# VALUE IFRS Plc

*UK illustrative condensed interim financial statements June 2023*

This publication presents the sample interim financial report of a fictional listed UK company, VALUE IFRS Plc. It illustrates the financial reporting requirements (including disclosures) that would apply to such a company under UK adopted International Accounting Standards as at the time of publishing. Supporting commentary is also provided. For the purposes of this publication, VALUE IFRS Plc has a premium listing of equity shares on the London Stock Exchange and is the parent entity of a consolidated group.

VALUE IFRS Plc – UK illustrative condensed interim financial statements 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 Corporate Reporting Services
PricewaterhouseCoopers LLP

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

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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 2023. The financial statements comply with UK-adopted International Accounting Standards, issued at the time of publishing, and that apply to annual reporting periods commencing on or after 1 January 2023, including IAS 34, '*Interim Financial Reporting'*.

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 2023**

Other than IFRS 17 *Insurance Contracts*, there are only a limited number of amendments to the accounting standards that became applicable from 1 January 2023 and that entities will need to consider in the preparation of interim reports for periods commencing after that date. These are listed in the Appendix A. While we have assumed that none of them required a change in VALUE IFRS Plc's accounting policies, this assumption will not necessarily apply to all entities. Where there has been a change in policy, this will need to be disclosed in the notes.

In particular, all entities, including those that are not insurers, will also need to consider whether they have any contracts that meet the definition of insurance contracts and hence could be affected by the adoption of IFRS 17 Insurance Contracts. Where this is the case, users may expect to see some information about the entity's assessments , even if the entity has concluded that the impact was not material. We have issued guidance to help non-insurance companies identify whether they have any contracts within the scope of IFRS 17 – see UK In depth INT2022-14.

**Impacts of high inflation and interest rates**

Many entities are experiencing the effect of high inflation and interest rates which touch all aspects of an entity's business, including increasing costs such as raw materials and wages, changes in customer behaviour and credit risk, negotiations of contract terms, and investment and financing decisions. In turn, the effect on the financial statements is likely to be equally widespread, and companies need to consider the accounting implications when preparing interim financial statements in 2023.

High inflation and interest rates will affect fair value measurements, expected future cash flow estimates, discount rates used to determine present value of cash flows, impairment indicators and impairment tests. High inflation and interest rates may also cause significant estimation uncertainty in relation to the measurement of both short- and long-duration assets and liabilities. Entities may therefore also need to consider new or expanded disclosures in this area.

While interim financial information usually updates the information in the annual financial statements, IAS 34 requires an entity to include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. For example, an entity needs to disclose any changes in the business or economic circumstances that affect the fair value of its financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or at amortised cost. In the context of high inflation and interest rates, such disclosures may be more relevant than previously for many entities.

For guidance, see our UK In depth INT2022-12 Navigating IFRS Accounting Standards in periods of rising inflation and interest rates

**Accounting implications of the Russia – Ukraine conflict**

The geopolitical tensions between Russia and Ukraine, alongside the imposition of international sanctions, continue to have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by the recent developments. Entities who are affected by these developments will need to consider the accounting implications on their interim reports. For guidance see in our UK In depth INT2022-05 Accounting implications of the Russian invasion of Ukraine on Viewpoint.

**Disclosing impact of climate change in interim reports**

As interim reports focus on significant events and changes in the financial position and performance of the entity since the end of the last annual financial reporting period, we would not normally expect to see extensive discussion of the impact of

climate change in an interim report to the extent that it has already been discussed in annual financial statements.

However, the impact of climate change is a high-profile issue that investors and regulators are focusing on and entities should therefore consider what is appropriate to discuss in the context of the interim report. Examples might be where, subsequent to the most recent annual period:

- an entity has made a public statement about new or revised plans to decarbonise its operations (e.g. a net zero pledge)
- an entity has published a sustainability/ESG report where commentary or metrics provide additional information about exposure to various risks (e.g. a report which shows significant increases in emissions or considers climate change scenarios for the first time or in more detail), or
- there have been substantive changes in legislation or policy which could cause the entity to reassess the viability of a product line or result in the imposition of new costs since the end of the annual reporting period.

In such cases the entity should consider how this has affected estimates such as the exposure to credit losses for financial assets, impairment calculations, useful lives of depreciable assets or long-term non-financial obligations and whether it needs to update the disclosures about those significant judgements and estimates compared to what was discussed in the most recent annual financial statements.

Further guidance on determining the impact of climate-related matters on financial reports is included in our In depth INT2021-11 Impact of ESG matters on IFRS financial statements and our In depth INT2023-02 IFRS Financial reporting considerations for entities participating in the voluntary carbon market. Insurers can refer to the following publication – Climate related risks – what do insurers need to know? You may also visit our ESG Financial Reporting landing page on Viewpoint for the latest publications & updates.

The IASB is currently undertaking a project on climate risk disclosures in financial statements and entities should also monitor those discussions as they evolve.

**Global implementation of OECD Pillar two model rules**

In December 2021, the Organisation for Economic Co-operation and Development (OECD) published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar two): Inclusive Framework on BEPS, hereafter referred to as the 'OECD Pillar two model rules' or 'the rules'. The rules are designed to ensure that large multinational enterprises within the scope of the rules pay a minimum level of tax on the income arising in a specific period in each jurisdiction where they operate. In general, the rules apply a system of top-up taxes that brings the total amount of taxes paid on an entity's excess profit in a jurisdiction up to the minimum rate of 15%.

The rules need to be passed into national legislation based on each country's approach. Based on the OECD's recommendation, we expect that a number of territories will enact local legislation during 2023. The rules will impact current income tax when the legislation comes into effect. On 20 July 2022, HM Treasury released draft legislation to implement the 'Pillar two' rules with effect for years beginning on or after 31 December 2023. In the Spring budget 2023, the government reaffirmed their intent to implement the OECD Pillar two rules for a global minimum corporation tax rate for financial years beginning on or after 31 December 2023.

On 23 May 2023, the IASB issued amendments to IAS 12, 'Income taxes' on the implementation of the Pillar two model rules. These amendments aim to provide temporary relief from accounting for deferred taxes arising from the implementation of the Pillar two model rules. These amendments to IAS 12 are required to be applied immediately (subject to UK endorsement) and retrospectively in accordance with IAS 8, '*Accounting policies, changes in accounting estimates and errors*'. The amendments include other related disclosure requirements, but these disclosure requirements are only effective for financial years beginning on or after 1 January 2023.

The IAS 12 amendments is subject to UK endorsement. Following the IAS 12 amendments, entities might need to develop an accounting policy in accordance with paragraph 10 of IAS 8. In developing that policy, entities might conclude that Pillar two legislation does not require adjustments or additions to the existing deferred tax balances.

The amendments also introduce targeted disclosure requirements for affected companies, and they require entities to disclose:

- the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar two income taxes;
- their current tax expense (if any) related to the Pillar two income taxes; and
- during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, entities will be required to disclose known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure.

For more details, see UK In brief INT-2023-12 Global implementation of Pillar two: narrow-scope amendments to IAS 12.

## 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 presen/ting financial statements. Alternative presentations may 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 are not disclosed, or the disclosures are referenced to the annual report without providing a summary of the risks. Companies should consider disclosures with regard to the risks and uncertainties for the company as a result of the Russia – Ukraine conflict and the effect of high inflation and interest rates;
- Omission of detailed 'going concern' assessment;
- Name and function of persons making the responsibility statement is 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 required a change in accounting policy. Appropriate disclosures are particularly important for major new or revised standards that will require significant changes, such as IFRS 17 *Insurance Contracts;*
- Basis of preparation note is incorrect (for example, it does not refer to the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority;
- No disclosure of the nature and amount of items that are unusual by their nature, size or incidence;
- Recognition of income and expense items in the wrong period;
- Insufficient consideration given to possible impairment issues in relation to both financial and non-financial assets;
- Omission of some or all business combinations disclosures, especially those related to combinations after the interim reporting date;
- 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; and
- Incomplete IFRS 7 and IFRS 13 financial instruments disclosures.

### FRC's Thematic review on interim reporting

In May 2021 the FRC published a thematic review of interim reporting and indicated that a good interim report is one that should:

- Ensure that management commentaries detail important events that have occurred during the first six months of the financial year, and their impact on the financial statements;
- Provide a comprehensive update of the principal risks and uncertainties for the remaining six months of the financial year;
- Make sure APMs are explained, reconciled to IFRS measures and not given undue prominence;
- Give going concern disclosures that explain the basis of any significant judgements, including whether there are any associated material uncertainties, and the matters considered when confirming the preparation of the financial statements on a going concern basis;
- Detail changes to key judgements and estimates with reasons that enable users to understand management's views about the future, and their impact on the interim financial statements;
- Explain in sufficient detail, events and transactions that have a material impact on the financial position and performance of the company, such as impairments. Better disclosures update relevant information disclosed in the last annual report by following the applicable disclosure guidance of individual IFRSs, such as IAS 36 for impairment disclosures; and
- Focus on providing material disclosures that are clear and concise.

### The Disclosure Guidance and Transparency Rules

The Listing Rules and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority (DTR) applies 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 or an equivalent amount) 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 third country.

Under DTR Transitional Provision 19, an issuer of only debt securities with a denomination unit of at least €50,000 (or in the case of debt securities denominated in a currency other than euro, the value of such denomination per unit is at the date of the issue equivalent to 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'.

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 enterprise 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 entity 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 2023 interims, updated disclosures on the impact of high inflation and interest rates might be required depending on the impact to different entities.

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 on going concern*

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' 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; and
- 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

# Interim financial report – Six months ended 30 June 2023

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# Interim management report

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 2022 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**

See paragraph 22 of the commentary to the notes to the consolidated financial statements 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 consolidated 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 that have materially affected the financial position or the performance of the entity 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 Group 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.
- The FRC continue to reinforce the following on the use of APMS:
  - have clear and accurate labelling;
  - have an explanation of their relevance and use;
  - are reconciled to the closest IFRS measure;
  - are not given more prominence than the equivalent IFRS measures; and
  - should be presented consistently year-on-year. However, some companies may wish to modify or change their APMs. If changes in their operations or business model result in consequential changes to the APMs used to run and monitor the business, readers should be informed of any such changes and provided with an explanation of why they provide reliable and more relevant information.

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);
- 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 9);
- 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 11)

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 14).

**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 [xx] to [xx] of our Annual Report for the year ended 31 December 2022, 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 the Global economies as a result of the Russian invasion of Ukraine means that there is a greater risk of losses associated with our customers' inability to meet their financial obligations. This risk has been mitigated through the ongoing monitoring of customer credit limits and payment plan arrangements with customers.

The Group sources a number of its raw materials from Eastern Europe. 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.

**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 [1-10,17]

IAS34(20)(b)

| | | Notes | Half-year 2023 CU'000 | Half-year 2022 CU'000 |
|---|---|---|---|---|
| | **Continuing operations** | | | |
| IAS1(82)(a) | Revenue | 2 | **103,647** | 87,704 |
| IAS1(99), IAS2(36)(d) | Cost of sales of goods | | **(41,016)** | (35,814) |
| | Cost of providing services | | **(11,583)** | (12,100) |
| | **Gross profit** | | **51,048** | 39,790 |
| IAS1(99) | Distribution costs | | **(23,729)** | (13,931) |
| IAS1(99) | Administrative expenses | | **(11,865)** | (6,966) |
| IAS1(82)(ba) | Net impairment losses on financial assets [13-14] | | **(305)** | (222) |
| | Other income | | **4,459** | 3,703 |
| | Other gains/(losses) – net | | **50** | 1,018 |
| | **Operating profit** | 3 | **19,658** | 23,392 |
| | Finance income [13-14] | | **855** | 572 |
| IAS1(82)(b) | Finance costs | | **(3,704)** | (3,374) |
| | Finance costs – net | | **(2,849)** | (2,802) |
| | Share of net profits of associates and joint ventures accounted for using the equity method | 13 | **205** | 340 |
| | **Profit before income tax** | | **17,014** | 20,930 |
| | Income tax expense | 4 | **(4,555)** | (5,078) |
| | Profit from continuing operations | 3 | **12,459** | 15,852 |
| | (Loss)/profit from discontinued operation | 12(b) | **(32)** | 664 |
| | **Profit for the half-year** | | **12,427** | 16,516 |
| | Profit is attributable to: | | | |
| | Owners of VALUE IFRS Plc | | **11,997** | 16,063 |
| | Non-controlling interests | | **430** | 453 |
| | | | **12,427** | 16,516 |
| | | | **Cents** | Cents |
| IAS34(11) | **Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:** [11,12] | | | |
| | Basic earnings per share | | **22.5** | 30.0 |
| | Diluted earnings per share | | **21.7** | 28.6 |
| IAS34(11) | **Earnings per share for profit attributable to the ordinary equity holders of the company:** [11,12] | | | |
| | Basic earnings per share | | **22.4** | 31.2 |
| | Diluted earnings per share | | **21.6** | 29.9 |

*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 2023 CU'000 | 2022 CU'000 |
|---|---|---|---|---|
| | **Profit for the half-year** | | **12,427** | 16,516 |
| | **Other comprehensive income** | | | |
| IAS1(82A) | *Items that may be reclassified to profit or loss* | | | |
| | Changes in the fair value of debt instruments at fair value through other comprehensive income | | **36** | (49) |
| | Exchange differences on translation of foreign operations | | **(38)** | 69 |
| | Exchange differences on translation of discontinued operation | 12(b) | **-** | 170 |
| | Gains and losses on cash flow hedges | | **161** | (152) |
| | Costs of hedging | | **8** | (20) |
| | Hedging gains reclassified to profit or loss | | **(41)** | (240) |
| | Gains on net investment hedge | | **85** | - |
| IAS1(91) | Income tax relating to these items | | **(47)** | 87 |
| IAS1(82A) | *Items that will not be reclassified to profit or loss* | | | |
| | Gain on revaluation of land and buildings | 6 | **1,495** | 1,460 |
| | Changes in the fair value of equity investments at fair value through other comprehensive income | | **91** | (79) |
| | Remeasurements of retirement benefit obligations | | **81** | (143) |
| IAS1(91) | Income tax relating to these items | | **(500)** | (371) |
| | **Other comprehensive income for the half-year, net of tax** | | **1,331** | 732 |
| | **Total comprehensive income for the half-year** | | **13,758** | 17,248 |
| | Total comprehensive income for the half-year is attributable to: | | | |
| | Owners of VALUE IFRS Plc | | **13,259** | 16,740 |
| | Non-controlling interests | | **499** | 508 |
| | | | **13,758** | 17,248 |
| | Total comprehensive income for the period attributable to the owners of VALUE IFRS Plc arises from: | | | |
| | Continuing operations | | **13,291** | 15,906 |
| IFRS5(33)(d) | Discontinued operations | 12 | **(32)** | 834 |
| | | | **13,259** | 16,740 |

**Not mandatory**

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

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

## Condensed consolidated balance sheet [1-9]

IAS34(20)(a)

| | | Notes | 30 June 2023 CU'000 | 31 December 2022 CU'000 |
|---|---|---|---|---|
| | **ASSETS** | | | |
| | **Non-current assets** | | | |
| | Property, plant and equipment | 6 | **143,480** | 128,890 |
| IFRS16(47)(a) | Right-of-use assets [15] | | **10,108** | 9,756 |
| | Investment properties | | **12,510** | 13,300 |
| | Intangible assets | 7 | **27,265** | 24,550 |
| | Deferred tax assets | | **8,209** | 7,849 |
| | Other assets | | **247** | 312 |
| | Investments accounted for using the equity method | 13 | **4,230** | 3,775 |
| IFRS7(8)(h) | Financial assets at fair value through other comprehensive income | | **6,637** | 6,782 |
| | Financial asset at fair value through profit or loss | 17 | **2,410** | 2,390 |
| IFRS7(8)(f) | Financial assets at amortised cost | | **3,750** | 3,496 |
| | Derivative financial instruments | 17 | **310** | 308 |
| | Total non-current assets | | **219,156** | 201,408 |
| | **Current assets** | | | |
| | Inventories | | **26,780** | 22,153 |
| | Other current assets | | **144** | 491 |
| IFRS15(105) | Contract assets | | **2,381** | 1,519 |
| | Trade receivables | | **16,731** | 15,662 |
| IFRS7(8)(f) | Other financial assets at amortised cost | | **677** | 1,100 |
| | Financial assets at fair value through profit or loss | 17 | **11,150** | 11,300 |
| | Derivative financial instruments | 17 | **1,634** | 1,854 |
| | Cash and cash equivalents (excluding bank overdrafts) | | **35,369** | 55,083 |
| | | | **94,866** | 109,162 |
| | Assets classified as held for sale | | **-** | 250 |
| | Total current assets | | **94,866** | 109,412 |
| | **Total assets** | | **314,022** | 310,820 |
| | **LIABILITIES** | | | |
| | **Non-current liabilities** | | | |
| | Borrowings | 9 | **94,193** | 89,115 |
| IFRS16(47)(b) | Lease liabilities [15] | | **8,846** | 8,493 |
| | Deferred tax liabilities | | **9,963** | 12,456 |
| | Employee benefit obligations | | **7,155** | 6,749 |
| | Provisions | | **1,668** | 1,573 |
| | Total non-current liabilities | | **121,825** | 118,386 |

| | | Notes | 30 June 2023 CU'000 | 31 December 2022 CU'000 |
|---|---|---|---|---|
| IAS34(20)(a) | | | | |
| | **Current liabilities** | | | |
| | Trade and other payables | | **15,535** | 15,760 |
| IFRS15(105) | Contract liabilities | | **1,025** | 1,982 |
| | Current tax liabilities | | **828** | 1,130 |
| | Borrowings | 9 | **8,110** | 8,400 |
| IFRS16(47)(b) | Lease liabilities [15] | | **3,105** | 3,008 |
| | Derivative financial instruments | 17 | **1,136** | 1,376 |
| | Employee benefit obligations | | **800** | 690 |
| | Provisions | 8 | **3,467** | 2,697 |
| | Total current liabilities | | **34,006** | 35,043 |
| | **Total liabilities** | | **155,831** | 153,429 |
| | **Net assets** | | **158,191** | 157,391 |
| | **EQUITY** | | | |
| | Share capital and share premium | 10 | **83,692** | 83,054 |
| | Other equity | | **1,636** | 1,774 |
| | Other reserves | | **18,907** | 17,993 |
| | Retained earnings | | **44,760** | 45,108 |
| | Capital and reserves attributable to the owners of VALUE IFRS Plc | | **148,995** | 147,929 |
| | Non-controlling interests | | **9,196** | 9,462 |
| | **Total equity** | | **158,191** | 157,391 |

Not mandatory

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

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

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

| | | Attributable to the owners of VALUE IFRS Plc | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital and share premium | Other equity | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| | Notes | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 |
| IAS34(20)(c) **Balance at 1 January 2022** | | **63,976** | **(550)** | **12,381** | **34,503** | **110,310** | **5,689** | **115,999** |
| Profit for the half-year | | - | - | - | 16,063 | 16,063 | 453 | 16,516 |
| Other comprehensive income | | - | - | 690 | (13) | 677 | 55 | 732 |
| **Total comprehensive income for the half-year** | | **-** | **-** | **690** | **16,050** | **16,740** | **508** | **17,248** |
| Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year | | - | - | 13 | - | 13 | - | 13 |
| Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings | | - | - | 79 | (79) | - | - | - |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Contributions of equity, net of transaction costs | 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 | - | | - | (11,507) | (11,507) | (1,710) | (13,217) |
| 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) | (11,507) | (1,825) | 3,341 | 1,516 |
| **Balance at 30 June 2022** | | **73,880** | **(676)** | **13,067** | **38,967** | **125,238** | **9,538** | **134,776** |

**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-controlling interests CU'000 | Total equity CU'000 |
|---|---|---|---|---|---|---|---|---|---|
| IAS34(20)(c) | **Balance at 31 December 2022** | | **83,054** | **1,774** | **17,993** | **45,108** | **147,929** | **9,462** | **157,391** |
| | Profit for the half-year | | - | | - | 11,997 | 11,997 | 430 | 12,427 |
| | Other comprehensive income | | - | | 1,093 | 169 | 1,262 | 69 | 1,331 |
| | **Total comprehensive income for the half-year** | | **-** | | **1,093** | **12,166** | **13,259** | **499** | **13,758** |
| | Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year | | - | - | (5) | - | (5) | - | (5) |
| | Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings | | - | - | (238) | 238 | - | - | - |
| | **Transactions with owners in their capacity as owners:** | | | | | | | | |
| | Contributions of equity, net of transaction costs | 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 | - | - | - | (12,782) | (12,782) | (2,485) | (15,267) |
| | Employee share schemes – value of employee services | | - | - | 1,226 | - | 1,226 | - | 1,226 |
| | Issue of treasury shares to employees | 10 | - | 1,132 | (1,132) | - | - | - | - |
| | | | **638** | **(138)** | **64** | **(12,752)** | **(12,188)** | **(765)** | **(12,953)** |
| | **Balance at 30 June 2023** | | **83,692** | **1,636** | **18,907** | **44,760** | **148,995** | **9,196** | **158,191** |

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

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

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

| | Notes | Half-year 2023 CU'000 | 2022 CU'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | | **22,247** | 42,743 |
| Interest received | | **855** | 572 |
| Interest paid | | **(3,910)** | (3,869) |
| Income taxes paid | | **(8,124)** | (14,748) |
| **Net cash inflow from operating activities** | | **11,068** | 24,698 |
| | | | |
| **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** | | | |
| IAS34(16A)(e) Proceeds from issues of shares and other equity securities | 10 | **241** | - |
| IAS34(16A)(e) Proceeds from borrowings | 9 | **12,208** | 18,293 |
| New Illustration Proceeds received under a supplier finance arrangement | | **1,520** | 1,430 |
| Acquisition of treasury shares | 10 | **(1,270)** | (1,217) |
| Share issue cost | | **-** | (50) |
| IAS34(16A)(e) Repayment of borrowings | | **(8,450)** | (25,300) |
| New Illustration Repayments to a financial institution under a supplier finance arrangement | | **(2,040)** | (1,860) |
| IAS34(16A)(e) Principal elements of lease payments | | **(946)** | (922) |
| IAS34(16A)(f) Dividends paid to company's shareholders | 5 | **(12,384)** | (11,333) |
| Dividends paid to non-controlling interests in subsidiaries | | **(2,485)** | (1,710) |
| **Net cash outflow from financing activities** | | **(13,606)** | (22,669) |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents *** | | **(18,886)** | 6,762 |
| Cash and cash equivalents at the beginning of the half-year * | | **52,432** | 28,049 |
| Effects of exchange rate changes on cash and cash equivalents | | **(217)** | (384) |
| **Cash and cash equivalents at end of the half-year *** | | **33,329** | 34,427 |

* Cash and cash equivalents are net of bank overdrafts (CU2,040,000 at 30 June 2023 and CU2,250,000 at 30 June 2022)

** 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, 'Interim Financial Reporting'.

3. The interim financial report for VALUE IFRS Plc contains condensed financial statements, in that it does not include all of the notes that would be required in a complete set of financial statements. However, the primary financial statements are presented in a format consistent with the consolidated financial statements that are required to be presented in an annual financial report under IAS 1. This is common and considered best practice.

4. The extent to which line items can be aggregated in condensed interim financial statements might also be governed by the regulators 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)

IAS34(A1)

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 2023*

| 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 2023 | 31 December 2022 |
| Statement of comprehensive income (and separate statement of profit or loss, where applicable):<br>- 6 months ended | 30 June 2023 | 30 June 2022 |
| Statement of changes in equity:<br>- 6 months ended | 30 June 2023 | 30 June 2022 |
| Statement of cash flows:<br>- 6 months ended | 30 June 2023 | 30 June 2022 |

IAS34(A2)

*Quarterly reporting – second quarter interim report for period ending 30 June 2023*

| Statement | Current | Comparative |
|---|---|---|
| Balance sheet at | 30 June 2023 | 31 December 2022 |
| Statement of comprehensive income (and separate statement of profit or loss, where applicable):<br>- 6 months ended<br>- 3 months ended | 30 June 2023<br>30 June 2023 | 30 June 2022<br>30 June 2022 |
| Statement of changes in equity:<br>- 6 months ended | 30 June 2023 | 30 June 2022 |
| Statement of cash flows:<br>- 6 months ended | 30 June 2023 | 30 June 2022 |

## 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 2023' or 'For the third quarter ended 30 September 2023'), 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:

IAS1(82)(a)

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

IAS1(82)(aa)

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

IAS1(82)(ba)

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

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

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

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

## Consolidated interim financial statements

IFRS16(47)

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

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

**Alternative formats for financial statements**

17. Appendix B to our UK Illustrative IFRS consolidated financial statements for 2022 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 undertaken a detailed going concern assessment, reviewing its current and projected financial performance and position, including current assets and liabilities, debt maturity profile, future commitments and forecast cash flows. The downside scenarios tested, outlining the impact of severe but plausible adverse cases, show that there is sufficient headroom for liquidity and covenant compliance purposes in respect of the Group's current borrowing facilities for at least the next 12 months from the date of approval of these financial statements.

The Group has also reviewed its exposure to climate change and concluded that these did not have a significant impact on the financial performance and/or position of the Group for the period and as at 30 June 2023, respectively.

**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 2023:

- 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 years (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 customers and increased costs due to rising inflation (see note 7);
- Inventory write off of CU1,350,000 following the depression of selling prices in China and UK markets (see note 3);
- 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 9);
- 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);
- an increase of the investment in Cedar Limited from 10% to 30% (see note 11)

**Risk management disclosures may also need to be updated for the impacts of high inflation and interest rates – see commentary para 32 at the end of this section**

[Entities should also consider whether there have been any significant developments in relation to high inflation and interest rates, climate change matters or Russia's invasion of Ukraine that could be discussed in this note.]

Since the end of the interim reporting period, the Group has acquired 100% of the issued capital of Complete Office Furniture Limited (see note 13).
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 [5,14-16,43]

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 – manufacturing and 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 2020, 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 2020.

IAS34(16A)(g)(v)

All other segments: the development of residential land (currently in the Someland Canal Estate in Nicetown and the Mountain Top Estate in Alpville), the purchase and resale of commercial properties (principally in Nicetown and Harbourcity) and the management of investment properties are not reportable operating segments, 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 2022. Information about this discontinued segment is provided in note 12.

IFRS8(23)

### 2(b) Segment information provided to the strategic steering committee [5,14-16]

The table below shows the segment information provided to the strategic steering committee for the reportable segments for the half-year ended 30 June 2023, and also the basis on which revenue is recognised:

| Reference | | Furniture – manufacturing and wholesale | | Furniture - retail | IT consulting | | Electronic equipment | All other seg-ments | |
|---|---|---|---|---|---|---|---|---|---|
| | **Half-year 2023** | **UK** | **China** | **UK** | **US** | **Europe** | **UK** | | **Total** |
| | | **CU'000** | **CU'000** | **CU'000** | **CU'000** | **CU'000** | **CU'000** | **CU'000** | **CU'000** |
| IAS34(16A)(g)(i) | Total segment revenue | 31,700 | 20,165 | 17,277 | 13,905 | 9,370 | 9,800 | 3,330 | 105,547 |
| IAS34(16A)(g)(ii) | Inter-segment revenue | (250) | (150) | (650) | (250) | (200) | (200) | (200) | (1,900) |
| | **Revenue from external customers [12-14]** | **31,450** | **20,015** | **16,627** | **13,655** | **9,170** | **9,600** | **3,130** | **103,647** |
| IAS34(16A)(l) | Timing of revenue recognition | | | | | | | | |
| | At a point in time | 31,450 | 20,015 | 16,627 | 1,000 | 600 | 9,600 | 3,130 | 82,422 |
| | Over time | - | - | - | 12,655 | 8,570 | - | - | 21,225 |
| | | **31,450** | **20,015** | **16,627** | **13,655** | **9,170** | **9,600** | **3,130** | **103,647** |
| IAS34(16A)(g)(iii) | **Adjusted EBITDA *** | **8,184** | **5,534** | **8,603** | **4,702** | **(1,520)** | **2,896** | **1,929** | **30,328** |
| | **Half-year 2022 [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** | **8,803** | **5,603** | **4,810** | **7,501** | **3,450** | **1,725** | **2,099** | **33,991** |
| IAS34(16A)(g)(iv) | **Total segment assets** | | | | | | | | |
| | 30 June 2023 | 67,480 | 50,700 | 63,110 | 26,970 | 19,825 | 31,940 | 23,699 | 283,724 |
| | 31 December 2022 | 63,286 | 45,500 | 54,950 | 31,640 | 23,510 | 32,815 | 28,632 | 280,333 |
| IAS34(16A)(g)(iv) | **Total segment liabilities** | | | | | | | | |
| | 30 June 2023 | 12,905 | 5,100 | 10,051 | 2,800 | 2,200 | 6,938 | 2,697 | 42,691 |
| | 31 December 2022 | 12,238 | 4,800 | 11,390 | 3,900 | 2,600 | 6,087 | 1,112 | 42,127 |

The strategic steering committee uses adjusted EBITDA as a measure to assess the performance of the segments. This excludes discontinued operations and the effects of significant items of income and expenditure which 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 2023 CU'000 | 2022 CU'000 |
|---|---|---|---|
| **Adjusted EBITDA** | | **30,328** | 33,991 |
| Inter-segment eliminations | | **(270)** | (160) |
| Finance costs – net | | **(2,849)** | (2,802) |
| Depreciation and amortisation expense | 6,7 | **(6,758)** | (5,697) |
| Impairment of goodwill and other assets | 7 | **(1,390)** | (3,620) |
| Legal expenses | | **(1,375)** | - |
| Unrealised financial instrument gains – net | | **245** | 105 |
| Share options and rights granted to directors and employees | | **(1,226)** | (995) |
| Other | | **309** | 108 |
| **Profit before income tax from continuing operations** | | **17,014** | 20,930 |

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.

*See interim report on pages 5 and 9 for additional guidance on the use Alternative Performance Measures (APMs).*

# 3 Profit and loss information [8,19-20]

## 3(a) Significant items

| | | Half-year | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | **CU'000** | CU'000 |
| | Profit for the half-year includes the following items that are unusual because of their nature, size or incidence: | | |
| | **Gains** | | |
| IAS34(16A)(c) | Gain on sale of freehold land (included in other gains/(losses)) | **-** | 1,270 |
| | **Expenses** | | |
| IAS34(16A)(c) | Impairment of goodwill (see note 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 | **1,350** | 535 |
| | | **1,350** | 1,210 |
| | Less: Insurance recovery | - | (300) |
| | Net loss incurred in relation to the fire | **1,350** | 910 |

Following changes in consumer spending, an assessment was performed over the recoverable value of certain inventory lines in our Furniture-manufacturing and wholesale (UK and China) and UK Furniture retail segments. Taking into account the selling prices being obtained during the period, the inventory held on the balance sheet as at 30 June 2023 has been written down to its expected realisable value. This resulted in a write-off amounting to CU1,350,000.

# 4 Income tax

## 4(a) Income tax expense

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 2023 is 27%, compared to 25% for the six months ended 30 June 2022. The tax rate was lower in 2022 due to the recognition of previously unrecognised carried-forward tax losses.

## 4(b) OECD Pillar two model

**New Illustration**
IAS12(88A)

The group is within the scope of the OECD Pillar two model rules. Pillar two legislation was recently substantively enacted in some of the territories in which the group operates and will come into effect in these territories from 1 January 2024. At the interim reporting date, none of the Pillar two legislation is effective and so the group has no related current tax exposure. In light of IAS 12 recent amendments (still subject to UK endorsement) which clarify that Pillar two related balances are not within the scope of IAS12 for deferred tax purposes and provide an exception on this basis, the group has developed an accounting policy where no deferred taxes arising from the implementation of the Pillar two model rules are provided. The group has commenced their Pillar two impact analysis but is, as yet, not in a position to provide quantified analysis of the potential future impact.

# 5 Dividends

## 5(a) Ordinary shares

| | Half-year 2023 CU'000 | 2022 CU'000 |
|---|---|---|
| IAS34(16A)(f) Dividends provided for or paid during the half-year | **12,782** | 11,507 |

## 5(b) 6% cumulative redeemable preference shares

Dividends on these shares of CU330,000 (2022: 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.

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

| | Half-year 2023 CU'000 | 2022 CU'000 |
|---|---|---|
| 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 22 cents per fully paid ordinary share (2022: 20 cents). The aggregate amount of the proposed dividend expected to be paid on 10 October 2023 out of retained earnings at 30 June 2023, but not recognised as a liability at the end of the half-year, is presented as adjacent. | **12,806** | 11,310 |
| | ~~**12,806**~~ | ~~11,310~~ |

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

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

In June 2023, 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 2023.

| | | Freehold land | Freehold buildings | Furniture, fittings and equipment | Machinery and vehicles | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| | | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 |
| | At 31 December 2022 | | | | | | |
| IAS16(73)(d) | Cost or fair value | 22,570 | 38,930 | 31,790 | 90,285 | 3,450 | 187,025 |
| IAS16(73)(d) | Accumulated depreciation | - | - | (11,970) | (46,165) | - | (58,135) |
| | Net book amount | 22,570 | 38,930 | 19,820 | 44,120 | 3,450 | 128,890 |
| | **Half-year ended 30 June 2023** | | | | | | |
| IAS16(73)(e) | Opening net book amount | 22,570 | 38,930 | 19,820 | 44,120 | 3,450 | 128,890 |
| IAS16(73)(e)(viii) | Exchange differences | - | - | (10) | (20) | - | (30) |
| IAS16(73)(e)(iv) | Revaluation surplus | 920 | 575 | - | - | - | 1,495 |
| IAS16(73)(e)(iii) | Acquisition of subsidiary (note 11) | - | 1,000 | 1,300 | 9,795 | - | 12,095 |
| | Transfers | - | 3,450 | - | - | (3,450) | - |
| 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) |

## 7 Intangible assets [4,8-12]

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] | Patents, trademarks and other rights | Internally generated software | Customer lists and contracts | Total |
|---|---|---|---|---|---|---|
| | | CU'000 | CU'000 | CU'000 | CU'000 | CU'000 |
| | At 31 December 2022 | | | | | |
| | 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 2023** | | | | | |
| | Opening net book amount | 8,305 | 11,130 | 3,145 | 1,970 | 24,550 |
| IFRS3(B67)(d)(ii) | Additions | - | 320 | 725 | - | 1,045 |
| | Acquisition of subsidiary (note 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 |
| IFRS3(B67)(d)(viii) | At 30 June 2023 | | | | | |
| | Cost | 12,075 | 12,750 | 4,580 | 6,645 | 36,050 |
| | Accumulated amortisation and impairment | (3,800) | (1,710) | (860) | (2,415) | (8,785) |
| IAS1(77) | Net book amount | 8,275 | 11,040 | 3,720 | 4,230 | 27,265 |

IAS36(134)(d)(i)

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

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

## 7(a) Goodwill impairment [10, 12]

*Significant estimates*

Rising inflation has had a negative impact on the purchasing power of customers, resulting in the European IT consulting division losing two major customers. There was also an unexpected significant increase in costs due to rising inflation in both Europe and the US. Management has therefore recalculated the recoverable amount of the two CGUs as at 30 June 2023. An impairment loss of CU1,390,000 was recognised for the European IT consulting 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 2023 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 2023 (31 December 2022: CU36,275,000), which exceeded the carrying amount of the CGU by CU123,000 (31 December 2022: CU4,560,000). No impairment was therefore required for this CGU.

The recoverable amount of the two CGUs was determined based on value-in-use calculations, consistent with the methods used as at 31 December 2021. 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 2023:

| | **30 June 2023** | | 31 Dec 2022 | |
|---|---|---|---|---|
| | **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 (%) | **2.4** | **2.1** | 2.2 | 2.0 |
| Pre-tax discount rate (%) | **14.5** | **15.3** | 14.0 | 14.8 |

The significant decrease in the budgeted gross margin assumption in the current period was primarily due to:
(a) an increase in costs due to the current environment of high inflation which cannot be passed on to customers and
(b) a decrease in demand for products due to reduced purchasing power of customers.

[Entities should also consider explaining whether and how climate change has affected the assumptions made for the purpose of the impairment assessment, in particular if there have been significant changes since the last annual report.]

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 2023 |  | 31 Dec 2022 |  |
| --- | --- | --- | --- | --- |
|  | **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 (%) | **2.4** | **2.1** | 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.

No indicators for impairment of any of the other CGUs have been identified. As a result, management has not updated any of the other impairment calculations

## 8 Current provisions [8-9,19-20]

|  | 30 June 2023 CU'000 | 31 December 2022 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 2023.

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

The lawsuit against VALUE IFRS Electronics Group, alleging defects on products supplied to certain customers, was settled in April 2022 with a payment of CU460,000. The unused amount of CU17,000 was reversed to profit or loss.

IAS34(16A)(d)

In May 2023, 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 2023. 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 2023 | 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 2023 | - | 320 | 1,064 | 1,835 | 248 | 3,467 |

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

# 9 Borrowings [8-9,13]

In February 2023, 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 2023. The facility is repayable in three annual instalments, commencing 1 June 202.

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 2023. 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 2023, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

| **Contractual maturities of financial liabilities At 30 June 2023** | **Less than 6 months CU'000** | **6–12 months CU'000** | **Between 1 and 2 years CU'000** | **Between 2 and 5 years CU'000** | **Over 5 years CU'000** | **Total contractual cash flows CU'000** | **Carrying Amount (assets)/ liabilities CU'000** |
|---|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | | |
| Trade payables | 11,252 | - | - | - | - | 11,252 | 11,252 |
| Contingent consideration (note 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) | 1,240 | 1,280 | 3,020 | 5,440 | 2,290 | 13,270 | 11,951 |
| **Total non-derivatives** | 16,737 | 6,420 | 13,170 | 37,630 | 58,015 | 131,972 | 127,326 |

IFRS16(58)

| Contractual maturities of financial liabilities At 31 December 2022[3,4] | Less than 6 months CU'000 | 6–12 months CU'000 | Between 1 and 2 years CU'000 | Between 2 and 5 years CU'000 | Over 5 years CU'000 | Total contractual cash flows CU'000 | Carrying Amount (assets)/ liabilities CU'000 |
|---|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | | |
| Trade payables | 13,700 | - | - | - | - | 13,700 | 13,700 |
| Borrowings (excluding lease liabilities) | 4,439 | 4,639 | 9,310 | 46,195 | 40,121 | 104,704 | 97,515 |
| Lease liabilities | 1,455 | 1,456 | 2,911 | 5,337 | 2,340 | 13,499 | 11,501 |
| **Total non-derivatives** | 19,594 | 6,095 | 12,221 | 51,532 | 42,461 | 131,903 | 122,716 |

*Loan covenants* [9]

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

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

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

The Group complied with these ratios throughout the reporting period. As at 30 June 2023, the gearing ratio was 36% (31 December 2022: 21%) and the ratio of net finance cost to EBITDA was 9% (31 December 2022: 7%).

*Financing arrangements* [9]

The Group's undrawn borrowing facilities were as follows:

| | **30 June 2023 CU'000** | **31 December 2022 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

| | | 2023 Shares (thousands) | 2022 Shares (thousands) | 2023 CU'000 | 2022 CU'000 |
|---|---|---|---|---|---|
| | **Issues of ordinary shares during the half-year** | | | | |
| IAS34(16A)(e) | Exercise of options issued under the VALUE IFRS Employee Option Plan | **46** | - | **241** | - |
| | Acquisition of subsidiary, net of transaction costs and tax | | 1,698 | **-** | 9,730 |
| | Issued for no consideration: | | | | |
| IAS34(16A)(e) | Dividend reinvestment plan issues | **64** | 59 | **397** | 174 |
| | | **110** | 1,757 | **638** | 9,904 |

| | | 2023 Shares (thousands) | 2022 Shares (thousands) | 2023 CU'000 | 2022 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 [3,19,21,38]

## 11(a) Current period

IFRS3(B64)(a)-(d)

On 15 February 2022, 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:

IFRS3(B64)(f)

| | CU'000 |
|---|---|
| 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) | 12,095 |
| Right-of-use assets | 1,000 |
| Customer list (note 7) | 2,285 |
| Customer contracts (note 7) | 1,180 |
| Inventories | 1,010 |
| Receivables | 685 |
| Payables | (2,380) |
| 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 in relation to these fair value adjustments.

### *(i) Acquisition-related costs*

IFRS3(B64)(m)

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

### *(ii) Contingent consideration*

IFRS3(B64)(g)

The contingent consideration arrangement requires the Group to pay, 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 2023 to 2025, 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 2023, 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 2022 to 30 June 2023. If the acquisition had occurred on 1 January 2023, consolidated revenue and consolidated profit after tax for the half-year ended 30 June 2022 would have been CU109,070,000 and CU12,676,000 respectively.

### 11(b) Prior period [3]

On 1 April 2022 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 2022.

## 12 Discontinued operation [3,19,21]

### 12(a) Description

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

On 30 October 2021 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 2022, with effect from 1 March 2022, and was reported in the financial statements for the half-year ending 30 June 2022 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 2022.

### 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 2022 and subsequent adjustments to the contingent consideration receivable.

| | | Half-year | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | **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 (2019 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **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 2022 to 28 February 2024 (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 2023 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 within loss from discontinued operations, net of applicable income tax of CU13,000.

IAS34(16A)(i)

## 13 Interests in associates and joint ventures [22]

On 15 February 2023, 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 2023:

| | **Half-year 30 June 2023** 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]

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 2021 and disclosed in note 18 of the 2022 annual financial statements was settled through mediation. A payment of CU25,000 was made to the claimant.

## 15 Events occurring after the reporting period [23]

IAS34(16A)(h)

On 31 July 2023, 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 2023. The operating results and assets and liabilities of the company will be brought to account from 31 July 2023.

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

## 16 Related-party transactions [8-9,19-20]

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

During the half-year ended 30 June 2023, 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. A director of VALUE IFRS Plc, Mr A L Cunningham is also 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 [2,9,24,38]

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 2023 and 31 December 2022 [4] on a recurring basis:

IFRS13(93)(a),(b)

| **At 30 June 2023** | **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 2022 [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 | 1,286 | - | - | 1,286 |
| Equity securities – retail sector | 2,828 | - | - | 2,828 |
| Equity securities – forestry sector | - | - | 1,150 | 1,150 |
| Debentures – property sector | 378 | - | - | 378 |
| Debentures – retail sector | 350 | 790 | - | 1,140 |
| **Total financial assets** | 16,142 | 4,052 | 2,440 | 22,634 |
| **Financial liabilities** | | | | |
| Hedging derivatives – foreign currency forwards | - | 766 | - | 766 |
| Trading derivatives | - | 275 | 335 | 610 |
| **Total financial liabilities** | - | **1,041** | **335** | **1,376** |

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

### 17(a) Fair value hierarchy

In March 2023, 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 2023.

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. The quoted market price incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. 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 and for instruments where ESG risk gives rise to a significant unobservable adjustment.

### 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 – the present value of future cash flows based on the forward exchange rates at the reporting date;
- for foreign currency options – option pricing models (such as Black-Scholes model); and
- for other financial instruments – discounted cash flow analysis.

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

## 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 2023: [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 2022** | **1,150** | **(335)** | **1,290** | **-** | **2,105** |
| Transfer from level 1 | 2,350 | - | - | - | **2,350** |
| Disposals | (100) | - | - | - | **(100)** |
| Acquisitions | - | 3 | - | (1,280) | **(1,277)** |
| Gains recognised in other income * | - | 117 | - | (540) | **(423)** |
| Losses recognised in discontinued operations * | - | - | (45) | - | **(45)** |
| (Losses)/gains recognised in other comprehensive income | 130 | - | - | - | **130** |
| **Closing balance 30 June 2023** | **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 | - | 93 | (45) | (540) | (492) |

IFRS13(93)(e)(iv)

IFRS13(93)(f)

### *(i) Transfers between levels 2 and 3 and changes in valuation techniques*

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

The group further assessed the need for transfers between levels in the hierarchy given the changes in economic conditions and considering whether a lack of observable information existed for factors relevant to the value of certain instruments.

However,other than the transfer of equity securities from level 1 to level 3 explained under (a) above there were no transfers required between the levels of the fair value hierarchy in the six months to 30 June 2023. The group also did not change any valuation techniques in determining the level 2 and level 3 fair values.

### *(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 2023 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 FV by CU190,000; lower growth factor (-50 bps) and higher discount rate (+100 bps) would decrease FV by CU220,000. |
| | | Risk-adjusted discount rate | 9% - 11% (10%) | |
| Trading derivatives | (215) | Credit default rate | 25% | A shift of the credit default rate by +/- 5% results in a change in FV of CU60,000 |
| Contingent consideration receivable | 1,245 | Risk-adjusted discount rate | 14% | A change in the discount rate by 100 bps would increase/ decrease the FV by CU200,000 |
| | | Expected cash inflows | CU1,950,000 - CU2,170,000 (CU2,020,000) | If expected cash flows were 10% higher or lower, the FV would increase/ decrease by CU55,000 |
| Contingent consideration payable | (1,820) | Risk adjusted discount rate | 8% | A change in the discount rate by 100 bps would increase/decrease the fair value by CU52,000 |
| | | Expected revenues | CU5,200,000 - CU5,500,000 | If expected revenues were 10% higher or lower, the fair value would increase/decrease by CU400,000 |

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

IFRS13(93)(g)

*(iii) Valuation processes*

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

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

- Discount rates: these are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by VALUE IFRS Plc's internal credit risk management group.
- Earnings growth factor for unlisted equity securities: these are estimated based on market information for similar types of 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.

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

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

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 2023:

| | 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 |

Risk management disclosures may also need to be updated for the impacts of high inflation and interest rates – see commentary paras 29 to 32.

## 18 General information and basis of preparation of half-year report

1-2,8,33-35

### 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 2023.

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 2022 were approved by the board of directors on 17 April 2023 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 2023 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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 2022, which has been prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006, and any public announcements made by VALUE IFRS Plc during the interim reporting period.

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 has undertaken a detailed going concern assessment, reviewing its current and projected financial performance and position, including current assets and liabilities, debt maturity profile, future commitments and forecast cash flows. The downside scenario, outlining the impact of a severe but plausible adverse case, shows that there is sufficient headroom for liquidity and covenant compliance purposes in respect of the Group's current borrowing facilities for at least the next 12 months from the date of approval of these financial statements. Thus, having also made 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. In addition, 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.

*[Where entities have material uncertainties over going concern detailed disclosures are expected to the extent that there is more judgment around the use of the going concern assumption and consideration of whether there is a material uncertainty to disclosure. As indicated in the illustrative note above, disclosure for "severe but plausible" downside scenarios would be expected.]*

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(a)) and the adoption of new and amended standards as set out below. [33]

### 18(c) New and amended standards adopted by the Group [40-47]

IAS8(28)(a)

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.[43]

**New requirements**
IAS12(88a)

On 23 May 2023, the IASB issued narrow-scope amendments to IAS 12. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments to IAS 12 are required to be applied immediately (subject to any local endorsement processes) and retrospectively in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', including the requirement to disclose the fact that the exception has been applied if the entity's income taxes will be affected by enacted or substantively enacted tax law that implements the OECD's Pillar two model rules. This amendment has not yet been endorsed by the UK endorsement Board. However, the group has developed an accounting policy on the recognition of deferred taxes arising from the Pillar two model rules where no deferred taxes are provided.

### 18(d) Impact of standards issued but not yet applied by the entity [36-37]

*[Entities that could be expected to be significantly impacted by the adoption of any of the amendments made to accounting standards that are not yet mandatory should consider whether there is any information that they should provide in the interim financial report.]* [25]

## 19 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 2021, 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 estimates in the impairment of goodwill (see note 7(a) for further details).

*[Due to the pervasive impact of the Russia – Ukraine conflict on some entities there might be critical judgements in determining that the entity is a going concern.*

*On the other hand there might be critical estimates in the calculation of Expected Credit Losses on financial assets; impairment of non-financial assets such as property, plant and equipment, goodwill, other intangible assets and inventories; recoverability of deferred tax assets; and fair valuation of investment properties (where entities have investment properties carried at fair value).*

*If these judgements and estimate represent significant changes from the latest issued financial statements they would need to be disclosed in the interim financial statements with the related sensitivities to the assumptions used in the estimates.]*

## Commentary on the notes to the consolidated financial statements

### Structure of notes

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

### Comparative information

*Narrative disclosures*

IAS34(16A)(j)

3. IAS 34 does not comment on whether narrative information that was disclosed in the interim financial report for the comparative period must be repeated in the current interim financial report. However, 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*'.

IAS34(15),(15B)

### Significant events and transactions

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 2023 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. If climate change matters create uncertainties that affect the assumptions used by the entity to develop estimates such as exposure to credit losses for financial assets, impairment calculations, useful lives of depreciable assets or long-term non-financial obligations, and there have been changes to those assumptions since the last annual financial report, the entity should explain how this has affected these estimates. Changes to assumptions may be necessary for example:

    (a) following an entity's public statement about new or revised plans to decarbonise its operations (e.g. a net zero pledge)

    (b) if an entity has published a sustainability/ESG report where commentary or metrics provide additional information about exposure to various risks (e.g. a report which shows significant increases in emissions or considers climate scenarios for the first time or in more detail), or

    (c) as a result of substantive changes in legislation or policy which could cause an entity to reassess the viability of a product line or result in the imposition of new costs since the end of the annual reporting period.

Further guidance on determining the impact of climate-related matters on financial reports is included in our In depth Impact of ESG matters on IFRS financial statements and our In brief Impact of the Paris Agreement on Financial Reporting under IFRS which can both be accessed from Viewpoint.

11. 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.

12. High inflation and interest rates may also cause significant estimation uncertainty for both short- and long-duration assets and liabilities, and possibly require significant changes to estimates made in the most recent annual financial report. Where this is the case, an entity would need to provide appropriate explanations in the interim report. An entity further needs to disclose any changes in the business or economic circumstances that affect the fair value of its financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or at amortised cost. In the context of rising inflation and interest rates, such disclosures may be more relevant than previously for many entities. For guidance, see our UK In depth INT2022-12 Navigating IFRS Accounting Standards in periods of rising inflation and interest rates.

IAS34(15C)

13. 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 UK Illustrative IFRS consolidated financial statements for 2022 year-ends publication for further information.

**Disaggregation of revenue**

14. 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.

15. 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)

16. 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.

**Impact of inflation and increased economic uncertainty on impairment testing**

17. The long-term growth rate should be reasonable in comparison to long-term inflation expectations, where a cash flow is prepared on a nominal basis. Nominal long-term growth rates in excess of long-term nominal GDP growth imply that the business will eventually grow at a rate faster than the economy itself. This is unlikely to be appropriate. The long-term growth rate should be corroborated using external evidence. For guidance, see our UK In depth INT2022-12 Navigating IFRS Accounting Standards in periods of rising inflation and interest rates

18. Where uncertainly in the economic environment has increased, the established methods for calculating the WACC should continue to be used. However, a reassessment of each input into the calculation and assessment of the overall result is needed. We would generally expect the inputs (such as long-term risk-free rates) used in the calculation of discount rates to increase compared to prior periods. See UK In brief INT2022-20 Have WACCs changed for December 2022 financial year ends? for further information.

### Other disclosures

IAS34(16A)

19. 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)

20. 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)

21. 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 43 below for disclosures that are not applicable to VALUE IFRS Plc and therefore are not illustrated in note 11.

### Step acquisition of associates

22. There are two approaches that could be adopted when an investor increases its stake in another entity and an existing equity investment measured at fair value becomes an associate for the first time. Those two methods are:

IFRS IC Agenda decision January 2019

(a) 'Cost of each purchase' method: the cost of an associate acquired in stages is measured as the sum of the cost of the most recent purchase, plus transaction costs, plus the starting cost. The starting cost is the original consideration paid for each purchase plus a share of the investee's subsequent profits and other equity movements (for example, revaluations) for each purchase up to the date it becomes an associate. The difference between the fair value of the initial investment and its starting cost is recognised through profit or loss, even if the original change in the fair value was recognised in OCI.

(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. Previously held interests would have been measured at fair value under IFRS 9 with changes in fair value recognised in either profit or loss or OCI. Under IFRS 9, reclassification of fair value changes recognised in OCI to profit or loss are not allowed and remain in OCI or might be transferred to retained earnings (IFRS 9.4.1.4, 5.7.5, B5.7.1). Because this method is based on analogy with IFRS 3, 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.

The accounting method chosen by the entity should be applied consistently for all such transactions whereby an entity increases its investment from a portfolio investment to an associate undertaking.

### Events occurring after the reporting period

IAS34(16A)(h)

23. 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)

24. Entities must also provide detailed information about the fair value measurements of their financial instruments, regardless of whether there have been significant changes or transactions during the interim period. This includes information about:
    (a) the recognised fair value measurements at the end of the interim period;
    (b) for financial assets and financial liabilities that are not measured at fair value, the fair value such that it can be compared with the carrying amount;
    (c) for non-recurring fair value measurements, the reason for the measurement;
    (d) the level of the fair value hierarchy within which the measurements are categorised;
    (e) the amount of transfers between level 1 and level 2 of the hierarchy, the reasons for those transfers and the entity's policy for determining when transfers have occurred;
    (f) for level 2 and level 3 measurements, a description of the valuation techniques and inputs used, changes in the valuation techniques used and reasons for changes; for level 3 measurements, also quantitative information about significant unobservable inputs used;
    (g) for level 3 measurements, a reconciliation from opening to closing balances, showing separately a number of specifically identified items;
    (h) for recurring level 3 measurements, the amount of unrealised gains or losses for the period that is attributable 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 UK Illustrative IFRS consolidated financial statements for 2022 year-ends publication.

### Impact of rising inflation and interest rates on fair value measurements

25. Entities may need to consider the impact of changes in economic conditions on the fair value measurement, having regard to both direct and indirect impacts.

26. Valuation best practices support the use of multiple valuation techniques when estimating the fair values. In some circumstances, it may be appropriate to change the methodology (for example, from a market multiple approach to a discounted cash flow approach) or change the weighting where multiple valuation techniques are used, where the change results in a measurement that is equally or more representative of the fair value. This change would be considered a change in accounting estimate.

27. A change in the fair value measurement affects the disclosures required by IFRS 13 about the valuation techniques and the inputs used in the fair value measurement, as well as the sensitivity of the valuation to changes in assumptions. For example, for the inputs disclosed in note 17(c), there may be additional indirect impacts from rising inflation and interest rates, such as changes to the credit risk of counterparties as a result of economic uncertainties. These impacts may need to be reflected in the sensitivity analysis that is required for recurring fair value measurements categorised within level 3 of the fair value hierarchy.

### Determining discount rates in times of high economic uncertainty

28. When determining discount rates in times of high economic uncertainty, entities may also need to consider the systematic and unsystematic risks to ensure that the discount rate and cash flows appropriately reflect the risks inherent to the asset. In this context:
    (a) The systematic risk is measured in relation to the market as a whole. It represents the risk that cannot be reduced through diversification, and it is rewarded with a risk premium or higher level of expected return. This risk is derived from external macroeconomic factors that affect all companies in some way, although in different magnitudes.
    (b) The unsystematic risk reflects the diversifiable risk, which is the risk specific to the particular asset. Factors considered include customer concentration risk, key person risk and regulatory risk. Where relevant, unsystematic risk should be reflected in the asset's cash flows, by using different scenarios with appropriate weightings

### Impact of rising inflation and interest rates on risk management disclosures

29. As noted in paragraph 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. In this context, entities may also need to provide updates on risk management disclosures, such as the impact of changes in economic conditions on liquidity risk and interest rate risk.

30. For example, sensitivity disclosures would need to be updated if the magnitude of a reasonably possible change in interest rates is materially different from that disclosed in the previous annual financial statements. Where there are changes in expected volatility, prior year disclosures should not be restated. An entity could choose, however, to present additional sensitivity information for the comparative period in addition to the required comparative figures from the prior year.

31. IFRS 7 further does not limit disclosure of risks to only credit risk, liquidity risk and market risk. Hence, an entity may need to provide specific disclosures relating to inflation risk, if this information is not already captured in other market risk disclosures. For example, if an entity has an inflation-linked financial instrument, the sensitivity of such an instrument to changes in inflation rates should be disclosed

32. In a difficult economic climate, it is further likely that entities will encounter increasing margin calls on derivatives requiring the posting of collateral, which can pose a significant liquidity risk. Entities may also be impacted where contractual terms include inflation-linked interest rates, for example in leasing contracts. If such contractual terms give rise to significant liquidity risk, entities should provide quantitative disclosures of their collateral and contractual arrangements to explain how this liquidity risk is managed.

### Accounting policies

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

33. 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 paragraph 29 below for details of new standards that apply to annual reporting periods commencing on or after 1 January 2023).

34. 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 10), to make this clear to readers of the interim financial report.

35. Where an entity prepares its first interim financial report and there is no previous annual report, we believe that a complete disclosure of material accounting policies should be provided. For guidance on assessing whether accounting policy information is material, please refer to our Practice Aid on the Accounting Policies Disclosures (Amendments to IAS 1).

**Impact of standards issued but not yet applied**

36. 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, or amendments to existing standards that have been issued, but do not yet need to be applied by the entity. This would be the case, in particular, where adoption of the standard or the amendments 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.

37. A list of amendments to standards that have been issued but that are not yet mandatory for annual reporting periods beginning on or before 1 January 2023 is in Appendix A(c).

## Commentary on the notes to the consolidated financial statements

### 38. Disclosures not illustrated: not applicable to VALUE IFRS Plc

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:<br>• gains and losses arising from the derecognition of financial assets measured at amortised cost;<br>• 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<br>• 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.<br>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)<br>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. |

## Commentary on the 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*

39. 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 2022, 39% of revenues accumulated in the first half of the year, with 61% accumulating in the second half.

*Changes in accounting policies*

IAS34(16A)(a)

40. New and amended standards and interpretations must be adopted in the first interim financial statements issued after their effective date or date of early adoption. There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2023 and entities will need to consider whether any of these amendments could affect their existing accounting policies for their 2023 interim reports:
    (a) IFRS 17 Insurance Contracts
    (b) Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
    (c) Definition of Accounting Estimates – Amendments to IAS 8
    (d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.

    The above amendments and their impact are summarised in Appendix A.

IAS34(16A)(a)

41. In addition to these amendments, at the time of writing this publication the IASB was further expected to finalise the following amendment by June 2023:
    - Lack of Exchangeability – Amendments to IAS 21.

42. IAS 34 does not specify how much detail entities must provide to explain a change in policy. Where the change has a significant impact, we recommend following the requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Depending on the individual circumstances, in particular the impact of the change on individual line items in the financial statements, less detailed disclosures may also be sufficient.

43. For the purpose of this edition, we have assumed that VALUE IFRS Plc did not have to make any changes to its accounting policies, as it is not affected by any of the amendments listed in paragraph 29. However, this assumption will not necessarily apply to all entities. Where there has been a change in policy, this will need to be explained.

## Commentary on the notes to the consolidated financial statements

*Changes in accounting policy following IFRS IC agenda decisions*

44. While IFRS IC agenda decisions do not form part of IFRSs, they often provide explanatory material that provides new information 'that was not otherwise available and could not otherwise reasonably have been expected to be obtained' relating to the application of accounting standards. Therefore, an entity might be required to change its previous accounting treatment following the issue of an IFRS agenda decision. Often, but not always, changes resulting from an agenda decision would be a voluntary accounting policy change in accordance with IAS 8 as it arises from 'new information'.

45. Paragraph 43 of IAS 34 requires a voluntary change in accounting policy to be accounted for by restating the financial statements of prior interim periods of the current financial year, and the comparable interim periods of any prior financial years that will be restated in the annual financial statements in accordance with IAS 8.

46. In this case, entities will need to identify which of the primary financial statements have been restated (usually by adding the word 'restated' to the relevant column headers), together with a reference to the note where information about the restatement can be found. In the statement of changes in equity, entities should show the effects of the retrospective restatement for each component of equity, usually by presenting three rows for the beginning balances of the comparative period: 'as originally presented', 'change in accounting policy, net of tax' with the note reference, and 'as restated'. Entities also need to include a third balance sheet as at the beginning of the comparative period where the restatement had a material effect on the information at the beginning of the comparative period.

47. As noted in paragraph 42, entities should consider whether the requirements of IAS 8 could be used to explain the nature and effect of the change in accounting policy. Entities should apply judgement to determine the extent of the disclosure, taking into consideration the requirements or expectations of local regulators and the significance of the changes. IFRS IC agenda decisions issued in the last six months to 28 February 2023 that may be relevant for the preparation of interim reports in 2023 are listed in Appendix A.

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

An auditor's review report has not been provided for these illustrative condensed interim financial statements. As many points on the report will be specific to the group and entity being audited, the report should be appropriately tailored.

ISRE(UK&I)2410

## Audit or review report

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 UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority 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 2022, with the exception of the following changes in the period: Mr Name A retired on 4 April 2023, and Mrs Name B was appointed on 4 April 2023. 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

# Appendix A: New standards and amendments

This appendix provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2023 (i.e. years ending 31 December 2023), (c) a list of IFRS IC agenda decisions for consideration and (c) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

## (a) New standards and amendments – applicable 1 January 2023

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

| Title | Key requirements | Effective date * |
|---|---|---|
| *IFRS 17 Insurance Contracts* | IFRS 17 was issued in May 2017 as replacement for IFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:<br>● discounted probability-weighted cash flows<br>● an explicit risk adjustment, and<br>● a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.<br>The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.<br>An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers.<br>There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.<br>The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.<br>Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.<br>Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis. | 1 January 2023 (deferred from 1 January 2021)<br>Insurance Industry page<br>In depth INT2022-14 |
| *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2* | The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.<br>To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. | 1 January 2023<br>In brief INT2021-2<br>Practice Aid Oct 2022 |
| *Definition of Accounting Estimates – Amendments to IAS 8* | The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. | 1 January 2023<br>In brief INT2021-2 |

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|---|---|---|
| *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12* | The amendments to IAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.<br>The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:<br>● right-of-use assets and lease liabilities, and<br>● decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.<br>The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.<br>IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments. | 1 January 2023<br>In brief INT2021-10 |
| *International Tax Reform — Pillar Two Model Rules – Amendments to IAS 12* | The amendments aim to provide temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules.<br>As part of the amendments, an entity will be required to disclose:<br>● the fact that it has applied the exception;<br>● its current tax expense (if any) related to the Pillar Two top-up tax; and<br>● during the period between the legislation being enacted and the legislation becoming effective, entities might be required to provide other targeted disclosures. The objective of the additional disclosures would be to give an indication of what the impact to the tax expense might be after legislation becomes effective.<br>The amendments to IAS 12 providing an exception to the requirements in the standard will be applied immediately upon their issuance (subject to any local endorsement processes) and retrospectively in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The amendments providing the disclosure requirements with regard to the periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, shall apply for annual reporting periods beginning on or after 1 January 2023. | 1 January 2023 (subject to UK endorsement) |

* Applicable to reporting periods commencing on or after the given date.

## (b) IFRS IC agenda decisions issued in the last 12 months

As at 28 May 2023, the following agenda decisions were issued that may be relevant for the preparation of annual and interim reports in 2023. The date issued refers to the date of approval by the IASB as per the IASB's website. For more recent information refer to our website at viewpoint.pwc.com.

| Date issued | Topic |
|---|---|
| April 2022 | Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7) |
| May 2022 | Principal versus Agent: Software Reseller (IFRS 15) |
| July 2022 | Negative Low Emission Vehicle Credits (IAS 37) |
| July 2022 | Special Purpose Acquisition Companies: Classification of Public Shares as Financial Liabilities or Equity (IAS 32) |
| July 2022 | Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17) |
| October 2022 | Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition |
| October 2022 | Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16); for PwC guidance, see In brief INT2022-15 |
| October 2022 | Multi-currency groups of insurance contracts (IFRS 17 and IAS 21) |
| March 2023 | Definition of a Lease—Substitution Rights (IFRS 16 Leases) |

### (c) Forthcoming requirements

As at 28 February 2023, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023. For more recent information refer to our website at www.viewpoint.pwc.com.

| Title | Key requirements | Effective date * |
|---|---|---|
| Non-current liabilities with covenants – Amendments to IAS 1 | Amendments made to IAS 1 *Presentation of Financial Statements* in 2020 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarified what IAS 1 means when it refers to the 'settlement' of a liability. The amendments were due to be applied from 1 January 2022. However, the effective date was subsequently deferred to 1 January 2023 and then further to 1 January 2024.<br>In October 2022, the IASB made further amendments to IAS 1 in response to concerns raised about these changes to the classification of liabilities as current or non-current.<br>The new amendments clarify that covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current, even if the covenant is only tested for compliance after the reporting date.<br>The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:<br>● the carrying amount of the liability<br>● information about the covenants, and<br>● facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.<br>The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current. | 1 January 2024<br><br>In brief INT2022-16 |
| *Lease liability in sale and leaseback – amendments to IFRS 16* | In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 *Leases* which explain how an entity accounts for a sale and leaseback after the date of the transaction.<br>The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate. | 1 January 2024<br><br>In brief INT2022-12 |
| *Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and*<br>*IAS 28* | The IASB has made limited scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures.*<br>The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*).<br>Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.<br>*** In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.. | n/a *** |

* Applicable to reporting periods commencing on or after the given date.

# Appendix B: Abbreviations

Abbreviations used in this publication are set out below:

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|---|---|
| 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 |
| ESG | Environmental, Social and Governance |
| 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 | IFRIC Interpretations issued by the IFRS IC |
| IFRS | International Financial Reporting Standards |
| IFRS IC | IFRS Interpretations Committee of the IASB |
| 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 |