation and amortisation expense		**(6,418)**	(4,900)
Impairment of goodwill and other assets	7	**(1,390)**	(3,620)
Legal expenses		**(1,375)**	-
Unrealised financial instrument gains/(losses)		**245**	105
Share options and rights granted to directors and employees		**(1,226)**	(995)
Other		**309**	108
Profit before income tax from continuing operations		**17,390**	24,780

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

3. Disaggregation of revenue

IFRS15(114),(115)
IFRS15(B87),(B89)

In addition to the revenue analysis presented in note 2, we provide a further breakdown of revenue, by product type, from continuing operations.

Revenue	Half year 2019	2018
Furniture wholesale – UK		
Commercial office furniture	**24,200**	24,134
Other furniture	**7,250**	7,700
	31,450	31,834
Furniture wholesale – China		
Commercial office furniture	**17,400**	17,000
Other furniture	**2,615**	3,900
	20,015	20,900
Furniture retail – UK		
Commercial office furniture	**2,427**	2,502
Other furniture	**14,200**	3,500
	16,627	6,002
IT consulting – US		
Core IT consulting services	**10,100**	9,200
Non-core IT consulting services	**3,555**	2,349
	13,655	11,549
IT consulting – Europe		
Core IT consulting services	**7,800**	8,100
Non-core IT consulting services	**1,370**	2,500
	9,170	10,600
Electronic equipment – UK		
Personal devices	**2,300**	2,100
Commercial and business devices	**7,300**	1,900
	9,600	4,000
Other segments	**3,310**	2,819
Total Revenue from external customers	**103,647**	87,704

4 Profit and loss information [8,15-16]

4(a) Significant items

		Half-year 2019 CU'000	2018 CU'000
	Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:		
	Gains		
IAS34(16A)(c)	Gain on sale of freehold land (included in other gains/(losses))	**-**	1,270
	Expenses		
IAS34(16A)(c)	Impairment of goodwill (see note 7)	**1,390**	2,410
IAS34(16A)(c)	Provision for legal claim (see note 8)	**1,375**	-
	Re-estimation of warranty provision (see note 8)	**505**	-
	Acquisition-related costs from the business combination (note 11)	**750**	-
	Remeasurement of contingent consideration (see note 11)	**540**	-
IAS34(16A)(c)	Write-off of assets destroyed by fire		
	Office and warehouse building	**-**	465
	Plant and equipment	**-**	210
	Inventories	**-**	535
		-	1,210
	Less: Insurance recovery	**-**	(300)
	Net loss incurred in relation to the fire	**-**	910

4(b) Income tax

IAS34(30)(c)
IAS34(B12)

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2019 is 27%, compared to 25% for the six months ended 30 June 2018. The tax rate was lower in 2018 due to the recognition of previously unrecognised carried-forward tax losses.

5 Dividends

	Half-year 2019 CU'000	2018 CU'000
5(a) Ordinary shares		
IAS34(16A)(f) Dividends provided for or paid during the half-year	**11,989**	11,586

5(b) 6% cumulative redeemable preference shares

Dividends on these shares of CU330,000 (2018: CU330,000) have been recognised in the balance sheet as payables and have been charged to profit or loss as interest and finance charges because the shares are classified as liabilities.

	Half-year 2019 CU'000	2018 CU'000
5(c) Dividends not recognised at the end of the half-year		
IAS34(16A)(h) In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 23 cents per fully paid ordinary share (2018: 20 cents). The aggregate amount of the proposed dividend expected to be paid on 10 October 2019 out of retained earnings at 30 June 2019, but not recognised as a liability at the end of the half-year, is	**12,432**	10,603

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

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

In June 2019, the group acquired a block of vacant land in Springfield at a cost of CU3,000,000. The land will be used for the construction of additional production facilities for the electronic equipment division, and the group has entered into new capital commitments of CU12,300,000 in relation to these facilities. Construction is expected to start in October 2019. Property, plant and equipment decreased on 1 January 2019 following the adoption of the leasing standard (see 9 for details).

		Freehold land CU'000	Freehold buildings CU'000	Furniture, fittings and equipment CU'000	Machinery and vehicles CU'000	Assets under construction CU'000	Total CU'000
	At 31 December 2018						
IAS16(73)(d)	Cost or fair value	22,570	38,930	31,790	93,285	3,450	190,025
IAS16(73)(d)	Accumulated depreciation	-	-	(11,970)	(46,645)	-	(58,615)
	Net book amount	22,570	38,930	19,820	46,640	3,450	131,410
	Half-year ended 30 June 2019						
IAS16(73)(e)	Opening net book amount	22,570	38,930	19,820	46,640	3,450	131,410
Revised requirements	Adjustment for change in accounting policy (see note 19(a))	-	-	(2,520)	-	-	(2,520)
	Restated opening net book amount	22,570	38,930	17,300	46,640	3,450	128,890
IAS16(73)(e)(viii)	Exchange differences	-	-	(10)	(20)	-	(30)
IAS16(73)(e)(iv)	Revaluation surplus	920	575	-	-	-	1,495
IAS16(73)(e)(iii)	Acquisition of subsidiary (note 11)	-	1,000	1,300	8,795	-	11,095
IAS16(73)(e)(i),(74)(b)	Additions	6,850	80	400	1,085	-	8,415
IAS16(73)(e)(ii)	Disposals	(1,070)	(660)	(900)	(940)		(3,570)
	Transfers	-	3,450	-	-	(3,450)	-
IAS16(73)(e)(vii)	Depreciation charge	-	(750)	(765)	(2,300)	-	(3,815)
IAS16(73)(e)	Closing net book amount	29,270	42,625	17,325	53,260	-	142,480
	At 30 June 2019						
IAS16(73)(d)	Cost or fair value	29,270	43,375	30,060	102,205	-	204,910
IAS16(73)(d)	Accumulated depreciation	-	(750)	(12,735)	(48,945)	-	(62,430)
	Net book amount	29,270	42,625	17,325	53,260	-	142,480

7 Intangible assets [4,8-10]

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

The intangible assets held by the group increased primarily as a result of the acquisition of Better Office Furnishings Limited. See note 11 for further information.

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

	Goodwill [17] CU'000	Patents, trademarks and other rights CU'000	Internally generated software CU'000	Customer lists and contracts CU'000	Total CU'000
At 31 December 2018					
Cost	10,715	12,430	3,855	3,180	30,180
Accumulated amortisation and impairment	(2,410)	(1,300)	(710)	(1,210)	(5,630)
Net book amount	8,305	11,130	3,145	1,970	24,550
Half-year ended 30 June 2019					
Opening net book amount	8,305	11,130	3,145	1,970	24,550
Additions (IFRS3(B67)(d)(ii))	-	320	725	-	1,045
Acquisition of subsidiary (note 11)	1,360	-	-	3,465	4,825
Impairment charge (a)	(1,390)	-	-	-	(1,390)
Amortisation charge	-	(410)	(150)	(1,205)	(1,765)
Closing net book amount	8,275	11,040	3,720	4,230	27,265
At 30 June 2019 (IFRS3(B67)(d)(viii))					
Cost	12,075	12,750	4,580	6,645	36,050
Accumulated amortisation and impairment	(3,800)	(1,710)	(860)	(2,415)	(8,785)
Net book amount (IAS1(77))	8,275	11,040	3,720	4,230	27,265

7(a) Goodwill impairment [10]

Significant estimates

Following the loss of two major contracts in the European IT consulting division and an unexpected significant increase in costs due to instability in the industry in both Europe and the US, management has recalculated the recoverable amount of the two CGUs as at 30 June 2019. An impairment loss of CU1,390,000 was recognised for the European CGU, reducing the carrying amount of the goodwill for this CGU to CU1,480,000. The recoverable amount of the entire European CGU at 30 June 2019 was CU19,963,000.

The recoverable amount of the IT consulting CGU in the US was estimated to be CU27,153,000 as at 30 June 2019 (31 December 2018: CU36,275,000), which exceeded the carrying amount of the CGU by CU123,000 (31 December 2018: CU4,560,000). No impairment was therefore required for this CGU.

IAS36(134)(d)(i)

The recoverable amount of the two CGUs was determined based on value-in-use calculations, consistent with the methods used as at 31 December 2018. For details, see note 9(c) of our annual report. The following table sets out the key assumptions for the two CGUs where the impairment calculations were updated as at 30 June 2019:

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

	30 June 2019		31 Dec 2018	
	US	**Europe**	US	Europe
Sales volume (% annual growth rate)	**2.1**	**1.5**	3.2	4.1
Sales price (% annual growth rate)	**1.5**	**0.9**	1.7	1.8
Budgeted gross margin (%)	**45**	**40**	60.0	55.5
Other operating costs (CU'000)	**9,300**	**7,200**	8,400	5,600
Annual capital expenditure (CU'000)	**500**	**280**	500	230
Long-term growth rate (%)	**1.9**	**1.7**	2.2	2.0
Pre-tax discount rate (%)	**14.5**	**15.3**	14.0	14.8

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

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

	30 June 2019		31 Dec 2018	
	From	**To**	From	To
Sales volume (% annual growth rate)	**2.1**	**1.8**	3.2	2.0
Budgeted gross margin (%)	**45**	**42**	60	43
Long-term growth rate (%)	**1.9**	**1.7**	2.2	1.3
Pre-tax discount rate (%)	**14.5**	**14.9**	14.0	15.3

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

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

8 Current provisions [8-9,15-16]

	30 June 2019 CU'000	31 December 2018 CU'000
Legal claims	**1,835**	460
Service warranties	**1,064**	635
Restructuring costs	**320**	900
Make good provision	**248**	225
Contingent liability recognised on acquisition of VALUE IFRS Electronics Group	**-**	477
	3,467	2,697

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

The group has received new legal advice in relation to the claim which alleges that VALUE IFRS Manufacturing Limited had breached certain registered patents of a competitor. The advice now states that it is probable that the entity will be required to pay some compensation in relation to this matter. While the entity is still vigorously defending the claim, it has recognised a provision of CU1,375,000 for this claim as at 30 June 2019.

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

The lawsuit against VALUE IFRS Electronics Group, alleging defects on products supplied to certain customers, was settled in April 2019 with a payment of CU460,000. The unused amount of CU17,000 was reversed to profit or loss.

IAS34(16A)(d)

In May 2019, the group discovered problems with certain parts used in the manufacture of electronic equipment which resulted in an increase of warranty claims. As a consequence, the estimated rate of claims has been increased in calculating the warranty provision as at 30 June 2019. This resulted in an increase of the provision by CU505,000 in addition to the normal movements in the provision.

	Contingent liability CU'000	Restructuring obligations CU'000	Service warranties CU'000	Legal claims CU'000	Make good provision CU'000	Total CU'000
Current						
Carrying amount at 1 January 2019	477	900	635	460	225	2,697
Charged/(credited) to profit or loss						
additional provisions recognised	-	-	652	1,375	13	2,040
unused amounts reversed	(17)	-	-	-	-	(17)
unwinding of discount	-		-	-	10	10
Amounts used during the half-year	(460)	(580)	(223)	-	-	(1,263)
Carrying amount at 30 June 2019	-	320	1,064	1,835	248	3,467

9 Borrowings [8-9,11]

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

In February 2019, the group entered into a new loan facility to finance the construction of the new production plant for the electronic equipment division. The total available amount under the facility is CU20,000,000, of which CU7,000,000 were drawn down as at 30 June 2019. The facility is repayable in three annual instalments, commencing 1 June 2023.

IAS34(15C)

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

IFRS9(B5.4.2)

Facility fees of CU250,000 were payable to the lender on signing the new loan agreement. These were debited as a transaction cost to the loan account to the extent that the loan was drawn down as at 30 June 2019. An amount of CU162,500 is carried forward in other current assets and will be recognised as a transaction cost when the balance of the facility is drawn down. This is expected to occur within the next six months, as construction payments become due and payable.

IFRS9(B5.4.6)

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

As at 30 June 2019, the contractual maturities of the group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities At 30 June 2019	Less than 6 months CU'000	6–12 months CU'000	Between 1 and 2 years CU'000	Between 2 and 5 years CU'000	Over 5 years CU'000	Total contractual cash flows CU'000	Carrying Amount (assets)/ liabilities CU'000
Non-derivatives							
Trade payables	11,757	-	-	-	-	11,757	11,757
Contingent consideration (note 11)	-	600	650	700	-	1,950	1,820
Borrowings	4,245	4,540	9,500	31,490	55,725	105,500	102,303
Lease liabilities (see note 19(a))	975	970	1,951	5,337	1,846	11,079	10,128
Total non-derivatives	16,977	6,110	12,101	37,527	57,571	130,286	125,543

New requirements IFRS16(58)

Contractual maturities of financial liabilities At 31 December 2018 [3,4]	Less than 6 months CU'000	6–12 months CU'000	Between 1 and 2 years CU'000	Between 2 and 5 years CU'000	Over 5 years CU'000	Total contractual cash flows CU'000	Carrying Amount (assets)/ liabilities CU'000
Non-derivatives							
Trade payables	15,130	-	-	-	-	15,130	15,130
Borrowings (excluding finance leases)	4,439	4,639	9,310	46,195	40,121	104,704	97,050
Finance lease liabilities	427	428	855	2,365	-	4,075	3,394
Total non-derivatives	19,996	5,067	10,165	48,560	40,121	123,909	115,574

Loan covenants [9]

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

(a) the gearing ratio must now be below 45% (reduced from 50%), and

(b) the ratio of net finance cost to EBITDA must not exceed 10% (reduced from 12%).

The group complied with these ratios throughout the reporting period. As at 30 June 2019, the gearing ratio was 36% (31 December 2018: 21%) and the ratio of net finance cost to EBITDA was 9% (31 December 2018: 7%).

Financing arrangements [9]

The group's undrawn borrowing facilities were as follows:

	30 June 2019 CU'000	31 December 2018 CU'000
Fixed rate – expiring beyond one year	**13,000**	-
Floating rate		
Expiring within one year (bank overdraft and bill facility)	**12,400**	12,400
Expiring beyond one year (bank loans)	**6,160**	9,470
	31,560	21,870

10 Equity securities issued

	2019 Shares (thousands)	2018 Shares (thousands)	2019 CU'000	2018 CU'000
Issues of ordinary shares during the half-year				
Exercise of options issued under the VALUE IFRS Employee Option Plan (IAS34(16A)(e))	**46**	-	**241**	-
Acquisition of subsidiary, net of transaction costs and tax		1,698	**-**	9,730
Issued for no consideration:				
Dividend reinvestment plan issues (IAS34(16A)(e))	**64**	59	**397**	174
	110	1,757	**638**	9,904

		2019 Shares (thousands)	2018 Shares (thousands)	2019 CU'000	2018 CU'000
	Movements in treasury shares during the half-year				
IAS34(16A)(e)	Acquisition of shares by the VALUE IFRS Employee Share Trust	**(201)**	(207)	**(1,270)**	(1,217)
IAS34(16A)(e)	Employee share scheme issue	**183**	186	**1,132**	1,091
	Net movement	**(18)**	(21)	**(138)**	(126)

IAS34(16A)(i)

11 Business combination [3,15,17,46]

11(a) Current period

IFRS3(B64)(a)-(d)

On 15 February 2019, VALUE IFRS Plc acquired 87.5% of the issued shares in Better Office Furnishings Limited, a retailer of office furniture and equipment, for consideration of CU12,030,000. The acquisition is expected to increase the group's market share and reduce cost through economies of scale.

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

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

IFRS3(B64)(i)

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

	Fair value CU'000
Cash and cash equivalents	575
Property, plant and equipment (note 6)	11,095
Right-of-use assets	1,000
Customer list (note 7)	2,285
Customer contracts (note 7)	1,180
Inventories	1,010
Receivables	685
Payables	(1,380)
Lease liabilities	(1,000)
Employee benefit obligations	(230)
Borrowings	(3,250)
Net deferred tax assets	420
Net identifiable assets acquired	12,390
Less: non-controlling interest	(1,720)
Add: goodwill	1,360
	12,030

IFRS3(B64)(e),(k)

The goodwill is attributable to Better Office Furnishings Limited's strong position and profitability in trading in the office furniture and equipment market, and synergies expected to arise after the company's acquisition of the new subsidiary. It has been allocated to the furniture retail segment. None of the goodwill is expected to be deductible for tax purposes. See note 7 above for the changes in goodwill as a result of the acquisition.

IFRS3(B67)(a)

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

11(a) Current period

(i) Acquisition-related costs

IFRS3(B64)(m)

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

(ii) Contingent consideration

IFRS3(B64)(g)

The contingent consideration arrangement requires the group to pay, to the former owners of Better Office Furnishings Limited, 20% of the average profit of Better Office Furnishings Limited in excess of CU2,000,000 for three years from 2019 to 2021, up to a maximum undiscounted amount of CU2,000,000. There is no minimum amount payable.

IAS34(16)(j)
IFRS13(93)(h)(i)

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

IFRS3(B67)(b),(58)

As at 30 June 2019, there was an increase of CU540,000 recognised in other gains/losses in profit or loss for the contingent consideration arrangement, as the assumed probability-adjusted profit in Better Office Furnishings Limited was recalculated to be in the region of CU5,000,000–5,300,000. The liability is presented within trade and other payables in the balance sheet.

(iii) Acquired receivables

IFRS3(B64)(h)

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

(iv) Non-controlling interest

IFRS3(B64)(o)

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

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

(v) Revenue and profit contribution

IFRS3(B64)(q)

The acquired business contributed revenues of CU16,230,000 and net profit of CU2,675,000 to the group for the period from 15 February 2019 to 30 June 2019. If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax for the half-year ended 30 June 2019 would have been CU109,070,000 and CU12,676,000 respectively.

11(b) Prior period [3]

On 1 April 2018 the parent entity acquired 70% of the issued share capital of VALUE IFRS Electronics Group. Details of this business combination were disclosed in note 15 of the group's annual financial statements for the year ended 31 December 2018.

12 Discontinued operation [3,15,17]

12(a) Description

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

On 30 October 2017 the group announced its intention to exit the machinery hire business, and it initiated an active program to locate a buyer for its German subsidiary, VALUE IFRS Engineering GmbH. The subsidiary was sold on 28 February 2018, with effect from 1 March 2018, and was reported in the financial statements for the half-year ending 30 June 2018 as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. For further information about the discontinued operation, please refer to note 16 in the group's annual financial statements for the year ended 31 December 2018.

12(b) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations for the two months ended 28 February 2018 and subsequent adjustments to the contingent consideration receivable.

		Half-year	
		2019	2018
		CU'000	CU'000
	Revenue	-	4,200
	Expenses		(3,939)
IFRS5(35)	Other gains/(losses) (revaluation of contingent consideration receivable)	**(45)**	-
	(Loss)/profit before income tax	**(45)**	261
	Income tax benefit/(expense)	**13**	(78)
	(Loss)/profit after income tax of discontinued operation	**(32)**	183
	Gain on sale of subsidiary after income tax (see (c) below)	**-**	481
	(Loss)/profit from discontinued operation	**(32)**	664
	Exchange differences on translation of discontinued operation	**-**	170
	Other comprehensive income from discontinued operation	**-**	170
IFRS5(33)(c)	Net cash inflow from ordinary activities	**-**	1,166
	Net cash inflow (outflow) from investing activities (2018 includes an inflow of CU3,110,000 from the sale of the division)	**-**	3,110
	Net increase in cash generated by the subsidiary	**-**	4,276
		Cents	Cents
IAS33(68)	Basic earnings per share from discontinued operation	0.1	1.2
	Diluted earnings per share from discontinued operation	0.1	1.2

12(c) Details of the sale of the subsidiary

	Half-year	
	2019	2018
	CU'000	CU'000
Consideration received or receivable:		
Cash	**-**	3,110
Fair value of contingent consideration	-	1,200
Total disposal consideration	**-**	4,310
Carrying amount of net assets sold	-	(3,380)
Gain on sale before income tax and reclassification of foreign currency translation reserve	**-**	930
Reclassification of foreign currency translation reserve		(170)
Income tax expense on gain	-	(279)
Gain on sale after income tax	-	481

In the event that the operations of the subsidiary achieve certain performance criteria during the period from 1 March 2018 to 28 February 2020 (as specified in an 'earn out' clause in the sale agreement), additional cash consideration of up to CU2,400,000 will be receivable. At the time of the sale, the fair value of the consideration was determined to be CU1,200,000 and was recognised as a financial assets at fair value through profit or loss.

IFRS5(35)

As at 30 June 2019 the fair value was estimated to be CU1,245,000 (note 17). The change in fair value of CU45,000 relates to the remeasurement of the expected cash flows, and it is presented in the statement of profit and loss as loss from discontinued operations, net of applicable income tax of CU13,000.

IAS34(16A)(i)

13 Interests in associates and joint ventures [18]

On 15 February 2019, VALUE IFRS Plc increased its investment in Cedar Limited from 10% to 30% for cash consideration of CU400,000 plus CU5,000 transaction costs. As a consequence, VALUE IFRS Plc gained significant influence over this investment, and the investment was reclassified from a financial asset at fair value through other comprehensive income (FVOCI) to an associate.

The carrying amount of the investment presented in FVOCI at the time of the transaction was CU150,000, including fair value gains of CU30,000 that had been recognised in other reserves. The group's accounting policy for step acquisitions of associates is to measure the cost as the sum of the fair value of the interest previously held plus the fair value of the additional consideration transferred (totalling CU550,000). The transaction costs of CU5,000 were expensed as incurred and recognised in administrative expenses. Consistent with the group's policy to transfer any amounts recognised in the FVOCI reserve to retained earnings on disposal of an investment, CU30,000 were transferred to retained earnings following the step acquisition.

The carrying amount of equity-accounted investments has changed as follows in the six months to June 2019:

	Six months ending 30 June 2019 CU'000
Beginning of the period	3,775
Additions	550
Profit/(loss) for the period	205
Dividends paid	(300)
End of the period	4,230

14 Contingencies [8,9]

(a) Contingent liabilities

IAS34(15B)(m)

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

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

The claim lodged against VALUE IFRS Retail Limited in December 2017 and disclosed in note 18 of the annual financial statements was settled through mediation. A payment of CU25,000 was made to the claimant.

15 Events occurring after the reporting period [19]

IAS34(16A)(h)

On 31 July 2019, VALUE IFRS Plc acquired all of the issued shares in Complete Office Furniture Limited, a manufacturer and retailer of premium office furniture and equipment, for cash consideration of CU4,500,000.

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

The financial effects of the above transaction have not been brought to account at 30 June 2019. The operating results and assets and liabilities of the company will be brought to account from 31 July 2019.

Refer to note 5 for dividends recommended since the end of the reporting period.

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

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

During the half-year ended 30 June 2019, VALUE IFRS Plc entered into a contract with Combined Construction Company Proprietary Limited for the construction of the new production facilities for the electronic equipment division. Mr A L Cunningham is a director and shareholder of Combined Construction Company Proprietary Limited. The contract is a fixed-price contract for the sum of CU1,300,000. It is based on normal commercial terms and conditions.

17 Fair value measurement of financial instruments [2,11,20,46]

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

17(a) Fair value hierarchy

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

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

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2019 and 31 December 2018 [4] on a recurring basis:

IFRS13(93)(a),(b)

At 30 June 2019	**Level 1 CU'000**	**Level 2 CU'000**	**Level 3 CU'000**	**Total CU'000**
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
US unlisted equity securities	**-**	**-**	**2,350**	**2,350**
US listed equity securities	**2,825**	**-**	**-**	**2,825**
UK listed equity securities	**5,975**	**-**	**-**	**5,975**
Preference shares – property sector	**-**	**1,165**	**-**	**1,165**
Other (contingent consideration; note 12)	**-**	**-**	**1,245**	**1,245**
Hedging derivatives – interest rate swaps	**-**	**310**	**-**	**310**
Hedging derivatives – foreign currency options	**-**	**1,634**	**-**	**1,634**
Financial assets at fair value through other comprehensive income (FVOCI)				
Equity securities – property sector	**1,412**	**-**	**-**	**1,412**
Equity securities – retail sector	**2,628**	**-**	**-**	**2,628**
Equity securities – biotech sector	**-**	**-**	**1,180**	**1,180**
Debentures – property sector	**340**	**-**	**-**	**340**
Debentures – retail sector	**372**	**705**	**-**	**1,077**
Total financial assets	**13,552**	**3,814**	**4,775**	**22,141**
Financial liabilities				
Contingent consideration payable (note 11)	**-**	**-**	**1,820**	**1,820**
Hedging derivatives – foreign currency forwards	**-**	**566**	**-**	**566**
Trading derivatives	**-**	**355**	**215**	**570**
Total financial liabilities	**-**	**921**	**2,035**	**2,956**

At 31 December 2018 [4]	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Financial assets				
Financial assets at FVPL				
US listed equity securities	5,190	-	-	5,190
UK listed equity securities	6,110	-	-	6,110
Preference shares – property sector	-	1,100	-	1,100
Contingent consideration (note 12)	-	-	1,290	1,290
Hedging derivatives – interest rate swaps	-	453	-	453
Trading derivatives – foreign currency options	-	1,709	-	1,709
Financial assets at FVOCI				
Equity securities – property sector	1,522	-	-	1,522
Equity securities – retail sector	2,828	-	-	2,828
Equity securities – forestry sector	-	-	1,150	1,150
Debentures – property sector	335	-	-	335
Debentures – retail sector	350	597	-	947
Total financial assets	16,335	3,859	2,440	22,634
Financial liabilities				
Hedging derivatives – foreign currency forwards	-	766	-	766
Trading derivatives	-	275	335	610
Total financial liabilities	-	**1,041**	**335**	**1,376**

17(a) Fair value hierarchy

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

In March 2019, a major investment of VALUE IFRS Plc was delisted. Since it is no longer possible to determine the fair value of this investment using quoted prices or observable market data, it has been reclassified from level 1 to level 3.

IFRS13(95)

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

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

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2019.

IFRS13(76),(91)(a)

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

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

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

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

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

17(b) Valuation techniques used to determine fair values

IFRS13(93)(d)

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves;
- for foreign currency forwards – present value of future cash flows based on the forward exchange rates at the balance sheet date;
- for foreign currency options – option pricing models (such as Black-Scholes model); and
- for other financial instruments – discounted cash flow analysis.

Revised illustration

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

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

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

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2019: [4]

IFRS13(93)(e)

	Unlisted equity securities CU'000	Trading derivatives at FVPL CU'000	Contingent consideration receivable CU'000	Contingent consideration payable CU'000	Total CU'000
Opening balance 31 December 2018	**1,150**	**(335)**	**1,290**	**-**	**2,105**
Transfer from level 1 (IFRS13(93)(e)(iv))	2,350	-	-	-	**2,350**
Disposals	(100)	-	-	-	**(100)**
Acquisitions	-	3	-	(1,280)	**(1,277)**
Gains recognised in other income *	-	117	-	(540)	**(423)**
Losses recognised in discontinued operations *	-	-	(45)	-	**(45)**
(Losses)/gains recognised in other comprehensive income	130	-	-	-	**130**
Closing balance 30 June 2019	**3,530**	**(215)**	**1,245**	**(1,820)**	**2,740**
* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period (IFRS13(93)(f))	-	93	(45)	(540)	(492)

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

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

Other than the transfer of equity securities from level 1 to level 3 (explained under (a) above), there were no transfers between the levels of the fair value hierarchy in the six months to 30 June 2019. There were also no changes made to any of the valuation techniques applied as of 31 December 2018.

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

(ii) Valuation inputs and relationships to fair value

IFRS13(93)(d),(99)

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

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

Description	Fair value at 30 June 2019 CU'000	Unobservable inputs *	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Unlisted equity securities	3,530	Earnings growth factor	2.5–3.5% (3%)	Increased earnings growth factor (+50 basis points (bps)) and lower discount rate (–100 bps) would increase fair value by CU190,000; lower growth factor (–50 bps) and higher discount rate (+100 bps) would decrease fair value by CU220,000
		Risk-adjusted discount rate	9–11% (10%)	
Trading derivatives	(215)	Credit default rate	25%	A shift of the credit default rate by +/– 5% results in a change in fair value of CU60,000
Contingent consideration receivable	1,245	Risk-adjusted discount rate	14%	A change in the discount rate by 100 bps would increase/ decrease the fair value by CU200,000
		Expected cash inflows	CU1,950,000–2,170,000 (CU2,020,000)	If expected cash flows were 10% higher or lower, the fair value would increase/decrease by CU55,000
Contingent consideration payable	(1,820)	Risk-adjusted discount rate	8%	A change in the discount rate by 100 bps would increase/decrease the fair value by CU52,000
		Expected revenues	CU5,200,000–5,500,000 (CU5,350,000)	If expected revenues were 10% higher or lower, the fair value would increase/decrease by CU400,000

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

IFRS13(93)(g)

(iii) Valuation processes

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

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

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

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

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

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

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different from their carrying amounts, since either the interest receivable/payable is close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 30 June 2019:

	Carrying amount CU'000	Fair value CU'000
Non-current receivables		
Loans to key management personnel	520	455
Financial assets at amortised cost		
Debentures	750	885
Zero coupon bonds	550	773
Non-current borrowings		
Bank loans	42,852	45,100
Convertible notes	16,830	17,505
Redeemable preference shares	11,000	9,240

18 General information and basis of preparation of half-year report [1-2,8,21-24,46-47]

18(a) General information

VALUE IFRS plc is a group that sells furniture, electronic equipment and IT consulting services.

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

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

These condensed interim financial statements were approved for issue on 29 August 2019.

CA06(435)(1)

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 were approved by the board of directors on 17 April 2019 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The financial statements have been reviewed, not audited.

18(b) Basis of preparation

IAS34(19)

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and Accounting Standard IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

IAS34(6)
Not mandatory

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018, which has been prepared in accordance with IFRSs adopted by the European Union, and any public announcements made by VALUE IFRS Plc during the interim reporting period.[22]

Corporate governance code.1.3

The group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group's products; and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Having reassessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the group's condensed interim financial statements.

IAS34(16A)(a)

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see note 4(b)) and the adoption of new and amended standards as set out below. [21]

Revised requirement

18(c) New and amended standards adopted by the group [24-29]

IAS8(28)(a)

A number of new or amended standards became applicable for the current reporting period, and the group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16, 'Leases'.

The impact of the adoption of the leasing standard, IFRS 16, and the new accounting policies are disclosed in note 19 below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

New illustration
Revised requirements

19 Changes in accounting policies [25-29]

IAS34(16A)(a)
IAS8(28)
DTR4.2.6R(1)

This note explains the impact of the adoption of IFRS 16, 'Leases', on the group's financial statements, and it discloses the new accounting policies that have been applied from 1 January 2019 in note 19(b) below.

IAS8(28)(f)
IFRS16(C5)(b),(C7)

The group has adopted IFRS 16 retrospectively from 1 January 2019 but it has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

19(a) Adjustments recognised on adoption of IFRS 16 [28-42]

IFRS16(C8),(C12)(a)

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.5%.

19(a) Adjustments recognised on adoption of IFRS 16 [28-42]

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in measurement adjustments of CU29,000 for residual value guarantees and CU24,000 for variable lease payments based on an index or rate. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

		2019 CU'000
IFRS16(C12)(b)	Operating lease commitments disclosed as at 31 December 2018 [37,38]	8,490
	Discounted using the lessee's incremental borrowing rate of at the date of initial application	7,513
	Add: finance lease liabilities recognised as at 31 December 2018	2,594
	(Less): short-term leases recognised on a straight-line basis as expense	(210)
	(Less): low-value leases recognised on a straight-line basis as expense	(219)
	(Less): contracts reassessed as service agreements [39]	-
	Add/(less): adjustments as a result of a different treatment of extension and termination options [39]	-
	Add/(less): adjustments relating to changes in the index or rate affecting variable payments [39]	-
	Lease liability recognised as at 1 January 2019	**9,678**
	Of which are:	
	Current lease liabilities	2,081
	Non-current lease liabilities	7,597
		9,678

IFRS16(C8)(b)(ii),(C10)(b)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

IFRS16(53)(j)

The recognised right-of-use assets relate to the following types of asset: [40]

	30 June 2019 CU'000	1 January 2019 CU'000
Properties	4,672	3,846
Equipment	3,848	3,402
Motor vehicles	1,312	1,232
Total right-of-use assets	**9,832**	**8,480**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019: [36]

- property, plant and equipment – decrease by CU2,520,000;
- right-of-use assets – increase by CU8,480,000;
- deferred tax assets – increase by CU363,000;
- prepayments – decrease by CU85,000;
- borrowings – decrease by CU3,394,000; and
- lease liabilities – increase by CU9,678,000.

The net impact on retained earnings on 1 January 2019 was a decrease of CU46,000. [17]

19(a) Adjustments recognised on adoption of IFRS 16

(i) Impact on segment disclosures and earnings per share [28,29]

Adjusted EBITDA, segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

	Adjusted EBITDA CU'000	Segment assets CU'000	Segment liabilities CU'000
Furniture – wholesale UK	150	2,000	3,000
Furniture – retail UK	350	3,376	5,128
Electronic equipment – UK	106	500	2,000
	606	**5,876**	**10,128**

Earnings per share decreased by 0.1c per share for the six months to 30 June 2019 as a result of the adoption of IFRS 16.

(ii) Practical expedients applied [41]

IFRS16(C13),(C10)

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments of whether leases are onerous;
- the accounting for operating leases, with a remaining lease term of less than 12 months as at 1 January 2019, as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

IFRS16(C3),(C4)

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the group relied on its assessment made applying IAS 17 and IFRIC 4, 'Determining whether an Arrangement contains a Lease'.

19(b) The group's leasing activities and how these are accounted for [28]

IFRS16(59)(a),(c)

The group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of three to eight years but they might have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

IAS1(117)

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

IAS1(117)
IFRS16(27)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

19(b) The group's leasing activities and how these are accounted for

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

IAS1(117)
IFRS16(24)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

IFRS16(60)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(i) Variable lease payments

Estimation uncertainty arising from variable lease payments

IFRS16(59)(b)(i),(B49)

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 5% increase in sales across all stores in the group with such variable lease contracts would increase total lease payments by approximately 1.9 to 2.4%.

(ii) Extension and termination options

IFRS16(59)(b)(ii),(B50)

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor. Approximately 10% of the total lease payments made in 2019 were optional.

Critical judgements in determining the lease term

IFRS16(59)(b)(ii),(B50)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of CU300,000 have not been included in the lease liability, because it is not reasonably certain that the leases will be extended (or not terminated).

IFRS16(20)

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of CU150,000.

(iii) Residual value guarantees

IFRS16(59)(b)(iii),(B51)

To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases.

Estimating the amount payable under residual value guarantees

IFRS16(59)(b)(iii),(B51)

The group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period. At the end of reporting period, CU220,000 is expected to be payable and is included in calculating the lease liabilities, while CU350,000 is not expected to be payable and has hence been excluded from the lease liabilities.

20 Critical estimates and critical judgements

IAS34(41)

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 might differ from these estimates.

IAS34(16A)(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 2018, with the exception of changes in estimates that are required in determining the provision for income taxes and the following new critical judgements and critical estimates:

- Critical judgements in determining the lease term (see note 19(b) for further details).
- Critical estimates in the impairment of goodwill (see note 7(a) for further details).

Notes to the condensed consolidated financial statements

Structure of notes

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

Comparative information

Narrative disclosures

IAS34(16A)(j)

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

Roll-forward information

IAS34(16A)(g)

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

Segment information

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

Materiality

IAS34(23)
IAS1(7)
IFRS PS2

6. Paragraph 23 of IAS 34 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 can rely on estimates to a greater extent than measurements of annual financial data.
7. While materiality judgements are always subjective, the overriding concern is to ensure that an interim financial report includes all of the information that is relevant to an understanding of the financial position and performance of the entity during the interim period. It is therefore generally inappropriate to base quantitative estimates of materiality on projected annual figures. Guidance on assessing materiality is provided in the non-mandatory IFRS Practice Statement 2, 'Making Materiality Judgements'.

Notes to the consolidated financial statements

Significant events and transactions

IAS34(15),(15B)

8. Interim financial reports must include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Paragraph 15B of IAS 34 provides examples of events or transactions that might need to be disclosed, but note that the list is not exhaustive.

IAS34(15C)

9. The information disclosed in relation to these events and transactions should update the relevant information presented in the most recent annual financial statements and that are required under other accounting standards (such as IFRS 7, 'Financial Instruments: Disclosures'). For example, VALUE IFRS Plc has acquired a significant parcel of land in the six months to June 2019 and refinanced a major borrowing. To show the impact of the acquisition on total property, plant and equipment, we have updated the reconciliation of property, plant and equipment from the last financial statements. We have also updated the liquidity risk disclosures to reflect the revised payment terms resulting from the refinancing.
10. Similarly, if the entity has recognised an impairment loss during the interim reporting period, it should consider which of the disclosures made in the annual report would need to be updated in the interim report, to give users sufficient context and information about the uncertainties associated with the impairment calculations. We have illustrated what we would consider appropriate in the context of VALUE IFRS Plc's fictional scenario. Depending on the individual circumstances, more or fewer disclosures might be required.

IAS34(15C)

11. Another example of disclosures that might require updating in the interim report would be the offsetting disclosures that are required under IFRS 7. The disclosures provided in the annual report (see note 24) should be updated if there have been any changes to the offsetting arrangements in the interim period. Entities should remember that the disclosures also cover master netting and similar arrangements that are not currently enforceable – see the commentary to note 23 in our *Illustrative IFRS consolidated financial statements for 2018 year-ends* publication for further information.

Disaggregation of revenue

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

12. Entities must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will depend on the specific circumstances of each entity as to how much detail is disclosed. VALUE IFRS Plc has included some additional disaggregation disclosure in note 3, and it also includes a disaggregation of revenue using existing segments and the timing of the transfer of goods or services (at a point in time versus over time). The company has concluded that this is adequate for its circumstances. However, this is a judgement and will not necessarily be appropriate for other entities.
13. Other categories that could be used as the basis for disaggregation include:
    (a) type of good or service (such as major product lines);
    (b) geographical regions;
    (c) market or type of customer;
    (d) type of contract (such as fixed price versus time-and-materials contracts);
    (e) contract duration (short-term versus long-term contracts; or
    (f) sales channels (directly to customers versus wholesale).

IFRS15(115)

14. When selecting categories for the disaggregation of revenue, entities should also consider how their revenue is presented for other purposes (for example, in earnings releases, annual reports or investor presentations) and what information is regularly reviewed by the chief operating decision makers. Where revenue is disaggregated on a basis other than reportable segments, the entity must disclose sufficient information so that users of its financial statements can understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each reportable segment.

Notes to the consolidated financial statements

Other disclosures

IAS34(16A)

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

Unusual items

IAS34(16A)(c)

16. Disclosure is required of the nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence.

Changes in the composition of the entity

IAS34(16A)(i)

17. IAS 34 requires interim financial reports to disclose the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity 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 in accordance with paragraph B67(d) of IFRS 3. See also commentary paragraph 46 below for disclosures that are not applicable to VALUE IFRS Plc and therefore are not illustrated in note 11.

Step acquisition of associates

18. There are two approaches that could be adopted when an investor increases its stake in an entity and an existing investment becomes an associate for the first time. Those two methods are:
    (a) 'Cost of each purchase' method: the cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of the investee's profits and other equity movements (for example, revaluations). Any acquisition-related costs are treated as part of the investment in the associate.
    (b) 'Fair value as deemed cost' method (by analogy with IFRS 3): the cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. Since this method is based on the analogy with the revised IFRS 3 guidance on step acquisition of subsidiaries, any acquisition-related costs are expensed in the period in which the costs are incurred. This is different from acquisition-related costs on initial recognition of an associate at cost, because they form part of the carrying amount of the associate. This is the method used by VALUE IFRS Plc and illustrated in note 13 of this interim report.

Events occurring after the reporting period

IAS34(16A)(h)

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

Fair value measurement

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

20. Entities must also provide detailed information about the fair value measurements of their financial instruments, regardless of whether there have been significant changes or transactions during the interim period. This includes information about:
    (a) the recognised fair value measurements at the end of the interim period;
    (b) for financial assets and financial liabilities that are not measured at fair value, the fair value such that it can be compared with the carrying amount;
    (c) for non-recurring fair value measurements, the reason for the measurement;
    (d) the level of the fair value hierarchy within which the measurements are categorised;
    (e) the amount of transfers between level 1 and level 2 of the hierarchy, the reasons for those transfers and the entity's policy for determining when transfers have occurred;

Notes to the consolidated financial statements

(f) for level 2 and level 3 measurements, a description of the valuation techniques and inputs used, changes in the valuation techniques used and reasons for changes; for level 3 measurements, also quantitative information about significant unobservable inputs used;
(g) for level 3 measurements, a reconciliation from opening to closing balances, showing separately a number of specifically identified items;
(h) for recurring level 3 measurements, the amount of unrealised gains or losses for the period that is attributable to assets and liabilities held at the end of the reporting period;
(i) for level 3 measurements, a description of the valuation processes used by the entity;
(j) for recurring level 3 measurements, a narrative description of the sensitivity of the fair value to changes in unobservable inputs and the effect of changes to unobservable inputs if such changes have a significant effect on the fair value; and
(k) the existence of inseparable third-party credit enhancements.

Note that IAS 34 only requires this information for financial instruments, not for non-financial assets and liabilities. However, where an entity has revalued non-financial assets or liabilities to fair value during the interim reporting period, or measured non-financial assets or liabilities at fair value for the first time, it should consider providing similar disclosures if the amounts involved are material. For further commentary around the fair value disclosures required under IFRS 13, see commentary 10-12 to note 7 in our *Illustrative IFRS consolidated financial statements for 2018 year-ends* publication.

Accounting policies

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

21. 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 (see para 25 below for details of new standards that apply to annual reporting periods commencing on or after 1 January 2019).
22. While there is no longer a requirement to prominently display an explicit statement that the interim financial report is to be read in conjunction with the most recent annual financial report, we recommend retaining it, since it is a useful explanation and reminder of the nature of an interim report. Entities might also want to place this statement on the front cover of the interim financial report (as illustrated on the example contents page 9), to make this clear to readers of the interim financial report.
23. Where an entity prepares its first interim financial report and there is no previous annual report, we believe that a complete disclosure of significant accounting policies should be provided.

Impact of standards issued but not yet applied

24. While not explicitly required under IAS 34, entities should also consider explaining the impact of the future adoption of an accounting standard that has been issued but does not yet need to be applied by the entity. This would be the case, in particular, where adoption of the standard will have a significant impact on the amounts recognised in the financial statements and this had not been disclosed in the previous annual financial report, or where the entity's assessment has significantly changed. IFRS 17, 'Insurance Contracts', is an example of a standard that might require disclosure if the entity has issued any insurance contracts.

IAS34(16A)(a)

Changes in accounting policies

25. New and amended standards and interpretations must be adopted in the first interim financial statements issued after their effective date or date of early adoption. There are a number of new and amended accounting standards and interpretations that become applicable for annual reporting periods commencing on or after 1 January 2019, and entities will need to consider whether any of these could affect their existing accounting policies for their 2019 interim reports:
(a) IFRS 16, 'Leases';
(b) *Annual improvements 2015–2017 Cycle*;
(c) IFRIC 23, 'Uncertainty over Income Tax Treatments';
(d) *Prepayment Features with Negative Compensation – Amendments to IFRS 9*;
(e) *Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28*; and
(f) *Plan Amendment, Curtailment or Settlement – Amendments to IAS 19*.

Notes to the consolidated financial statements

26. The disclosures in this publication show how a corporate group might be affected by the adoption of IFRS 16. The other amendments and their impact are summarised in Appendix D to our *Illustrative IFRS consolidated financial statements for 2018 year-ends* publication. We have assumed that these amendments did not have any significant impact on the group's accounting policies. However, this assumption will not necessarily apply to all entities. Where there has been a change in policy which has a material impact on the amounts reported in the entity's financial statements, this will need to be explained.
27. IAS 34 does not specify how much detail entities must provide to explain a change in policy. Where the change has a significant impact, management might consider the requirements in IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', in explaining the adjustments made to the line items disclosed in the primary financial statements for the comparative period(s).
28. In relation to the adoption of IFRS 16, the disclosures could include the following:
    (a) a description of the nature and effect of the change resulting from the new accounting policies, including the new accounting policies themselves (this disclosure is required by para 16A(a) of IAS 34);
    (b) the key judgements made by management in applying IFRS 16 (for example, in relation to the determination of the lease term, as illustrated on page 42);
    (c) details of the impact on the amounts presented in the interim financial statements, including segment disclosures, earnings per share and retained earnings; and
    (d) some or all of the specific transition disclosures required under IFRS 16 for the annual financial statements (see paragraphs 36 to 41 below).
29. The level of detail provided will depend on the individual circumstances of the entity and the materiality of the amounts involved. Appropriate disclosures should be given about other aspects not discussed above that are necessary for a user to understand the impacts at transition, the reasons for those impacts, and the key judgements that will impact the financial statements going forward. Depending on the individual circumstances, less detailed disclosures than those provided in note 19 might be sufficient, but in some cases it might also be necessary to add further details. For example, the following judgements might require additional explanations:
    (a) the interpretation of what constitutes a penalty in determining the lease term;
    (b) what the entity considers to be an index or rate in determining lease payments;
    (c) details regarding the determination of the incremental borrowing rate;
    (d) how the entity accounts for costs incurred in connection with a lease that are not part of the cost of the right-of-use asset; or
    (e) whether the lease accounting changes have had any impact on the entity's impairment testing immediately prior to adopting the new rules.

Presentation of right-of-use assets, lease liabilities and cash flows

IFRS16(47)

30. Right-of-use assets and lease liabilities must be presented separately from other assets and liabilities, but this can be done in the notes. VALUE IFRS Plc is presenting the right-of-use assets and associated lease liabilities as separate line items in the balance sheet.
31. Where right-of-use assets are presented within the same line item as the corresponding underlying assets would be presented if they were owned, the lessee must identify which line items in the balance sheet include those right-of-use assets. However, this disclosure – and the other disclosures required under IFRS 16 for leased assets – will normally only be required in the annual financial statements. Other than in the year of adoption of IFRS 16, lease disclosures only need to be included in interim financial statements under the circumstances outlined in paragraph 15 of IAS 34 (see paras 8–11 above for details).

Notes to the consolidated financial statements

IFRS16(50)

32. Cash flows relating to leases must be presented as follows:
    (a) cash payments for the principal portion of the lease liabilities as cash flows from financing activities;
    (b) cash payments for the interest portion consistent with presentation of interest payments chosen by the group; and
    (c) short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

Practical expedients and simplified transition approach

33. In preparing these illustrative financial statements, we have assumed that VALUE IFRS Plc has elected to apply the following exemptions and expedients:

IFRS16(C3)

    (a) As a practical expedient, entities can elect to apply the new guidance regarding the definition of a lease only to contracts entered into (or changed) on or after the date of initial application. Existing lease contracts will not need to be reassessed. However, this expedient must be consistently applied to all contracts.

IFRS16(C9),(C10)

    (b) Other transition exemptions are available for leases with a remaining term of 12 months or less and for low-value assets (both on a lease-by-lease basis).

IFRS16(C5)(b),(C6)

34. The standard further permits the use of a simplified transition approach which is outlined below. Full retrospective application is optional but, if chosen, it must be applied to all leases. Selective application of the simplified transition approach is not permitted.
35. Where a lessee applies the simplified approach, it does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application.

IFRS16(C8)

IFRS16(C11)

Balance sheet item	**Measurement**
Leases previously classified as operating leases	
Lease liability	Present value of remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application
Right-of-use asset	Retrospective calculation, using a discount rate based on the lessee's incremental borrowing rate at the date of initial application or Amount of lease liability (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease) *Lessees can choose one of the alternatives on a lease-by-lease basis*
Leases previously classified as finance leases	
Lease liability	Carrying amount of the lease liability immediately before the date of initial application.
Right-of-use asset	Carrying amount of the lease asset immediately before the date of initial application
Lease liabilities and right-of-use assets	Any measurement adjustments arising from applying IFRS 16 are recognised post-transition (that is, not through retained earnings)

Notes to the consolidated financial statements

IFRS 16 transition disclosures

IFRS16(C12)
IAS8(28)(f)

36. An entity that has applied the simplified approach does not need to disclose the impact of the adoption of the standard on the individual line items of the financial statements that are affected. Having said that, we recommend disclosing the adjustments recognised on the date of initial application at least in summarised form, as illustrated on page 40. Some entities might also find it useful to disclose a reconciliation of the adjustments recognised by individual line item, as shown on the following page.

IFRS16(C12)

37. Entities that apply the simplified approach must disclose the weighted average incremental borrowing rate applied to lease liabilities recognised at the date of initial application, and an explanation of any difference between:
    (a) the operating lease commitments disclosed, applying IAS 17 at the end of the annual reporting period immediately preceding the date of initial application (discounted using the incremental borrowing rate at the date of initial application); and
    (b) the lease liabilities recognised at the date of initial application under IFRS 16.
38. In our view, it would be most meaningful if this information is provided via a reconciliation, as demonstrated on page 40. However, the format is not prescribed and it might also be appropriate to provide the relevant information in narrative format without quantifying the actual differences, provided that the most significant effects are identified and clearly described.
39. The reconciliation on page 40 shows a number of potential adjustments without any impact on VALUE IFRS Plc. This is done purely for illustrative purposes, and we note that it is not necessary to mention adjustments that are not relevant for the entity.

IFRS16(53)(j)

40. VALUE IFRS Plc also discloses an analysis of the right-of-use assets by class in note 19(a). Since these are new assets that had not previously been recognised, we consider this information relevant for users to get an understanding of the types of asset involved. This information will also need to be provided in the annual financial statements.

IFRS16(C13),(C10)

41. Entities must disclose if they have applied any of the following practical expedients:
    (a) applying a single discount rate to a portfolio of leases with similar characteristics;
    (b) relying on a previous assessment of whether a lease is onerous;
    (c) accounting for leases which end within 12 months of the date of initial application as short-term leases;
    (d) excluding initial direct costs from the measurement of the right-of-use asset; and
    (e) using hindsight (for example, in determining the lease term where the contract includes extension or termination options).

Line-by-line reconciliation of opening adjustments where simplified transition approach is not adopted

42. Lessees that are not applying the simplified transition approach will need to apply the lessee accounting requirements of IFRS 16 retrospectively to each prior reporting period in accordance with the requirements in IAS 8. These entities will also need to disclose the impact of the adoption of IFRS 16 on each line item in the financial statements for the current period and each prior period presented, as required by paragraph 28(f) of IAS 8. This is illustrated in the following disclosure in relation to the 31 December 2018 and June 2019 financial statements:

IAS8(28)(f)

> *"VALUE IFRS Plc has applied IFRS 16 retrospectively without using the simplified transition approach permitted under IFRS 16. The table below show the adjustments recognised for each individual line item as at 31 December 2018 and 30 June 2019. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided."*

Notes to the consolidated financial statements

Balance sheet (extract)	30 June 2019 CU'000	IFRS 16 CU'000	30 June 2019 – as presented CU'000	31 Dec 2018 As originally presented CU'000	IFRS 16 CU'000	31 December 2018 Restated CU'000
Non-current assets						
Property, plant and equipment	146,305	(2,825)	143,480	131,410	(2,520)	128,890
Right-of-use assets	-	8,832	8,832	-	8,480	8,480
Deferred tax assets	6,717	328	7,045	7,307	363	7,670
Current assets						
Other current assets	144	-	144	312	(85)	227
Total assets	**307,960**	**6,335**	**314,295**	**305,202**	**6,238**	**311,440**
Non-current liabilities						
Borrowings	91,367	(3,174)	94,193	91,754	(2,639)	89,115
Lease liabilities	-	7,950	7,950	-	7,597	7,597
Current liabilities						
Borrowings	8,690	(580)	8,110	9,155	(755)	8,400
Lease liabilities	-	2,178	2,178	-	2,081	2,081
Total liabilities	**148,034**	**6,374**	**154,408**	**145,901**	**6,284**	**152,185**
Net assets	**159,926**	**(39)**	**159,887**	**159,301**	**(46)**	**159,255**
Retained earnings	47,419	(39)	47,380	47,954	(46)	47,908
Total equity	**159,926**	**(39)**	**159,887**	**159,301**	**(46)**	**159,255**

Statement of profit or loss (extract)	30 June 2019 CU'000	IFRS 16 CU'000	30 June 2019 – as presented CU'000	30 June 2018 As originally presented CU'000	IFRS 16 CU'000	30 June 2018 Restated CU'000
Distribution cost	(23,608)	129	(23,479)	(11,533)	90	(11,443)
Administration expense	(11,808)	64	(11,744)	(5,767)	50	(5,717)
Operating profit	**19,836**	**193**	**20,029**	**26,989**	**140**	**27,129**
Finance cost	(3,553)	(151)	(3,704)	(2,549)	(120)	(2,669)
Profit before tax	**17,343**	**42**	**17,385**	**24,780**	**20**	**24,800**
Income tax expense	(5,834)	(35)	(5,889)	(7,878)	(6)	(7,884)
Profit for the year	**11,448**	**7**	**11,454**	**16,902**	**14**	**16,916**

Statement of cash flows (extract)	30 June 2019 CU'000	IFRS 16 CU'000	30 June 2019 – as presented CU'000	30 June 2018 As originally presented CU'000	IFRS 16 CU'000	30 June 2018 Restated CU'000
Cash generated from operations	21,079	616	21,695	42,441	580	43,021
Interest paid	(3,759)	(151)	(3,910)	(3,616)	(130)	(3,746)
Net cash inflow from operating activities	9,146	465	9,611	23,763	350	24,113
Principal elements of lease payments	(210)	(465)	(675)	(210)	(350)	(560)
Net cash outflow from financing activities	**11,918**	**(465)**	**11,453**	**(20,811)**	**(350)**	**(21,161)**
Net (decrease) in cash and cash equivalents	**18,189**	**-**	**18,189**	**7,685**	**-**	**7,685**

ESMA expectations over IFRS 16 disclosures once adopted

43. The European Securities and Markets Authority (ESMA) notes that, once IFRS 16 is applied, disclosures required by Appendix C to the standard relating to the initial application and chosen method of transition will need to be provided. Particularly, ESMA reminds issuers that, when applying the simplified transition approach, issuers are required by paragraph C12(b) of IFRS 16 to explain any difference between operating lease commitments disclosed applying IAS 17 and lease liabilities recognised as at the date of application of IFRS 16; and that, in accordance with paragraph C7 of IFRS 16, comparative information cannot be restated. If restated comparative information is presented in the financial communication, outside the financial statements, it will fall under the scope of the ESMA Guidelines on APMs.
44. ESMA also encourages disclosure, where material, of assumptions and judgements used to estimate the discount rate used in determining the present value of the remaining lease payments and in recognising the right-of-use assets on transition in accordance with paragraph C8 of IFRS 16.
45. ESMA expects that, based on the 2018 accounts, users will try to make a link between minimum lease payments for operating leases disclosed based on the requirements of IAS 17 and IFRS 16 impacts; hence, issuers are encouraged to explain these differences.

Notes to the consolidated financial statements

Disclosures not illustrated: not applicable to VALUE IFRS Plc

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

Reference	Issue not illustrated	Relevant disclosure or reference
IAS1(82)(aa),(ca),(cb)	Separate line items in the statement of profit or loss	Where applicable and material, also disclose: - gains and losses arising from the derecognition of financial assets measured at amortised cost; - gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss; and - gains and losses reclassified from OCI as a result of a reclassification of financial assets from the fair value through OCI measurement category to fair value through profit or loss.
IAS34(16A)(b),(21)	Seasonal or cyclical operations	Explain how the seasonality or cyclicality affects the results and financial position for the interim report (see para 47 below). Consider including financial information for the 12 months up to the end of the interim period and comparative information for the previous 12 months.
IAS34(16A)(g)(v)	Segment disclosures: changes in basis of segmentation or measurement of segment profit or loss	Describe differences.
IAS34(16A)(k) IFRS12(9B)	The entity became an investment entity or ceased to be an investment entity during the interim period	Provide the disclosures required by paragraph 9B of IFRS 12.

Business combinations

Reference	Issue not illustrated	Relevant disclosure or reference
IAS34(16A)(i)		
IFRS3(B64)(j)	Contingent liabilities assumed in the business combination	Provide the disclosures required by paragraphs 85 and 86 of IAS 37.
IFRS3(B64)(l),(m)	Transactions recognised separately from the business combination	Disclose the details required by paragraph B64(l) and (m) of IFRS 3.
IFRS3(B64)(n)	Bargain purchase	Disclose the amount of any gain recognised and where it is presented, and explain why the transaction resulted in a gain.
IFRS3(B64)(p)	Business combination achieved in stages	Disclose the acquisition-date fair value of the equity interest held immediately before the acquisition date, the gain/loss recognised and where it is presented.
IFRS3(B67)(a)(iii)	Subsequent adjustments to incomplete initial accounting	Provide the details required by paragraph B67(a)(iii) of IFRS 3.
IFRS3(B67)(e)	Gains and losses recognised during the period relating to assets or liabilities acquired in a business combination in the current or previous reporting period	Disclose the amount and an explanation of any gain or loss recognised if this information is relevant to an understanding of the entity's interim report.

Notes to the consolidated financial statements

Financial instruments – fair value measurements

	Issue not illustrated	Relevant disclosure or reference
IAS34(16A)(j) IFRS13(93)(a)	Non-recurring fair value measurements	Disclose the reason for the measurement.
IFRS13(93)(c)	Transfers between level 1 and level 2 of the fair value hierarchy	Disclose the amount of any transfers, the reasons and the entity's policy for determining when transfers are deemed to have occurred.
IFRS13(98)	Liabilities measured at fair value with inseparable third-party credit enhancements	Disclose their existence and whether they are reflected in the fair value measurement of the liability.
IFRS7(28)	Financial assets or liabilities recognised where the transaction price is not the best evidence of fair value	Provide the information required by paragraph 28 of IFRS 7.

Seasonal or cyclical operations

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

Seasonality of operations

Due to the seasonal nature of the US and UK retail segment, higher revenues and operating profits are usually expected in the second half of the year than the first six months. Wholesale revenues and operating profits are more evenly spread between the two half years. In the financial year ended 31 December 2018, 39% of revenues accumulated in the first half of the year, with 61% accumulating in the second half.

DTR4.2.9R

Independent review report to VALUE IFRS Plc

Report on the interim financial statements

Article I. Our conclusion

We have reviewed VALUE IFRS Plc's interim financial statements (the "interim financial statements") in the Interim financial report of VALUE IFRS Plc for the 6-month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Article II. What we have reviewed

The interim financial statements comprise:

1. the condensed consolidated balance sheet as at 30 June 2019;
2. the condensed consolidated statement of profit and loss and condensed consolidated statement of comprehensive income for the period then ended;
3. the condensed consolidated statement of cash flows for the period then ended;
4. the condensed consolidated statement of changes in equity for the period then ended; and
5. the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 18 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Article III. Responsibilities for the interim financial statements and the review

Article IV. Our responsibilities and those of the directors

The Interim financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim financial report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it might come, save where expressly agreed by our prior consent in writing.

Article V. What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board for use in the United Kingdom. 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 (UK) 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.

We have read the other information contained in the Interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

London

29 August 2019

Independent auditor's review or audit report

Audit or review report

ISRE(UK&I)2410

1. Standards and guidance on the preparation of reports on reviews of interim financial information conducted in accordance with international auditing standards are given in International Standard on Review Engagements (UK&I) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.
2. In some countries, there is no requirement for auditors to report on interim financial information. Other countries might require an audit rather than a review of the interim report.

DTR4.2.3R(3)
DTR4.2.10

Statement of directors' responsibilities

DTR4.2.10(3)

The directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

Voluntary disclosure

The maintenance and integrity of the VALUE IFRS Plc website is the responsibility of the directors; the work carried out by the authors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that might have occurred to the interim financial statements since they were initially presented on the website.

Voluntary disclosure

The directors of VALUE IFRS Plc are listed in the VALUE IFRS Plc annual report for 31 December 2018, with the exception of the following changes in the period: Mr Name A retired on 4 April 2019, and Mrs Name B was appointed on 4 April 2019. A list of current directors is maintained on the VALUE IFRS Plc website: www.website.com.

By order of the board

DTR4.2.10R(2)

[Signature]

[Name]

[Date]

Chief Executive Officer

DTR4.2.10R(2)

[Signature]

[Name]

[Date]
Finance Director

Appendix: Abbreviations

Abbreviations used in this publication are set out below:

bps	basis points
CA06	Companies Act 2006 (UK)
CGU	cash-generating unit
CODM	chief operating decision maker
DP	discussion paper
DTR	Disclosure Guidance and Transparency Rules
ED	(accounting) exposure draft
ESMA	European Securities and Markets Authority
FRS	Financial Reporting Standard (UK)
FVOCI	(Financial assets/liabilities at) fair value through other comprehensive income
FVPL	(Financial assets/liabilities at) fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee of the IASB
IFRS	International Financial Reporting Standards
ISA	International Standard on Auditing (issued by the IAASB)
ISRE	International Standard on Review Engagements (issued by the the IAASB)
NCI	non-controlling interest
OCI	other comprehensive income
PS	Practice Statement (issued by the IASB)
TSR	total shareholder return

Notes