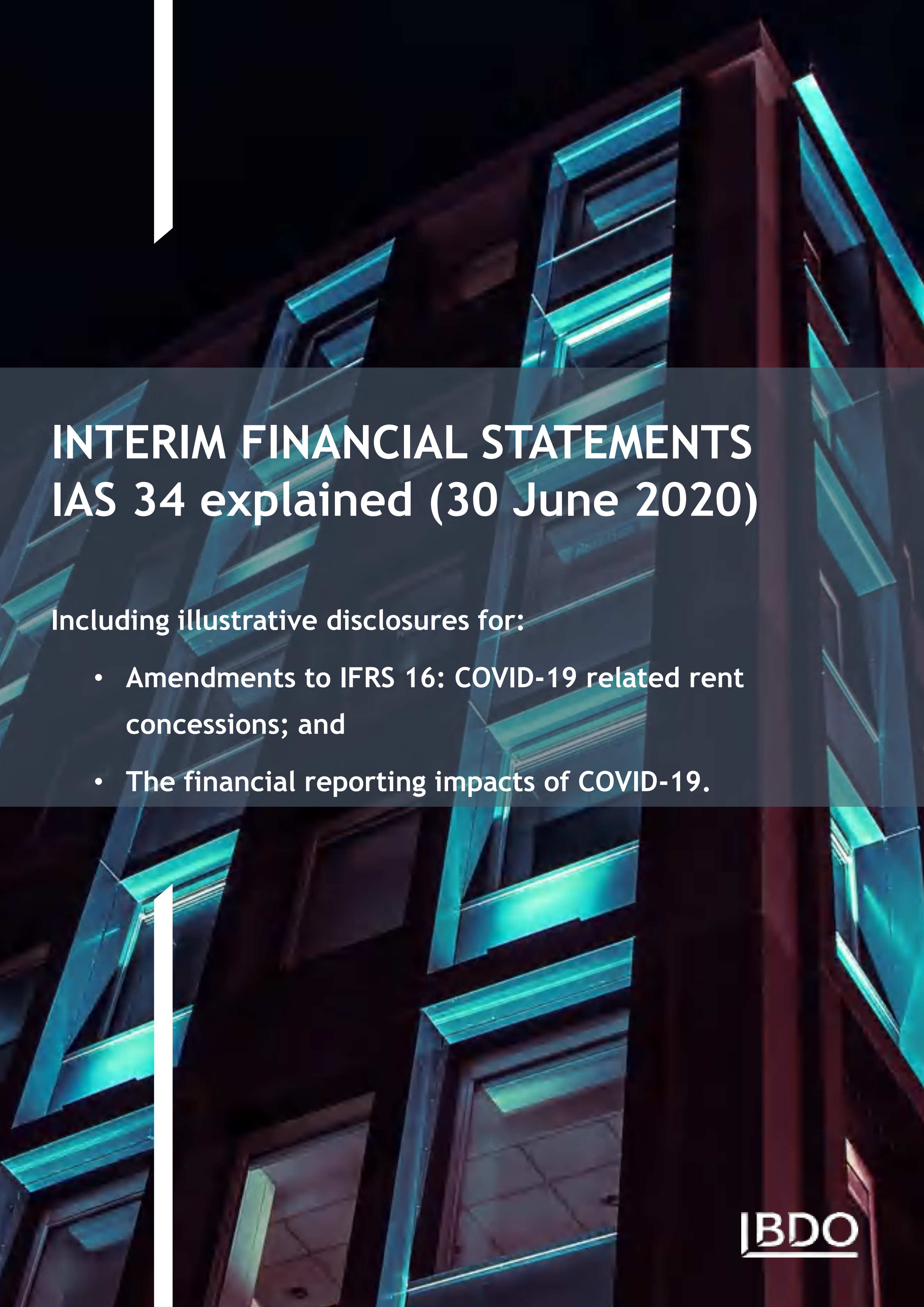

# INTERIM FINANCIAL STATEMENTS IAS 34 explained (30 June 2020)

Including illustrative disclosures for:

- Amendments to IFRS 16: COVID-19 related rent concessions; and
- The financial reporting impacts of COVID-19.

BDO

This publication is presented in two parts.

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

## Table of Contents


**1 Interim Financial Reporting ....... 7**

**2 Line items to be presented in interim financial statements ....... 8**

2.1 Line items to be presented in interim financial statements – COVID-19 considerations ....... 8
2.2 Non-GAAP (or Alternative Performance) Measures ....... 9

**3 Reduced note disclosure requirements ....... 10**

3.1 Significant events and transactions ....... 10
3.2 Significant events and transactions – the effects of COVID-19 ....... 10
3.3 Other required disclosures ....... 11
3.4 Disclosure of compliance with IFRS ....... 12
3.5 Disclosure in annual financial statements ....... 12

**4 Periods to be presented ....... 12**

4.1 Half yearly or quarterly reporting ....... 12
4.2 Seasonal business ....... 13
4.3 Comparatives for first time adopters of IAS 34 ....... 13

**5 Materiality ....... 13**

**6 Recognition and measurement ....... 14**

6.1 General principles ....... 14
6.1.1 Revenues received seasonally, cyclically or occasionally ....... 14
6.1.2 Costs incurred unevenly during the financial year ....... 15
6.1.3 Use of estimates ....... 15
6.2 In practice ....... 16
6.2.1 Employee benefits ....... 16
6.2.2 Major planned periodic maintenance or overhaul ....... 17
6.2.3 Provisions ....... 17
6.2.4 Variable lease payments ....... 18
6.2.5 Other planned but irregularly occurring costs ....... 18
6.2.6 Tax ....... 18
6.2.7 Contractual or anticipated purchase price changes ....... 20
6.2.8 Depreciation and amortisation ....... 20
6.2.9 Inventories ....... 20
6.2.10 Foreign currency translation gains and losses ....... 21
6.2.11 Interim financial reporting in hyperinflationary economies ....... 21
6.2.12 Intangible assets ....... 21
6.2.13 Impairment of assets ....... 22
6.2.14 Impairment of goodwill and investments in equity instruments (IFRIC 10) ....... 22
6.2.15 COVID-19 related rent concessions: amendments to IFRS 16 ....... 23
6.2.16 Other effects of COVID-19 on recognition and measurement ....... 23

**A Layout (International) Group Plc ....... 24**

Interim consolidated statement of comprehensive income ....... 30
Interim consolidated statement of financial position ....... 34
Interim consolidated statement of cash flows ....... 38
Interim consolidated statement of changes in equity ....... 42
Notes to the interim consolidated financial statements ....... 46
1 Basis of preparation ....... 46
2 Significant accounting policies ....... 46
2 Significant accounting policies (continued) ....... 48
3 Significant events and transactions ....... 50
3 Significant events and transactions (continued) ....... 52
3 Significant events and transactions (continued) ....... 54
3 Significant events and transactions (continued) ....... 56
4 Segment information ....... 58
5 Revenue ....... 60
6 Seasonal business ....... 64
7 Disposal group held for sale ....... 64

8 Tax ..... 64
9 Dividend ..... 66
10 Related party transactions ..... 66
11 Loans and borrowings ..... 68
12 Events after the reporting period ..... 70
13 Fair Value ..... 72

**Appendix 1: Quarterly report - Condensed comprehensive income statement ..... 78**

## 1 Interim Financial Reporting

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

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

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

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

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

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

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

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

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

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

An entity is required to apply the same accounting policies in its interim financial report as in its immediately preceding annual financial statements. As an exception, accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements are required to be reflected in interim financial reports.

IAS 34 includes the premise that the frequency of an entity's financial reporting - annual, half-yearly, or quarterly - should not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes are made on a year-to-date basis (e.g. what would effectively be an 18 month period for half yearly interim financial reports). However, IFRIC 10 *Interim Financial Reporting and Impairment* contains exceptions to this premise for the impairment of goodwill and (for insurance entities that have not adopted IFRS 9 *Financial Instruments* and continue to report in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*) financial assets classified as Available for Sale.

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

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

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

### 2.1 Line items to be presented in interim financial statements – COVID-19 considerations

The disruptive effects of COVID-19 may cause reporting entities to consider alternative financial statement presentation. For example, a reporting entity that incurred significant additional costs relating to complying with social distancing and government safety regulations may wish to present these costs separately from other, recurring costs in the statement of comprehensive income. Isolating the effects of COVID-19 and presenting them separately in the primary financial statements may be challenging for a number of reasons, including the fact that IFRS financial statements are premised on historical financial information.

If a reporting entity asserts that 'X amount of costs would not have been incurred if not for COVID-19', and therefore they warrant separate presentation, this would result in presentation not based on historical financial information. This is because such presentation would compare actual results to pro forma hypothetical results (i.e. those that would have occurred if COVID-19 had not become a global pandemic). Numerous securities regulators have also expressed concerns with this manner of presentation.

Another proposed manner of presentation is to present budgeted or hypothetical figures in the primary financial statements to illustrate the trading performance that would have been achieved had the COVID-19 pandemic not occurred, with actual results reconciled to the pro forma figures. Similar to the point raised above, this manner of presentation is not consistent with the requirements of IFRS, as this would introduce into the primary statements figures that are not prepared based on the requirements of IFRS. Paragraph 85A of IAS 1 *Presentation of Financial Statements* requires any subtotals to be comprised of line items made up of amounts recognised and measured in accordance with IFRS.

Numerous securities regulators have issued public statements noting their concerns and expectations of reporting entities. While these statements do not modify the requirements of IFRS, they are useful in understanding how reporting entities may provide useful additional information to users of financial statements without violating the requirements of IFRS. For example, ESMA noted in a May 2020 public statement that it encourages issuers to provide information on the significant impacts of COVID-19 as part of the explanation of the amounts presented and recognised in the statement of profit or loss in a single note to the financial statements, rather than in the primary financial statements themselves.

## 2.2 Non-GAAP (or Alternative Performance) measures

Interim financial statements may form part of an interim report, which includes narrative and other analysis (sometimes referred to as 'Management Discussion and Analysis'). Many entities include adjusted performance figures (which are non-GAAP or Alternative Performance Measures (APMs)) in that narrative and analysis. Those entities may wish to adjust those APMs to highlight the effects of COVID-19, and others may wish to introduce new APMs.

Care is required when determining whether and how APMs should be calculated and presented. The International Organisation of Securities Commissions (IOSCO) and the European Securities and Markets Authority (ESMA) have both issued guidelines for non-GAAP measures / APMs which are presented outside financial statements (for example, in the front narrative sections of a report).

The guidelines mean that for non-GAAP measures / APMs:

- They are required to be:
  - Clearly defined and explained
  - Unbiased
  - No more prominent that measures calculated in accordance with accounting standards
  - Reconciled to amounts calculated in accordance with accounting standards
  - Presented consistently over time, with prior period comparatives
- If changes are made to a non-GAAP measure / APM, an explanation should be provided of why the change has been made and prior period comparative information should be restated
- If a non-GAAP measure / APM stops being presented, an explanation of the reasons why should be provided

The guidelines can be accessed from the following links:

- IOSCO
- ESMA
- ESMA Q&As

The ESMA Q&As include an additional question which acknowledges that, due to the effects of COVID-19, entities may decide to publish new, or adjust existing, APMs.

However, ESMA also notes that the definition and calculation of an APM should be consistent over time. Consequently, ESMA recommends that issuers use caution when making adjustments to APMs and/or when including new APMs which have the objective of showing the effects that Covid-19 has had on financial performance and cash flows. In particular, issuers need to ensure that these measures provide a fair presentation of the development and performance of the business and its financial position. The assessment should include whether the new or amended APMs would provide transparent and useful information to the market, and improve the comparability, reliability and/or understandability of APMs and the other financial information disclosed to the markets.

ESMA also notes that it may be inappropriate to include new, or to adjust existing, APMs when COVID-19 has a pervasive effect on the overall financial performance, position and/or cash flows of an entity. This is because those new or adjusted APMs may not provide reliable and more useful information to the market and may instead mislead users' understanding of the true and fair view of issuer's assets, liabilities, financial position and profit or loss.

Rather than including new or adjusted APMs, ESMA urges issuers to improve their disclosures and to include narrative information in order to explain how Covid-19 has affected (or is expected to affect) their operations and performance, the level of uncertainty, and the measures adopted or expected to be adopted to address the Covid-19 outbreak.

## 3 Reduced note disclosure requirements

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

### 3.1 Significant events and transactions

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

- Write-down of inventories to net realisable value and the reversal of such a write-down
- Recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, assets arising from contracts with customers or other assets, and the reversal of such an impairment loss.
- Reversal of any provisions for the costs of restructuring
- Acquisitions and disposals of items of property, plant and equipment
- Commitments for the purchase of property, plant and equipment
- Litigation settlements
- Corrections of prior period errors
- Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost
- Loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period
- Related party transactions
- Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments
- Changes in the classification of financial assets as a result of a change in the purpose or use of those assets
- Changes in contingent liabilities or contingent assets.

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

### 3.2 Significant events and transactions – the effects of COVID-19

In many interim financial statements, reporting entities may not have experienced 'significant events and conditions' that trigger the requirements of IAS 34.15-15C noted in Section 3.1. The effects of COVID-19 on many reporting entities will be very significant, as the global pandemic has resulted in decreased economic activity in a wide variety of industries.

COVID-19 may result in increased impairment, cause the closure of operations, reduce revenue, cause the values of assets and liabilities measured at current values (e.g. fair value) to fluctuate significantly, and have many other significant effects.

For many entities, interim financial statements with period ends subsequent to February 2020 will be the first financial statements prepared in accordance with IFRS that include periods significantly affected by COVID-19. The effects of COVID-19 may not have been significant in the most recently issued financial statements of a reporting entity (e.g. the effects in 31 December 2019 annual financial statements will typically not have been significant for a report entity that is now preparing 30 June 2020 interim financial statements). Therefore, the extent of disclosures included in the first interim financial statements issued subsequent to the global pandemic may require significantly more disclosures as required by IAS 34.15-15C than in previous interim financial statements.

## 3.3 Other required disclosures

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

- A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change
- Explanatory comments about the seasonality or cyclicality of interim operations
- The nature and amounts of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence
- The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years
- Issues, repurchases and repayments of debt and equity securities
- Dividends paid (aggregate or per share) separately for ordinary shares and other shares
- The following segment information (disclosure of segment information is required in an entity's interim financial report only if IFRS 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements):
    - Revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker
    - Intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker
    - A measure of segment profit or loss
    - Total assets for which there has been a material change from the amount disclosed in the last annual financial statements
    - A description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss
    - A reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.
- Events after the interim period that have not been reflected in the financial statements for the interim period
- The effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required by IFRS 3 *Business Combinations*. The applicable disclosures for business combinations during the interim period are defined in IFRS 3.59 and IFRS 3.B64-B66. Disclosures regarding business combinations in prior years that result in adjustments in the current interim period are defined in IFRS 3.61 and IFRS 3.B67
- Financial instruments: Disclosures about fair value required by:
    - IFRS 13 *Fair Value Measurement* paragraphs 91–93(h), 94-96, 98 and 99
    - IFRS 7 *Financial Instruments: Disclosures* paragraphs 25, 26 and 28–30.
- For entities becoming, or ceasing to be, investment entities, as defined in IFRS 10 *Consolidated Financial Statements*, the disclosures required by paragraph 93 of IFRS 12 *Disclosure of Interests in Other Entities*.
- The disaggregation of revenue from contracts required by paragraphs 114 and 115 of IFRS 15 *Revenue from Contracts with Customers*.

### 3.4 Disclosure of compliance with IFRS

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

### 3.5 Disclosure in annual financial statements

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

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

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

## 4 Periods to be presented

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

Periods presented for a half yearly report (using, as an example, an interim period ended 30 June 2020) are:

| Statement of | Current | Comparative |
|---|---|---|
| Comprehensive income | Interim period<br>1 Jan - 30 Jun 2020 | Comparable interim period<br>1 Jan - 30 Jun 2019 |
| Financial position | End of interim period<br>30 Jun 2020 | End of preceding financial year<br>31 Dec 2019 |
| Cash Flows | Interim period<br>1 Jan - 30 Jun 2020 | Comparable interim period<br>1 Jan - 30 Jun 2019 |
| **Changes in Equity** | **Interim period**<br>**1 Jan - 30 Jun 2020** | **Comparable interim period**<br>**1 Jan - 30 Jun 2019** |

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

### 4.1 Half yearly or quarterly reporting

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

Periods presented for a quarterly report (using, as an example, an interim period ended 30 September 2020) are:

| Statement of | Current | Comparative |
|---|---|---|
| Comprehensive income | Year to date<br>1 Jan - 30 Sep 2020<br><br>Interim period<br>1 Jul - 30 Sep 2020 | Comparable year to date<br>1 Jan - 30 Sep 2019<br><br>Comparable interim period<br>1 Jul - 30 Sep 2019 |
| Financial position | End of interim period<br>30 Sep 2020 | End of preceding financial year<br>31 Dec 2019 |
| Cash Flows | Interim period<br>1 Jan - 30 Sep 2020 | Comparable interim period<br>1 Jan - 30 Sep 2019 |
| **Changes in Equity** | **Interim period**<br>**1 Jan - 30 Sep 2020** | **Comparable interim period**<br>**1 Jan - 30 Sep 2019** |

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

### 4.2 Seasonal business

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

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

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

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

## 5 Materiality

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

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

## 6 Recognition and measurement

The general approach for the preparation of interim financial statements is that entities apply the same accounting policies as in their last annual financial statements. The exception to this approach is when accounting policy changes made are after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.

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

### 6.1 General principles

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

As an exception, as required by IFRIC 10 *Interim Financial Reporting and Impairment*, an impairment loss recognised in an interim period in respect of goodwill is not permitted to be reversed in the subsequent annual financial statements, even if the recoverable amount has increased after the end of the interim period. In addition, for insurance entities that meet certain criteria and have not yet adopted IFRS 9 and have continued to apply the requirements of IAS 39 (see section 6.2.14), the impairment of an equity investment classified as Available-for-Sale is not permitted subsequently to be reversed through profit or loss, with a credit entry arising from any recovery in value being recorded in other comprehensive income. These prohibitions are not permitted to be applied by analogy to any other transactions or events (see section 6.2.14).

For quarterly reporters year-to-date measurements may involve changes in estimated amounts reported in prior interim periods of the current financial year. The principles for recognising assets, liabilities, income, and expenses for interim periods are the same as in annual financial statements. Costs that do not qualify for capitalisation at the end of an interim period, for example, cannot be deferred on the basis that the relevant criteria will be met at a later date. A liability on the other hand must represent an existing obligation at the reporting date. For example, if a levy within the scope of IFRIC 21 is triggered upon the occurrence of a minimum amount of sales, a liability would not be recognised in an interim period unless that threshold is reached, regardless of whether the entity expects to breach the threshold in the full annual reporting period.

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

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

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

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

### 6.1.2 Costs incurred unevenly during the financial year

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

### 6.1.3 Use of estimates

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

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

#### *6.1.3.1 Inventories*

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

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

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

#### *6.1.3.3 Provisions (including Expected Credit Losses)*

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

In determining impairment losses for financial and contract assets in accordance with the Expected Credit Loss model in IFRS 9 *Financial Instruments*, IAS 34 does not offer any relief from applying the full requirements of IFRS 9.

#### *6.1.3.4 Pensions*

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

#### *6.1.3.5 Income taxes*

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

#### *6.1.3.6 Contingencies*

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

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

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

#### *6.1.3.8 Intercompany reconciliations*

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

#### *6.1.3.9 Specialised industries*

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

## 6.2 In practice

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

### 6.2.1 Employee benefits

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

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

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

*Example – Capped social contributions*

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

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

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

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

*Example – Uneven consumption of holidays*

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

#### *6.2.1.3 Year-end bonuses*

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

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

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

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

#### *6.2.1.4 Pensions*

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

### 6.2.2 Major planned periodic maintenance or overhaul

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

### 6.2.3 Provisions

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

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

### 6.2.4 Variable lease payments

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

### 6.2.5 Other planned but irregularly occurring costs

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

### 6.2.6 Tax

#### *6.2.6.1 Measuring interim income tax expense*

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

*Example - Progressive tax*

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

*Example - Losses*

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

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

| | $1^{st}$ Quarter | $2^{nd}$ Quarter | $3^{rd}$ Quarter | $4^{th}$ Quarter | Annual |
|---|---|---|---|---|---|
| Tax expense | CU 3,000 | CU (1,000) | CU (1,000) | CU (1,000) | - |

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

*6.2.6.2 Difference in financial reporting year and tax year*

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

*Example – Different tax-reporting year*

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

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

*6.2.6.3 Tax credits*

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

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

*6.2.6.4 Tax loss and tax credit carrybacks and carryforwards*

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

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

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

IAS 12.34 notes that:

> *'A deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.'*

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

*Example - Recognition of deferred tax assets*

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

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Annual |
|---|---|---|---|---|---|
| Current tax | CU 4,000 | CU 4,000 | CU 4,000 | CU 4,000 | CU 16,000 |
| Effect carry-forward losses | CU (1,000) | CU (1,000) | CU (1,000) | CU (1,000) | CU (4,000) |
| **Tax expense** | **CU 3,000** | **CU 3,000** | **CU 3,000** | **CU 3,000** | **CU 12,000** |

### 6.2.7 Contractual or anticipated purchase price changes

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

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

### 6.2.8 Depreciation and amortisation

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

### 6.2.9 Inventories

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

#### *6.2.9.1 Net realisable value of inventories*

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

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

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

### 6.2.10 Foreign currency translation gains and losses

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

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

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

In September 2018 the IFRS Interpretations Committee (IFRIC) issued an agenda decision that clarified how the ‘closing rate’ should be determined when there is a long-term lack of exchangeability between currencies. This may occur due to restrictions placed on the official mechanisms of exchange by local authorities. The IFRIC observed that the closing rate is the spot exchange rate, meaning the rate for immediate delivery of the applicable foreign currency. IFRIC observed that entities must determine whether official exchange rates meet the definition of closing rates (i.e. are they the rate that an entity has access to for immediate delivery?).

### 6.2.11 Interim financial reporting in hyperinflationary economies

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

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

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

### 6.2.12 Intangible assets

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

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

### 6.2.13 Impairment of assets

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

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

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

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

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

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

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

The requirement in IFRIC 10 that goodwill impairment never be reversed may result in especially stark results compared to entities that only prepare annual financial statements given the effects of COVID-19. For example, consider two identical entities: Entity A prepares interim financial statements at 30 June and annual financial statements at 31 December. Entity B only prepares annual financial statements at 31 December.

Due to significant uncertainties arising from COVID-19, Entity A is required to impair a significant portion of its goodwill in its 30 June 2020 financial statements. Entity B has identical financial results to Entity A up to 30 June, however, Entity B is not required to prepare interim financial statements, and therefore, an impairment loss is not recorded with respect to its goodwill. As at 31 December 2020, if financial conditions have improved and a significant amount of the uncertainty concerning COVID-19 has been resolved, Entity A would be unable to reverse the portion of its impairment charge relating to goodwill recorded in 30 June 2020 interim financial statements because of the requirements of IFRIC 10. Entity B, which did not prepare interim financial statements, would still have goodwill recorded, as it did not impair goodwill in an earlier reporting period. Entity A and B experienced identical financial circumstances, however, the requirements of IFRIC 10 would result in different 'year to date' financial results for the year ended 31 December 2020.

A similar approach is applied to investments in equity instruments classified as available for sale (AFS) measured at fair value in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, or accounted for at cost (on the basis a reliable fair value measurement cannot be obtained). Subsequent recovery in the fair value of equity instruments classified as AFS are prohibited from being recorded in profit or loss, and impairment of a financial asset measured at cost is prohibited from being reversed in a subsequent period. Note that this issue would only be applicable to a limited number of entities applying the temporary exemption from the adoption of IFRS 9, which is limited to certain insurance-related entities that satisfy specific requirements in IFRS 4.

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

### 6.2.15 COVID-19 related rent concessions: amendments to IFRS 16

On 28 May 2020, the IASB issued amendments to IFRS 16: *COVID-19-Related Rent Concessions*. These amendments introduce a practical expedient available to lessees in accounting for rent concessions (e.g. rent holidays and deferrals of lease payments) that are a direct consequence of the COVID-19 pandemic and that satisfy certain other criteria.

If a reporting entity elects to utilise the practical expedient, the rent concession is not accounted for as a lease modification, regardless of whether the rent concession meets the definition of a lease modification in IFRS 16. Instead, the reporting entity applies the other requirements of IFRS 16. In many cases, this will result in the reporting entity accounting for the adjustment to the lease liability as a variable lease payment, and therefore, the adjustment is recorded in profit or loss, without the requirement to determine a revised discount rate. If not for the practical expedient, entities would have to review all lease contracts to determine whether a rent concession met the definition of a lease modification. If the concession did meet that definition, the adjustment to the lease liability would require a revised discount rate be determined and the adjustment would be recorded against the right-of-use asset. No practical expedient is available for lessors.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted. Unlike most amendments to IFRS, application is also permitted in financial statements of earlier periods not yet authorised for issue at 28 May 2020. They are applied retrospectively, with an adjustment being made to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual period in which the lessee first applies the amendments.

For example, as at 31 May 2020, if an entity applies IFRS as issued by the IASB and was still preparing its financial statements for the period ended 31 March 2020, it could apply the amendments and utilise the practical expedient for rent concessions that occurred as at 31 March 2020 or earlier, assuming they satisfied the criteria. Therefore, the amendments are effective on a retrospective basis, if an entity wishes to do so, but they are not mandatory until 1 June 2020.

The illustrative interim condensed financial statements included in this publication demonstrate examples of how the amendments may affect reporting entities, along with example disclosures. For further information on COVID-19 related rent concessions, including further detailed publications, please refer to BDO’s IFRS reporting microsite.

### 6.2.16 Other effects of COVID-19 on recognition and measurement

The effects of COVID-19 are widespread and affect the application of the recognition and measurement requirements of many IFRS standards. This publication demonstrates how some entities may be affected by COVID-19 in preparing interim financial statements.

For further information on the implications of COVID-19 to entities applying IFRS, including further detailed publications, please refer to BDO’s IFRS reporting microsite, including BDO’s IFRS Bulletin series.

**A Layout (International) Group Plc**

Interim condensed consolidated financial statements

For the six month ended 30 June 2020

**About these interim condensed financial statements**

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

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

The interim condensed financial statements have been prepared in compliance with all standards and interpretations issued by the IASB that have to be applied by companies with a financial year beginning on 1 January 2020, in addition to certain amendments to IFRS 16, which were effective on 1 June 2020. No standards have been early adopted. A Layout (International) Group Plc is an existing preparer of adopted IFRS consolidated financial statements. Consequently, IFRS 1 (Revised 2008) *First time adoption of International Financial Reporting Standards* is not applicable.

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

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

This publication includes a number of illustrative disclosures relating to the effects of COVID-19 on A Layout (International) Group Plc, however, this publication does not attempt to include every potential effect of COVID-19 and the related accounting requirements.

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

**Updates to note in this 30 June 2020 version of the illustrative interim consolidated financial statements**

A number of amendments to Standards have become effective for financial periods beginning on (or after) 1 January 2020, and are therefore applicable for the 30 June 2020 interim financial statements.

The amendments listed below have been included in these illustrative interim consolidated financial statements (where applicable) as if they had been applied for the first time as at 1 January 2020 (i.e. during the 2020 interim financial period).

*New standards and amendments effective for periods beginning on 1 January 2020 (and 1 June 2020 for one amendment to IFRS 16) and therefore relevant to these interim financial statements*

| IFRS | IASB Effective Date | EU Endorsement status |
|---|---|---|
| IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Disclosure Initiative - Definition of Material) | 1 January 2020 | Endorsed |
| IFRS 3 *Business Combinations* (Amendment – Definition of Business) | 1 January 2020 | Endorsed |
| Conceptual Framework for Financial Reporting (Revised) | 1 January 2020 | Endorsed |
| IBOR Reform and its Effects on Financial Reporting – Phase 1 | 1 January 2020 | Endorsed |
| Covid-19-Related Rent Concessions - Amendment to IFRS 16 | 1 June 2020* | Timing of endorsement not clear** |

*Covid-19-Related Rent Concessions – Amendment to IFRS 16 is mandatorily effective for annual reporting periods beginning on or after 1 June 2020, however, it may be adopted immediately as of the date of issuance, 28 May 2020. See Section 6.2.15 for further information. In these illustrative financial statements, it has been assumed that A Layout adopted the amendments on 28 May 2020 and applied them retrospectively.
**It is currently not clear when the amendments to IFRS 16 will be endorsed. If they are not endorsed in July 2020, this will not take place until the European Parliament meets in September 2020. Entities that issue financial statements that comply with EU-endorsed IFRS cannot adopt the amendments until they have been endorsed, even if these are interim financial statements and the amendments are expected to be adopted in the next annual financial statements.

Only the application of the amendments to IFRS 16 in respect of COVID-19 related rent concessions resulted in the accounting applied by the Group changing. The effects of this amendment to IFRS 16 on the recognition and measurement of items in the financial statements are disclosed in note 2. The application of the amendments to IFRS 16 did not result in additional associated disclosure requirements being added to IAS 34, therefore, judgment has been applied in determining the extent of disclosures required to achieve the objective of IAS 34.15.

In addition to the above pronouncements the IFRS Interpretations Committee has issued a number of agenda decisions in the past 12 months. These agenda decisions do not represent authoritative guidance. However, they do set out the Interpretations Committee's rationale for not taking an issue onto its agenda (or referring it to the IASB) and how the requirements of applicable IFRSs should be applied. It is noted on the IFRS Foundation's website that they 'should be seen as helpful, informative and persuasive'. In practice, it is expected that entities reporting in accordance with IFRS will take account of and follow the agenda decisions and this is the approach which is followed by securities regulators worldwide.

Since 30 June 2019, agenda decisions have been finalised on the following topics:

| Accounting Standard | Topic |
|---|---|
| IFRS 9 *Financial Instruments* | Fair value hedge of foreign currency risk on non-financial assets |
| IFRS 15 *Revenue from Contracts with Customers* | Compensation for delays or cancellations |
| IFRS 16 *Leases* | Lessee's incremental borrowing rate |
| IAS 1 *Presentation of Financial Statements* | Presentation of liabilities or assets related to uncertain tax treatments |
| IAS 7 *Statement of Cash Flows* | Disclosure of changes in liabilities arising from financing activities |
| IAS 41 *Agriculture* | Subsequent expenditure on biological assets |
| IFRS 16 *Leases* and IAS 16 *Property, Plant and Equipment* | Lease term and useful life of leasehold improvements |
| IFRS 16 *Leases* | Definition of a lease – decision-making rights |
| IFRS 15 *Revenue from Contracts with Customers* | Training costs to fulfil a contract |
| IAS 21 *The Effects of Changes in Foreign Exchange Rates* and IAS 29 *Financial Reporting in Hyperinflationary Economies* | • Translation of a hyperinflationary foreign operation - presenting exchange differences<br>• Cumulative exchange differences before a foreign operation becomes hyperinflationary<br>• Presenting comparative amounts when a foreign operation first becomes hyperinflationary |
| IAS 12 *Income Taxes* | Multiple tax consequences of recovering an asset |
| IAS 12 *Income Taxes* | Deferred tax related to an investment in a subsidiary |
| IAS 38 *Intangible Assets* | Player transfer payments |
| IFRS 16 *Leases* | Sale and leaseback with variable payments |

**Early adoption of Standards and Amendments**

The table below lists all pronouncements with a mandatory effective date in future accounting periods Entities intending to voluntarily apply any of these pronouncements in annual financial statements of earlier period would also need to apply them in interim financial statements beginning on or after the same date as those next annual financial statements.

| Mandatorily effective for periods beginning on or after 1 January 2021 | Mandatorily effective for periods beginning on or after 1 January 2022 | Mandatorily effective for periods beginning on or after 1 January 2023 |
|---|---|---|
| IBOR reform and its effects on financial report – phase 2* | Annual Improvements to IFRSs - 2018-2020 cycle | IFRS 17 *Insurance Contracts*** |
| | IAS 16 *Property, Plant and Equipment* (Amendment – Proceeds before Intended Use) | IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Classification of Liabilities as Current or Non-current)*** |
| | IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Amendment – Onerous Contracts – Cost of Fulfilling a Contract) | |
| | IFRS 3 *Business Combinations* (Amendment – Reference to the Conceptual Framework) | |

*In April 2020, the IASB issued exposure draft 2020/1, proposing amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to interest rate benchmark reform (‘IBOR – phase 2’). The IASB plans to issue the final amendments in Q3 2020, which were proposed to be mandatorily effective for annual periods beginning on or after 1 January 2021. The final amendments have not yet been published as of the time of release of this publication.
**IFRS 17 was originally effective for annual reporting periods beginning on or after 1 January 2021, however, in June 2020, the mandatory effective date was deferred to 1 January 2023.
***Amendments to IAS 1 relating to the classification of liabilities as current or non-current were issued in January 2020, and were originally effective for annual reporting periods beginning on or after 1 January 2022. In May 2020, the IASB proposed to defer the effective date to 1 January 2023.

In some cases new pronouncements result in IAS 34 being amended to require additional disclosures in interim financial statements. Therefore, entities intending to adopt new pronouncements earlier than their mandatory effective date would also need to provide any associated disclosure requirements incorporated into IAS 34. However, none of the above pronouncements have resulted in new disclosure requirements being incorporated into IAS 34.

**Statement of comprehensive income**

| | |
|---|---|
| Note | Some entities label their primary financial statement as "**unaudited**" if they are not audited. This can either be for transparency reason or because it is a local requirement. |
| IAS 34.10 | These interim financial statements are prepared in the form of condensed financial statements. These are **only required to include headings and subtotals** that were included in the most recent annual financial statements. Line items that if omitted would result in misleading interim financial statements are also required to be presented.<br><br>However most preparers present the statement of comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in equity in the same format as in their annual statement (see chapter 2). These illustrative condensed interim financial statements are consequently presented with the same line items as in the annual financial statements. |
| **BDO Commen**t | A Layout (International) Group has presented line items that were not presented in its most recent annual financial statement that relate to significant new events and transactions occurring since the most recent annual financial statement.<br><br>A Layout has presented the effect of applying the amendments to IFRS 16: *COVID-19 Related Rent Concessions* as a single line item in the statement of comprehensive income, as the results of applying the amendments are material. Alternative methods of presentation may be appropriate, as long as they comply with the requirements of IAS 1. |
| IAS 34.20 (b)<br>Appendix A | The interim statement of comprehensive income is required to include the **current interim period** and cumulatively for the current financial year to date, **with comparative statements** of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year.<br><br>A Layout (International) Group Plc only prepares half yearly interim financial statements (i.e. it does not prepare quarterly statements). As a result of this only two periods (current and comparative for the half year) are presented. |
| IAS 34.30 (c) | To illustrate:<br>Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes. |
| IAS 34.37-42<br>Appendix B/C | IAS 34 provides certain guidance for recognition and measurement in interim financial statements which also includes some examples for the use of estimates. These are described in Chapter 6 of this publication. |
| IAS 1.82A | Requires that items of other comprehensive are presented by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other IFRSs:<br>a) Will not be reclassified subsequently to profit or loss; and<br>b) Will be reclassified subsequently to profit or loss when specific conditions are met. |

## A Layout (International) Group Plc

# Interim consolidated statement of comprehensive income

**(Single statement approach, analysed by function of expense)**
**For the six months ended 30 June 2020**

| (in CU '000) | Note | 2020 | 2019 |
|---|---|---|---|
| Revenue | 4,5 | 69,081 | 83,432 |
| Cost of sales | | (55,671) | (65,883) |
| **Gross profit** | | **13,410** | **17,549** |
| Other operating income | | 530 | 611 |
| Rent concessions | 3(c) | 1,505 | - |
| Government grants | 3(d) | 1,848 | - |
| Inventory writedown | 3(b) | (1,950) | - |
| Impairment losses | 3(a) | (2,100) | - |
| Loss from disposal group | 7 | (214) | |
| Administrative expenses | | (4,613) | (4,362) |
| Distribution expenses | | (4,389) | (4,581) |
| Other expenses | | (3,101) | (4,465) |
| **Profit from operations** | | **926** | **4,752** |
| Finance expense | | (1,245) | (303) |
| Finance income | | 142 | 393 |
| Share of post-tax profits of equity accounted investments | | 306 | 457 |
| **Profit before tax** | | **129** | **5,299** |
| Tax expense | 8 | (32) | (1,324) |
| **Profit from continuing operations** | | **97** | **3,974** |
| Profit on discontinued operation, net of tax | | **-** | **374** |
| **Profit for the period** | | **97** | **4,348** |
| **Other comprehensive income** | | | |
| ***Items to be reclassified to profit or loss in subsequent periods*** | | | |
| Cash flow hedges | | 218 | 345 |
| Exchange gains arising on translation of foreign operations | | - | 973 |
| Income tax - items reclassified to profit or loss | | (34) | (28) |
| *Net other comprehensive income to be reclassified to profit or loss in subsequent periods* | | 184 | 1,290 |
| ***Items not reclassified to profit or loss in subsequent periods*** | | | |
| Loss on property revaluation | | (850) | (2,890) |
| Gains/losses on equity investments | | (47) | (201) |
| Actuarial gains on defined benefit pension schemes | | 242 | 158 |
| Income tax - items not reclassified to profit or loss | | 152 | 841 |
| *Net other comprehensive income not being reclassified to profit or loss in subsequent periods* | | (503) | (2,093) |
| **Total other comprehensive income (loss) for the period** | | **(319)** | **(803)** |
| **Total comprehensive income (loss) for the period** | | **(222)** | **3,546** |

**Statement of comprehensive income**

| | |
|---|---|
| IAS 34.11 | In the statement that presents the components of profit or loss for an interim period, an entity shall present basic and diluted earnings per share for that period when the entity is within the scope of IAS 33 *Earnings per Share*. |
| IAS 34.11A | If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 (as revised in 2007), it presents basic and diluted earnings per share in that separate statement. |
| IFRS 16.49 | Amortisation of right-of-use assets is included in the appropriate line item to which the use of the underlying asset relates, as the Group presents expenses by function, rather than by nature. |
| IAS 1.82(b) | Interest expenses on lease liabilities are included within the finance expense line item, as finance costs are required to be presented separately. |
| Note | A Layout (International) Group Plc presents EPS for continuing operations, which is not required by IAS 34. However, the company regards EPS from continuing operations as a relevant indicator for investors. |

## Interim consolidated statement of comprehensive income
### (Single statement approach, analysed by function of expense)
### For the six months ended 30 June 2020 *(Continued)*

| (in CU '000) | Note | 2020 | 2019 |
|---|---|---|---|
| **Profit for the period attributable to:** | | | |
| Owners of the parent | | 88 | 4,117 |
| Non-controlling interest | | 9 | 231 |
| | | **97** | **4,348** |
| **Total comprehensive income (loss) for the period attributable to:** | | | |
| Owners of the parent | | (200) | 3,315 |
| Non-controlling interest | | (22) | 231 |
| | | **(222)** | **3,546** |
| **Earnings per share for profit for the period attributable to the owners of the parent during the year** | | | |
| Basic (CU cent) | | 0.1 | 5.5 |
| Diluted (CU cent) | | 0.4 | 4.9 |
| **Continuing operations** | | | |
| Basic (CU cent) | | 0.1 | 5.0 |
| Diluted (CU cent) | | 0.4 | 4.5 |

**Statement of financial position**

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

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

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

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

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

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

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

IAS 34 includes no such requirements.

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

A Layout (International) Group Plc

## Interim consolidated statement of financial position

| (in CU '000) | Note | As at 30 June 2020 | As at 31 December 2019 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 42,999 | 47,501 |
| Right-of-use assets | 3(c) | 4,118 | 5,235 |
| Investment property | | 2,329 | 2,649 |
| Intangible assets | 3(a) | 3,948 | 6,183 |
| Investments accounted for using the equity method | | 2,846 | 2,685 |
| Equity investments classified as FVTOCI[1] | | 2,845 | 3,125 |
| Derivative financial assets | | 591 | 625 |
| Other receivables | | 230 | 180 |
| Deferred tax assets | | 75 | 200 |
| | | **59,981** | **68,383** |
| **Current assets** | | | |
| Inventories | | 20,334 | 21,417 |
| Trade and other receivables | | 18,260 | 16,693 |
| Equity investments classified as FVTOCI[1] | | 221 | 448 |
| Derivative financial assets | | 2,003 | 2,314 |
| Cash and cash equivalents | | 26,125 | 21,765 |
| Assets in disposal groups classified as held for sale | | - | 5,316 |
| | | **66,943** | **67,953** |
| **Total assets** | | **126,924** | **136,336** |

[1]Fair Value through Other Comprehensive Income

See earlier guidance notes.

A Layout (International) Group Plc

## Interim consolidated statement of financial position (continued)

| (in CU '000) | Note | As at 30 June 2020 | As at 31 December 2019 |
|---|---|---|---|
| **Issued capital and reserves attributable to owners of the parent** | | | |
| Share capital | | 10,068 | 10,068 |
| Share premium reserve | | 23,220 | 23,220 |
| Capital redemption reserve | | 100 | 100 |
| Treasury and ESOP share reserve | | (1,066) | (1,066) |
| Convertible debt option reserve | | 503 | 503 |
| Revaluation reserve | | 644 | 1,258 |
| Equity investment reserve | | 1,150 | 1,177 |
| Cash flow hedging reserve | | 1,067 | 902 |
| Foreign exchange reserve | | 6,253 | 6,253 |
| Retained earnings | | 19,371 | 23,153 |
| | | **61,310** | **65,568** |
| **Non-controlling interest** | | **3,546** | **3,587** |
| **Total equity** | | **64,856** | **69,155** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 3(e), 10 | - | 14,292 |
| Lease liabilities | 3(c) | 430 | 1,477 |
| Derivative financial liabilities | | 49 | 43 |
| Employee benefits | | 8,560 | 8,452 |
| Provisions | | 1,233 | 1,303 |
| Deferred tax liability | | 1,565 | 1,440 |
| | | **11,837** | **27,007** |
| **Current liabilities** | | | |
| Trade and other payables | | 16,571 | 14,850 |
| Loans and borrowings | 3(e), 10 | 26,745 | 15,230 |
| Lease liabilities | 3(c) | 2,801 | 3,981 |
| Derivative financial liabilities | | 93 | 69 |
| Corporate tax liability | 2 | 600 | 2,644 |
| Employee benefits | | 3,138 | 2,817 |
| Provisions | | 283 | 256 |
| Liabilities directly associated with assets in disposal groups classified as held for sale | | - | 327 |
| | | **50,231** | **40,174** |
| **Total liabilities** | | **62,068** | **67,181** |
| **Total equity and liabilities** | | **126,924** | **136,336** |

**Statement of cash flows**

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

IAS 7.33 IAS 7 permits cash in flows and out flows arising from interest paid and interest and dividends received to be classified as operating activities. Alternatively, non-financial institution entities may classify interest paid and interest and dividends received as financing and investing cash flows respectively. A Layout has elected to classify interest paid as a financing cash flow.

A Layout (International) Group Plc

## Interim consolidated statement of cash flows

**For the six months ended 30 June**

| (in CU '000) | Note | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | | 97 | 4,348 |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment and right of use assets | | 5,157 | 4,583 |
| Amortisation of intangible assets | | 610 | 505 |
| Impairment losses | 3(a) | 2,100 | 100 |
| Rent concessions | 3(c) | (1,505) | - |
| Inventory writedown | 3(b) | 1,950 | - |
| Change in value of investment property | | 320 | 1,527 |
| Finance income | | (142) | (393) |
| Finance expense | | 1,245 | 303 |
| Share of profit from associates | | (306) | (457) |
| Profit on sale of discontinued operations, net of tax | | - | (63) |
| Loss on sale on assets and liabilities in disposal groups | | 214 | - |
| Loss / (gain) on sale of property, plant and equipment | | 180 | (22) |
| Share-based payment expense | | 465 | 439 |
| Income tax expense | | 32 | 1,324 |
| | | **10,417** | **12,194** |
| Increase in trade and other receivables | | (1,592) | (853) |
| Increase in inventories | | (1,090) | (596) |
| Increase / Decrease in trade and other payables | | 1,721 | (267) |
| Increase in provisions and employee benefits | | 628 | 1,068 |
| **Cash generated from operations** | | **10,084** | **11,546** |
| Income taxes paid | | (2,100) | (827) |
| **Net cash flows from operating activities** | | 7,984 | 10,719 |
| **Investing activities** | | | |
| Acquisition of subsidiary, net of cash acquired | | - | (3,185) |
| Purchases of property, plant and equipment | | (744) | (5,169) |
| Sale of property, plant and equipment | | 450 | 87 |
| Disposal of discontinued operation, net of cash disposed of | | - | 6,300 |
| Disposal of assets and liabilities in disposable groups | | 4,750 | - |
| Purchase of intangibles | | (154) | (650) |
| Disposal / Purchases of equity investments accounted for at fair value through OCI | | 402 | (52) |
| Disposal of derivative financial assets | | 400 | - |
| Interest received | | 142 | 136 |
| Dividends from associates | | 145 | 284 |
| **Net cash from / (used) in investing activities** | | **5,391** | **(2,249)** |

See earlier guidance notes.

A Layout (International) Group Plc

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

| (in CU '000) | Note | 2020 | 2019 |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds from bank borrowings | | 3,100 | 2,300 |
| Repayment of bank borrowings | | (5,500) | (753) |
| Principal paid on lease liabilities | | (1,796) | (353) |
| Interest paid on lease liabilities | | (300) | (52) |
| Interest paid on convertible loan notes | | (225) | (225) |
| Interest paid on bank borrowings | | (286) | - |
| Dividends paid on shares classified as liabilities | | (9) | (9) |
| Dividends paid to the holders of the parent | 9 | (3,874) | (5,200) |
| **Net cash (used in)/from financing activities** | | **(8,890)** | **(4,292)** |
| | | | |
| **Net increase in cash and cash equivalents** | | 4,485 | 4,178 |
| **Cash and cash equivalents at beginning of the period** | | 21,765 | 17,775 |
| Exchange losses on cash and cash equivalents | | (125) | (188) |
| | | | |
| **Cash and cash equivalents at end of the period** | | **26,125** | **21,765** |

**Statement of changes in equity**

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

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

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

A Layout (International) Group Plc

## Interim consolidated statement of changes in equity
For the six months ended 30 June 2020

### Interim condensed consolidated statement of changes in equity

| (in CU '000) | Share capital | Share premium | Capital redemption reserve | Treasury shares / shares held by ESOP | Convertible debt option reserve | Revaluation reserve | Equity investment reserve | Cash flow hedging reserve | Foreign exchange reserve | Retained earnings | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2019** | **10,068** | **23,220** | **100** | **(1,066)** | **503** | **1,258** | **1,177** | **902** | **6,253** | **22,510** | **64,925** | **3,562** | **68,487** |
| **Comprehensive Income for the period** | | | | | | | | | | | | | |
| Profit | - | - | - | - | - | - | - | - | - | 88 | **88** | 9 | **97** |
| Other comprehensive Income | - | - | - | - | - | (614) | (27) | 165 | - | 182 | **(294)** | (25) | **(319)** |
| **Total comprehensive Income for the period** | - | - | - | - | - | (614) | (27) | 165 | - | 270 | (206) | (16) | **(222)** |
| **Contributions by and distributions to owners** | | | | | | | | | | | | | |
| Dividends | - | - | - | - | - | - | - | - | - | (3,874) | (3,874) | - | **(3,874)** |
| Share based payment | - | - | - | - | - | - | - | - | - | 465 | **465** | - | **465** |
| **Total transactions with owners** | - | - | - | - | - | - | - | - | - | (3,409) | (3,409) | - | **(3,409)** |
| **Balance at 30 June 2020** | **10,068** | **23,220** | **100** | **(1,066)** | **503** | **644** | **1,150** | **1,067** | **6,253** | **19,371** | **61,310** | **3,546** | **64,856** |

See earlier guidance notes.

A Layout (International) Group Plc

## Interim consolidated statement of changes in equity

For the six months ended 30 June 2020

| (in CU '000) | Share capital | Share premium | Capital redemption reserve | Treasury shares / shares held by ESOP | Convertible debt option reserve | Revaluation reserve | Equity investment reserve | Cash flow hedging reserve | Foreign exchange reserve | Retained earnings | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019 as previously reported** | **7,428** | **22,434** | **50** | **(1,230)** | **559** | **4,360** | **1,470** | **1,062** | **4,482** | **20,310** | **60,925** | **3,107** | **64,032** |
| **Comprehensive Income for the period** | | | | | | | | | | | | | |
| Profit | - | - | - | - | - | - | - | - | - | 4,117 | 4,117 | 231 | **4,348** |
| Other comprehensive Income | - | - | - | - | - | (2,010) | (149) | 165 | 973 | 119 | (803) | - | **(803)** |
| **Total comprehensive Income for the period** | - | - | - | - | - | (2,010) | (149) | 165 | 973 | 4,236 | 3,315 | 231 | **3,546** |
| **Contributions by and distributions to owners** | | | | | | | | | | | | | |
| Dividends | - | - | - | - | - | - | - | - | - | (5,200) | (5,200) | - | **(5,200)** |
| Shares to be issued as part of consideration in business combination | - | - | - | - | - | - | - | - | - | - | 2,500 | - | **2,500** |
| Share based payment | - | - | - | - | - | - | - | - | - | 439 | 439 | - | **439** |
| **Total transactions with owners** | - | - | - | - | - | - | - | - | - | (4,761) | (2,261) | - | **(2,261)** |
| **Balance at 30 June 2019** | **7,428** | **22,434** | **50** | **(1,230)** | **559** | **2,350** | **1,321** | **1,227** | **5,455** | **19,785** | **61,979** | **3,338** | **65,317** |

**Notes to the financial statements**

| | |
|---|---|
| IAS 34.19 | If an entity's interim financial report is in compliance with IAS 34, that fact shall be disclosed. An interim financial report shall not be described as complying with IFRSs unless it complies with all the requirements of IFRSs. |
| *New standards and amendments* | The following new standards, amendments and interpretations are effective for the first time in these financial statements but none have had a material effect on the Group and so have not been discussed in detail:<br>– IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Disclosure Initiative - Definition of Material)<br>– IFRS 3 *Business Combinations* (Amendment – Definition of Business)<br>– Conceptual Framework for Financial Reporting (Revised)<br>– IBOR Reform and its Effects on Financial Reporting – Phase 1 |
| IAS 34.16(a) | An entity is required to include a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change. Amendments to IFRS 16: *COVID-19-Related Rent Concessions* resulted in changes to the Group's accounting policies and therefore will apply in its next annual financial statements. Therefore, they have been applied in these interim financial statements meaning the accounting policies followed in these interim financial statements are not the same as those applied in the most recently published annual financial statements. Details have therefore been given on the impact the application of these standards have had on the Group in these interim financial statements.<br>*Note that it is assumed that A Layout (International) Group Plc follows IFRS as issued by the IASB, meaning the amendments to IFRS 16 are not subject to other levels of approval before becoming available for adoption (e.g. endorsement by the European Parliament for entities that apply IFRS as endorsed by the European Union). Entities must determine whether the amendments to IFRS 16 are available to be adopted in interim financial statements depending on the jurisdiction in which they operate.*<br>*Note that the disclosures given opposite are for a fictitious entity – A Layout (International) Group Plc. The actual impact of adopting new standards (both the nature of changes to the accounting applied and the amounts of each adjustment) must be tailored to the specific circumstances of each particular entity.* |
| IAS 34.16A(d) | Disclose the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported |

## 1 Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2019 annual report.

## 2 Significant accounting policies

A Layout (International) Group Plc has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2019 annual financial statements, except for amendments to IFRS 16: *COVID-19 Related Rent Concessions*, which were adopted on 1 June 2020.

Details of the impact this amendment has had are given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

*Amendments to IFRS 16: COVID-19-Related Rent Concessions*

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and
(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

A Layout has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of A Layout, occurred from March 2020 to June 2020.

Accounting for the rent concessions as lease modifications would have resulted in A Layout remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, A Layout is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The effect of applying the practical expedient is disclosed in Note 3(c).

**Notes to the financial statements**

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

## 2 Significant accounting policies (continued)

*Use of estimates and judgements*

There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods. However, as discussed in Note 3, the effects of COVID-19 have required significant judgments and estimates to be made, including:

(a) Whether rent concessions satisfy the criteria to be accounted for using the practical expedient introduced by the amendments to IFRS 16;
(b) Assessing whether the entity has reasonable assurance as to whether it will comply with the conditions attached to government grants;
(c) Determining the net realisable value of inventory that has become slow moving due to the effects of COVID-19;
(d) Calculating the recoverable amount for cash generating units that exhibit indicators of impairment as at the period end, and determining the amount of goodwill impairment attributable to the cash generating units; and
(e) Determining which information obtained subsequent to period end provides evidence of conditions that existed as at the end of the reporting period ('adjusting events after the reporting period') and which do not ('non-adjusting events after the reporting period'). For disclosure of non-adjusting events after the reporting period, refer to Note 11.

Additionally, while the changes in the following estimates and judgments have not had a material impact on A Layout, the effects of COVID-19 have required revisions to:

(a) Estimates of customer returns and the determination of A Layout's methodology for estimating the transaction price for sales subject to rights of return;
(b) Estimates of expected credit losses attributable to accounts receivable arising from sales to customers on credit terms, including the incorporation of forward-looking information to supplement historical credit loss rates; and
(c) The methodology used to estimate the fair value of equity instruments classified as level 3 in the fair value hierarchy, as their valuation techniques incorporate significant unobservable inputs.

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

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2020 (the date on which the company's next annual financial statements will be prepared up to) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

**Notes to the financial statements**

| | |
|---|---|
| IAS 34.15 | An entity shall 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. Information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual financial report. |
| IAS 34.15B | The following is a list of events and transactions for which disclosures would be required if they are significant: the list is not exhaustive.<br>(a) the write-down of inventories to net realisable value and the reversal of such a write-down;<br>(b) recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, assets arising from contracts with customers, or other assets, and the reversal of such an impairment loss;<br>(c) …<br>(d) …<br>(e) …<br>(f) …<br>(g) …<br>(h) …<br>(i) any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period;<br>(j) …<br>(k) …<br>(l) …<br>(m) … |
| IAS 34.15C | Individual IFRSs provide guidance regarding disclosure requirements for many of the items listed in paragraph 15B. When an event or transaction is significant to an understanding of the changes in an entity's financial position or performance since the last annual reporting period, its interim financial report should provide an explanation of and an update to the relevant information included in the financial statements of the last annual reporting period. |
| **BDO Commen**t | The events and transactions disclosed in accordance with IAS 34.15B by A Layout (International) Group are for illustrative purposes only. Entities need to determine which events and transactions are significant to them and therefore require disclosure in interim financial statements.<br><br>A Layout (International) Group has provides the disclosures required by individual IFRSs that are relevant to its significant events and transaction:<br><br>– IAS 36, *Impairment of Assets*: note 3(a)<br>– IAS 2, *Inventories*: note 3(b)<br>– IFRS 16, *Leases*: note 3(c)<br>– IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance:* note 3(d)<br>– IFRS 7, *Financial Instruments: Disclosures:* note 3(e)<br><br>IAS 34.15B does not require this disclosure to be in the form of a single note; however, A Layout (International) Group has determined that this method of presentation provides the most useful and understandable information to users of financial statements. Additionally, ESMA noted in a May 2020 public statement that it encourages issuers to provide information on the significant impacts of COVID-19 as part of the explanation of the amounts presented and recognised in the statement of profit or loss in a single note to the financial statements. |

## 3 Significant events and transactions

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, A Layout has experienced significant disruption to its operations in the following respects:

- The closure of many retail locations due to local governments mandating that shopping centres and other 'non-essential' businesses cease normal operations;
- Disruptions in the supply of inventory from major suppliers;
- Decreased demand for certain products as a consequence of social distancing requirements and recommendations;
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for A Layout's primary products.

The significant events and transactions that have occurred since 31 December 2019 relate to the effects of the global pandemic on A Layout's interim consolidated financial statements for the six months ended 30 June 2020 and are summarised as follows.

*(a) Decrease in sales and cash flows, including impairment of goodwill*

As disclosed in Note 4, most revenue streams have experienced significant reductions since the pandemic's effects became widespread. A Layout considered the reduced sales and reductions in budgeted revenue as indicators of impairment, and therefore determined the recoverable amount for all of its cash generating units. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use was higher in all cases due to the nature of the assets included in the carrying amount of cash generating units.

Groups of cash generating units are summarised as follows, with each retail location for A Layout and Great Times Sports Equipment representing a distinct cash generating unit:

- Online sales function;
- A Layout branded retail locations; and
- Great Times Sports Equipment (GTSE) retail locations.

Recoverable amount exceeded the carrying amount of all cash generating units based on forecast cash flows, except for GTSE. The cash flow forecasts are based on budgets for the next 5 years, with a terminal value thereafter. The cash flows were probability weighted based on the following scenarios:

1. Base case (50% weighting): stores remain closed for 8 weeks, with consumer demand not returning to pre-pandemic levels until February 2021, resulting in a significant effect on most of the Christmas selling season.
2. Positive case (20% weighting): stores remain closed for 4 weeks, with consumer demand returning to pre-pandemic levels by November 2020, in time for the Christmas selling season.
3. Negative case (20% weighting): stores remain closed for 12 weeks, with consumer demand not returning to pre-pandemic levels until June 2021.
4. Worst case (10% weighting): stores remain closed for 20 weeks, causing significant disruptions to the 2020 Christmas selling season, with consumer demand not returning to pre-pandemic levels until November 2021.

The terminal value includes a growth rate of 2.5%, which is the average long term growth rate for A Layout's industry.

**Notes to the financial statements**

Note: The following reconciliation is to assist users of the illustrative interim condensed financial statements in reconciling the figures presented.

Reconciliation of intangible assets

Intangible assets may be reconciled as follows:

| | (in CU'000) |
|---|---|
| Intangible assets, 31 December 2019 | 6,183 |
| Less: amortisation | (610) |
| Less: impairment | (1,650) |
| Less: disposals | (129) |
| Plus: purchases | 154 |
| Intangible assets, 30 June 2020 | 3,948 |

## 3 Significant events and transactions (continued)

*(a) Decrease in sales and cash flows, including impairment of goodwill (continued)*

These cash flow projections were weighted as noted above for all cash generating units except for those related to GTSE, where the negative case was weighted 40% and the positive case was weighted 0%. This is due to expectations that GTSE's product lines will take longer to return to pre-pandemic demand than other cash generating units.

The cash flows were discounted at a rate of 9.5%, which reflects the time value of money and risks specific to A Layout's industry, which were not reflected in the value in use cash flows.

Due to GTSE's focus on sporting goods, including products that have experienced the sharpest decline in demand due to social distancing requirements, the carrying amount of GTSE's stores exceeded their recoverable amount. Accordingly, the carrying amount of goodwill included in GTSE's cash generating units was first reduced to zero, with the remaining impairment recorded proportionately to GTSE's other assets, which consisted primary of right-of-use assets for store locations and allocations of corporate assets (e.g. head office right-of-use assets, including office space and leased IT infrastructure).

The impairment of GTSE's assets is summarised as follows:

| | (in CU'000) | | | |
|---|---|---|---|---|
| Class of assets | Carrying value before impairment | Recoverable amount | Impairment | Carrying value after impairment |
| Goodwill | 1,650 | | 1,650 | - |
| Corporate assets | 224 | | 90 | 134 |
| Right-of-use assets | 895 | | 360 | 535 |
| Total | 2,769 | 669 | 2,100 | 669 |

The recoverable amount exceeded the carrying amount for A Layout's other cash generating units, however, as the carrying amount of goodwill allocated to A Layout's retail locations is significant in comparison with A Layout's total carrying amount of goodwill, the following information about the A Layout's retail locations is disclosed:

- The carrying value of goodwill allocated is CU 1,250.
- The recoverable amount was determined based on value in use, which utilises current budgets and cash flow projections as noted above, with the discount rate disclosed above.
- The amount by which the recoverable amount exceeded the total carrying value ('headroom') is CU1,137.
- The amount by which the values assigned to key assumptions must change for the recoverable amount to be equal to the carrying value are (independent of one another):
  - Increase in discount rate from 9.5% to 14%; or
  - Adjustment in the assumptions used in the base case (i.e. the most likely case) cash flow scenario from (i) to (ii):
    - (i) 8 weeks of closures and return to pre-pandemic consumer demand in February 2021;
    - (ii) 16 weeks of closures and return to pre-pandemic consumer demand in September 2021.

| | |
|---|---|
| IFRS 16.51 | The objective of the disclosures is for lessees to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. |
| IFRS 16.60A | If a lessee applies the practical expedient in paragraph 46A, the lessee shall disclose:<br>(a) that it has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient (see paragraph 2);<br>(b) and the amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient in paragraph 46A. |
| **BDO Comment** | The amendments to IFRS 16 do not explicitly require lessees to disclose the major types of rent concessions received, however, in accordance with IFRS 16.51, A Layout (International) Group considers this information necessary in order for users of the financial statements to assess the effect that leases have on the financial statements.<br><br>A Layout (International) Group has also disclosed a reconciliation of the change in lease liabilities as part of note 10, in accordance with IAS 7.44A and 44B, which require an entity to disclose the changes in liabilities arising from financing activities. |

## 3 Significant events and transactions (continued)

(b) *Writedown of inventory*

Due to decreases in consumer demand for certain types of toys and games, the carrying value of certain inventories exceeded their net realisable value, therefore, an inventory writedown was recorded related to the following classes of inventory (no writedown was recorded for the six months ended 30 June 2019):

| Class of inventory | (in CU'000) Writedown |
|---|---|
| Sporting goods | 1,674 |
| Board games | 178 |
| Outdoor games | 98 |
| Total | 1,950 |

*(c) Rent concessions received from lessors*

Due to government policy, A Layout had to close substantially all of its stores in March 2020. Certain locations were able to reopen in Countries A and B during June 2020, however, a significant number of stores remain closed as at 30 June 2020.

A Layout has received numerous forms of rent concessions from lessors due to A Layout being unable to operate for significant periods of time, including:

- Rent forgiveness (e.g. reductions in rent contractually due under the terms of lease agreements);
- Deferrals of rent (e.g. payment of April-June rent on an amortised basis from July 2020 – March 2021); and
- Conversion of a portion of fixed lease payments to variable lease payments not based on an index or rate (e.g. forgiveness of fixed monthly rent in exchange for a percentage of sales generated at store locations in the future).

As discussed in Note 2, A Layout has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. Substantially all of the rent concessions entered into during the six month period ended 30 June 2020 satisfy the criteria to apply the practical expedient.

The application of the practical expedient has resulted in the reduction of total lease liabilities of CU1,505. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

A Layout has engaged in further negotiations with lessors subsequent to the 30 June 2020 period end. See Note 12.

See earlier guidance notes

## 3 Significant events and transactions (continued)

*(d) Government grants*

A Layout applied for various government support programs introduced in response to the global pandemic.

Included in profit or loss is CU1,448 of government grants obtained relating to supporting the payroll of A Layout's employees. A Layout has elected to present this government grant separately, rather than reducing the related expense. A Layout had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. A Layout does not have any unfulfilled obligations relating to this program.

Included in profit or loss is CU400 of government grants relating to forgivable loans. A Layout is required to repay the loan to the federal government of country B on 31 December 2020 if it terminates the employment of a certain percentage of its employees in that country. As there is reasonable assurance that A Layout will meet the terms for the loan to be forgiven, it has been accounted for as a government grant and included in profit or loss.

A Layout has applied for additional government grants, which did not meet the recognition criteria as at 30 June 2020. See Note 12.

*(e) Covenant violations*

A Layout must comply with certain loan covenants in respect of minimum debt service coverage ratios, which are tested quarterly based on a ratio of: (i) earnings before interest, taxes, depreciation and amortisation; and (ii) total liabilities. A Layout did not comply with these covenants as at 30 June 2020, and therefore, loans and borrowings became due on demand at the option of the lenders. Subsequent to 30 June 2020, A Layout received a waiver from its lenders, indicating that they waive their right to demand repayment for the next 12 months; however, since the waiver was not obtained until after 30 June 2020, the liabilities have been classified as current.

IAS 34.16A (g) If IFRS 8 *Operating Segments* requires the entity to disclose segment information in its annual financial statements then the following information should be given in the interim financial report. Disclosure should be made in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis:

i. Revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker
ii. Intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker
iii. A measure of segment profit or loss
iv. Total assets for which there has been a material change from the amount disclosed in the last annual financial statements
v. A description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss
vi. A reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.

## 4 Segment information

**For the six months ended 30 June 2020**

(in CU '000)

| | Toys | Board games | Outdoor games | All other segments | Total |
|---|---|---|---|---|---|
| External revenue | 50,988 | 14,082 | 2,832 | 1,179 | **69,081** |
| Inter-segment revenue | 6,722 | - | - | - | **6,722** |
| Segment profit (loss) before tax | 1,178 | 214 | (582) | 95 | **905** |

**For the six months ended 30 June 2019**

(in CU '000)

| | Toys | Board games | Outdoor games | All other segments | Total |
|---|---|---|---|---|---|
| External revenue | 61,000 | 17,408 | 3,618 | 4,657 | **86,683** |
| Inter-segment revenue | 7,222 | - | - | - | **7,222** |
| Segment profit before tax | 4,356 | 1,084 | 288 | 613 | **6,341** |

The discontinued operation (Abstract Art) generated revenue of CU 3,251 in the 6 months to 30 June 2018 and is included within all other segments

| **Reconciliation to reported profit before tax** (for the six month ended 30 June) | **2020** | **2019** |
|---|---|---|
| Profit and loss of reportable segments before tax | 810 | 5,728 |
| Profit and loss other segments before tax | 95 | 613 |
| | **905** | **6,341** |
| Profit before tax of discontinued operation | - | (505) |
| Share of post-tax profits of equity accounted investments | 306 | 457 |
| Elimination inter-segment profits | (193) | (260) |
| Corporate expenses | (889) | (734) |
| **Profit before tax** | **129** | **5,299** |

| | |
|---|---|
| IAS 34.16A (l) | Disclose the disaggregation of revenue from contracts with customers required by paragraphs 114-115 of IFRS 15 *Revenue from Contracts with Customers*.<br><br>Paragraph 114 of IFRS 15 requires revenue from contracts with customers to be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.<br><br>Paragraph 115 of IFRS 15 requires an entity to disclose sufficient information to enable users to understand the relationship between the disclosure of disaggregated revenue (in accordance with paragraph 114) and revenue information that is disclosed for each reportable segment. |

| | |
|---|---|
| **BDO Comment** | A Layout (International) Group has analysed revenue into primary geographic markets, the product type (nature of performance obligation), the type of customers, and the timing of when revenue is recognised. Each entity will need to consider its own circumstances and needs of users when determining how to disaggregate revenue for the purposes of complying with this disclosure requirement. |

| | |
|---|---|
| **Comment** | A Layout (International) Group applies the same recognition and measurement principles applied for the purposes of segmental disclosures in note 4 as is required by IFRS 15. Revenue disclosed in note 4 therefore agrees to the revenue line presented on the face of the statement of comprehensive income (except that revenue earned from discontinued operations in the comparative 6 month period to 30 June 2020 is not included in the revenue on the face of the income statement). In some entities, however, recognition and measurement applied for internal reporting purposes, and hence forming the basis for disclosure of segment amounts, is not the same as that required by IFRS 15. In those cases, the requirement in IAS 34:16A (l) to provide the information required by IFRS 15:115 could result in more extensive disclosure than that needed to be given by A Layout (International) Group. |

## 5 Revenue

**For the six months ended 30 June 2020**
(in CU '000)

| | Toys | Board games | Outdoor equipment | All other segments | Total |
|---|---|---|---|---|---|
| *Primary Geographical Markets* | | | | | |
| Country A | 22,801 | 6,985 | 1,231 | - | 31,017 |
| Country B | 12,180 | 4,349 | 870 | - | 17,399 |
| Country C | 11,552 | 1,014 | - | 1,136 | 13,702 |
| Country D | 3,127 | 1,042 | - | - | 4,169 |
| Other | 1,328 | 692 | 731 | 43 | 2,794 |
| **Total** | **50,988** | **14,082** | **2,832** | **1,179** | **69,081** |
| | | | | | |
| *Product Type* | | | | | |
| Goods | 46,882 | 14,083 | 2,947 | - | 63,912 |
| Design Services | - | - | - | 1,178 | 1,178 |
| Extended Warranties | 4,106 | | 401 | - | 4,507 |
| **Total** | **50,988** | **14,083** | **3,348** | **1,178** | **69,597** |
| | | | | | |
| *Contract Counterparties* | | | | | |
| Retailers | 27,511 | 13,332 | 201 | - | 41,044 |
| Wholesalers | 19,164 | - | 1,261 | - | 20,425 |
| Direct to consumers (online) | 4,313 | 751 | 1,886 | - | 6,950 |
| B2B (services) | - | - | - | 1,178 | 1,178 |
| **Total** | **50,988** | **14,083** | **3,348** | **1,178** | **69,597** |
| | | | | | |
| *Timing of transfer of goods and services* | | | | | |
| Point in time (delivery to customers including bill and hold) | 40,966 | 9,032 | 2,819 | - | 52,817 |
| Point in time (delivery to port of departure) | 8,010 | 4,068 | 530 | - | 12,608 |
| Point in time (delivery to port of arrival) | 2,012 | 983 | - | - | 2,995 |
| Over time | - | - | - | 1,178 | 1,178 |
| **Total** | **50,988** | **14,083** | **3,349** | **1,178** | **69,598** |

See earlier guidance notes

## 5 Revenue (continued)

**For the six months ended 30 June 2019**

(in CU '000)

| | Toys | Board games | Outdoor games | All other segments | Total |
|---|---|---|---|---|---|
| *Primary Geographical Markets* | | | | | |
| Country A | 28,719 | 7,389 | 1,699 | - | 37,807 |
| Country B | 15,729 | 3,963 | 1,166 | - | 20,858 |
| Country C | 10,884 | 4,172 | - | 1,368 | 16,424 |
| Country D | 3,723 | 1,112 | - | - | 4,835 |
| Other | 1,945 | 772 | 753 | 38 | 3,508 |
| **Total** | **61,000** | **17,408** | **3,618** | **1,406** | **83,432** |
| | | | | | |
| *Product Type* | | | | | |
| Goods | 55,985 | 17,408 | 3,120 | - | 76,513 |
| Design Services | - | - | - | 1,406 | 1,406 |
| Extended Warranties | 5,015 | - | 498 | - | 5,513 |
| **Total** | **61,000** | **17,408** | **3,618** | **1,406** | **83,432** |
| | | | | | |
| *Contract Counterparties* | | | | | |
| Retailers | 32,837 | 16,549 | 935 | - | 50,321 |
| Wholesalers | 24,433 | - | 597 | - | 25,030 |
| Direct to consumers (online) | 3,730 | 859 | 2,086 | - | 6,675 |
| B2B (services) | - | - | - | 1,406 | 1,406 |
| **Total** | **61,000** | **17,408** | **3,618** | **1,406** | **83,432** |
| | | | | | |
| *Timing of transfer of goods and services* | | | | | |
| Point in time (delivery to customers including bill and hold) | 52,319 | 10,227 | 3,210 | - | 65,756 |
| Point in time (delivery to port of departure) | 7,821 | 6,179 | 408 | - | 14,408 |
| Point in time (delivery to port of arrival) | 860 | 1,002 | - | - | 1,862 |
| Over time | - | - | - | 1,406 | 1,406 |
| **Total** | **61,000** | **17,408** | **3,618** | **1,406** | **83,432** |
| | | | | | |
| Included in Discontinued operations | - | - | - | 3,251 | 3,251 |
| | | | | | |
| **Segmental analysis (note 3)** | **61,000** | **17,408** | **3,618** | **4,657** | **86,683** |

**Notes to the financial statements**

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

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

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

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

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

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

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

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

) The effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required by IFRS 3 *Business Combinations*.

## 6 Seasonal business

As with many retailers in Western society, A Layout (International) Group Plc is heavily dependent upon successful sales during the final quarter of the year. Sales tend to peak for the Christmas season and then decline after the holidays. These increased sales from September through December and declining sales in January and February result in lower revenue for the first half year and increased revenue for the second half year. For the six month period ended 30 June 2020, the decrease in sales during this period of time and into subsequent months has been more significant than in past periods due to the effects of COVID-19 (see note 4).

Revenue for the 12 months ended 30 June 2020 totalled CU195,482 (2019: CU201,072) and cost of sales of CU152,980 (2019: CU156,802).

## 7 Disposal group held for sale

Pony Games Limited (“Pony”), with its principal activity of manufacturing board games, was sold on 13 April 2020. It was wholly owned by A Layout (International) Group Plc. Following a strategic review management had concluded that considerable cost savings could be achieved if Zebra (a sister entity) undertakes manufacture previously allocated to Pony. The assets and liabilities of Pony were classified as held for sale in the last annual financial statements.

(in CU '000)

| | |
|---|---|
| ***Consideration received (and net cash inflow)*** | **4,750** |
| | |
| *Net assets disposed of* | |
| Property, plant and equipment | 3,644 |
| Investment property | 1,000 |
| Intangible assets | 129 |
| Trade and other receivables | 338 |
| Other financial assets | 57 |
| Trade and other payables | (189) |
| Other financial liabilities | (15) |
| | **4,964** |
| | |
| ***Loss on disposal*** | **(214)** |

## 8 Tax

Tax is charged at 26% for the six months ended 30 June 2020 (30 June 2020: 25%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the six month period.

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

…

(f) dividends paid (aggregate or per share) separately for ordinary shares and other shares.

…

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

....

(j) related party transactions

....

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

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

## 9 Dividend

| | 2020<br>CU'000 | 2019<br>CU'000 |
|---|---|---|
| Final dividend of CU cent 5.1 (2019: CU cent 7) per ordinary share proposed and paid during the period relating to the previous financial years results | 3,874 | 5,200 |

## 10 Related party transactions

(in CU '000)

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

| | Sales of goods | | Purchase of goods | | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| A Layout (EU) Limited | 1,386 | 1,681 | - | - | 818 | 862 | - | - |
| A Layout (USA) Inc | - | - | 1,189 | 1,320 | - | - | - | - |
| Associates | - | - | 287 | 422 | - | - | 90 | 60 |
| Joint ventures | 120 | 98 | - | 38 | 39 | 25 | - | 33 |

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

| Related party relationship | Type of transaction | Transaction amount | | Balance owed | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| Companies in which directors or their immediate family have a significant/ controlling interest | Sales to related party | 1,438 | 1,680 | 806 | 1,320 |
| | Purchase from related party | 1,040 | 1,668 | - | - |
| Associates | Dividends received | 145 | 284 | - | - |
| Joint ventures | Sales of assets to the group | 160 | 40 | - | - |

**Notes to the financial statements**

IAS 24.17 An entity shall disclose key management personnel compensation in total and for each of the following categories:

(a) short-term employee benefits
(b) post-employment benefits
(c) other long-term benefits
(d) termination benefits
(e) share-based payment.

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

(e) issues, repurchases and repayments of debt and equity securities.

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

...

any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period

....

## 10 Related party transactions (continued)

*Key management personnel compensation*

| (in CU '000) | **2020** | **2019** |
|---|---|---|
| Salary | 440 | 425 |
| Other long-term benefits | 352 | 1,621 |
| Total pension and other post-employment benefit costs | 930 | 920 |
| Share based payment expense | 465 | 439 |
| **Total** | **2,187** | **3,405** |

## 11 Loans and borrowings

| (in CU '000) | | |
|---|---|---|
| *At 1 January* | **2020** | **2019** |
| Non-current | 14,292 | 14,748 |
| Current | 23,267 | 19,074 |
| **Total** | **37,559** | **33,822** |
| **Issues** | | |
| Non-current bank loan (secured) | 3,100 | 2,300 |
| **Repayments** | | |
| Collateralised borrowings | (1,000) | (753) |
| Current bank loan (secured) | (4,500) | - |
| Finance Lease creditor | - | (372) |
| Principal payments on lease liabilities | (3,301) | - |
| **Other** | | |
| Rent concessions (Note 3(c)) | (1,505) | - |
| **Effect of foreign exchange** | **(377)** | **(17)** |
| *At 30 June* | | |
| **Total** | **29,976** | **34,980** |
| - Non-current | 430 | 15,769 |
| - Current | 29,546 | 19,211 |

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

A Layout (International) Group Plc did not comply with certain covenants as at 30 June 2020, and therefore, all borrowings other than the non-current portion of lease liabilities have been reclassified as current. See note 3(e) for further information.

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

(h) events after the interim period that have not been reflected in the financial statements for the interim period.

## 12 Events after the reporting period

*(a) Rent concessions*

From 1 July 2020 to 20 August 2020, A Layout agreed to additional rent concessions with lessors relating to retail locations. These rent concessions resulted in a total reduction in lease liabilities of CU1,223.

*(b) Government grants*

From 1 July 2020 to 20 August 2020, A Layout recognised an additional CU 893 of government grants in profit or loss relating to wage subsidy programs related to July and August 2020 payroll expenses.

On 24 July 2020, A Layout received a CU 2,500 loan from government A, which bears no interest and is repayable in a single payment on 31 December 2022.

(c) *Government imposed store closures*

On 15 August 2020, Country C removed restrictions on indoor shopping centres; therefore, A Layout re-opened all stores within Country C.

As at the date of completion of these financial statements, Countries A, B, D have not yet lifted restrictions.

**Notes to the financial statements**

IAS 34.16A (j) For financial instruments, the disclosures about fair value required by paragraphs 91–93(h), 94–96, 98 and 99 of IFRS 13 *Fair Value Measurement* and paragraphs 25, 26 and 28–30 of IFRS 7 *Financial Instruments: Disclosures*.

IFRS 7.25 An entity must disclose the fair value for each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying Amount, except:

IFRS 7.29

- When the carrying amount is a reasonable approximation of fair value (E.g. short-term trade receivables and payables)

- For contracts containing a discretionary participation feature (as described in IFRS 4, *Insurance Contracts*) if the fair value of that feature cannot be measured reliably.

IFRS 7.26 Financial assets and financial liabilities are to be grouped into classes for the purposes of fair value disclosures, but shall be offset only to the extent that their carrying amounts are offset in the statement of financial position.

IFRS 7.28 In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) nor based on a valuation technique that uses only data from observable markets (see paragraph AG76 of IAS 39). In such cases, the entity shall disclose by class of financial asset or financial liability:

a) Its accounting policy for recognising in profit or loss the difference between the fair value at initial recognition and the transaction price to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph B5.4.9 of IFRS 9).

b) The aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.

c) Why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.

IFRS 7.30 In the cases described in paragraph 29(c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those contracts and their fair value, including:

a) The fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;
b) A description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;
c) Information about the market for the instruments;
d) Information about whether and how the entity intends to dispose of the financial instruments; and
e) If financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.

## 13 Fair Value

*(a) Carrying Amount versus Fair Value*

The following table compares the carrying amounts and fair values of the group's financial assets and financial liabilities as at 30 June 2020.

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

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

| (in CU '000) | As at 30 June 2020 | | As at 31 December 2019 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| *Financial Assets* | | | | |
| Equity investments | 3,066 | 3,066 | 3,573 | 3,573 |
| Derivative financial assets | 2,594 | 2,594 | 2,939 | 2,939 |
| **Total** | **5,660** | **5,660** | **6,512** | **6,512** |
| *Financial Liabilities* | | | | |
| Loans and borrowings | 26,745 | 28,130 | 29,522 | 30,909 |
| Derivative financial liabilities | 142 | 142 | 112 | 112 |
| **Total** | **26,887** | **28,272** | **29,634** | **31,021** |

*(b) Fair value Hierarchy*

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

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

The fair value hierarchy has the following levels:

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

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

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

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

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

a) For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements.

b) For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

IFRS 13.92 In making these disclosures an entity considers:

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

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

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

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

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

## 13 Fair Value (continued)

*(b) Fair value Hierarchy (continued)*

| (in CU '000) | As at 30 June 2020 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| *Financial Assets* | | | | |
| Equity investments | 3,066 | 2,524 | - | 542 |
| Derivative financial assets | 2,594 | - | 2,594 | - |
| **Total** | **5,660** | **2,524** | **2,594** | **542** |
| | | | | |
| *Financial Liabilities* | | | | |
| Derivative financial liabilities | 142 | - | 142 | - |
| **Total** | **142** | **-** | **142** | **-** |

| (in CU '000) | As at 31 December 2019 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| *Financial Assets* | | | | |
| Equity investments | 3,573 | 3,013 | - | 560 |
| Derivative financial assets | 2,939 | - | 2,939 | - |
| **Total** | **6,512** | **3,013** | **2,939** | **560** |
| | | | | |
| *Financial Liabilities* | | | | |
| Derivative financial liabilities | 112 | - | 112 | - |
| **Total** | **112** | **-** | **112** | **-** |

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

| (in CU '000) | As at 30 June 2020 | As at 30 June 2019 |
|---|---|---|
| *Equity investments* | | |
| Opening balance | 560 | 555 |
| Net unrealised gain/(loss) recognised during the period | (18) | 2 |
| **Closing balance** | **542** | **557** |

The reduction in fair value of CU18 (2019: increase of CU2) is included within the overall decrease relating to equity investments classified at fair value through OCI of CU47 (2019: CU201) that was recognised in other comprehensive income during the period.

| | |
|---|---|
| IFRS 13.95 | [Refer for transfers between hierarchy levels] |
| IFRS 13.93(d) | For recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement.<br><br>If there has been a change in valuation technique (e.g. changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it.<br><br>For fair value measurements categorised within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement.<br><br>An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (e.g. when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity. |
| IFRS 13.93(g) | For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period). |
| IFRS 13.93(h) | For recurring Level 3 fair value measurements disclose:<br>– The sensitivity of changes in unobservable inputs<br>– Any interdependencies between unobservable inputs<br>– The impact of a reasonably possible change in significant unobservable inputs |
| IFRS 13.97 | For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity shall disclose the information required by paragraph 93(b), (d) and (i).<br><br>However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorised within Level 3 of the fair value hierarchy required by paragraph 93(d).<br><br>For such assets and liabilities, an entity does not need to provide the other disclosures required by IFRS 13. |

## 13 Fair Value (continued)

*(d) Transfers during the period*

During the 6 month period to 30 June 2020:
- There were no transfers between Level 1 and Level 2 fair value measurements
- There were no transfers into or out of Level 3 fair value measurements

*(e) Valuation techniques*

(i) Equity investments

For Level 1 equity investments classified at fair value through OCI the group uses the closing market price as at reporting date per share multiplied by the number of shares held.

For Level 3 equity investments classified at fair value through OCI the group uses a discounted cash flow model to determine fair value as at the reporting date. This approach requires the use of assumptions about certain unobservable inputs. Significant unobservable inputs as at 30 June 2020 include.
- Growth rate in cash flows: 1.9% (31 December 2019: 2.0%)
- Discount rate: 12.4% (31 December 2019: 12.4%)

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

A reasonably possible change in the growth rate of cash flows of +/- 2.0% would result in:
- An increase in carrying value of CU21,000 (+2.0%)
- A decrease in the carrying value of CU20,000 (-2.0%)

A reasonably possible change in the discount rate of +/- 1.2% would result in:
- A decrease in carrying value of CU35,000 (+1.2%)
- An increase in the carrying value of CU33,000 (-1.2%)

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

(ii) Derivative financial assets and liabilities

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

(iii) Loans and borrowings

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

**Appendix 1: Quarterly report**

| | |
|---|---|
| IAS 34.20 (b)<br>Appendix A | The interim statement of comprehensive income is required to include the **current interim period** and cumulatively for the current financial year to date, **with comparative statements** of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year.<br>In the example above this gives the current quarter (3 months to 30 September) and cumulatively for the year to date (9 months to 30 September) with comparatives. |

## Appendix 1: Quarterly report - Condensed comprehensive income statement

### Interim consolidated statement of comprehensive income
**(Single statement approach, analysed by function of expense)**
**For the nine months ended 30 September 2020**

| (in CU '000) | Note | 2020 1 Jul-30 Sep | 2020 1 Jan-30 Sep | 2019 1 Jul-30 Sep | 2019 1 Jan-30 Sep |
|---|---|---|---|---|---|
| Revenue | | 32,011 | 101,092 | 41,164 | 124,596 |
| Cost of Sales | | (25,797) | (81,468) | (32,505) | (98,389) |
| **Gross profit** | | **6,214** | **19,624** | **8,658** | **26,208** |
| Other operating income | | 246 | 776 | 301 | 912 |
| Administrative expenses | | (2,138) | (6,751) | (2,152) | (6,514) |
| Distribution expenses | | (2,034) | (6,423) | (2,260) | (6,841) |
| Loss from disposal group | | - | (214) | - | - |
| Other expenses | | (1,437) | (4,538) | (2,203) | (6,668) |
| **Profit from operations** | | **851** | **2,474** | **2,344** | **7,096** |
| Finance expense | | (577) | (1,822) | (149) | (452) |
| Finance income | | 66 | 208 | 194 | 586 |
| Share of post-tax profits of equity accounted investments | | 142 | 448 | 225 | 682 |
| Profit before tax | | **482** | **1,308** | **2,614** | **7,913** |
| Tax expense | | (15) | (47) | (653) | (1,978) |
| Profit from continuing operations | | **467** | **1,261** | **1,961** | **5,935** |
| Profit on discontinued operation, net of tax | | **-** | **-** | **155** | **529** |
| **Profit for the period** | | **467** | **1,261** | **2,116** | **6,464** |
| **Other comprehensive income** | | | | | |
| ***Items to be reclassified to profit or loss in subsequent periods*** | | | | | |
| Cash flow hedges | | 101 | 319 | 17 | 51 |
| Exchange gains arising on translation of foreign ops. | | - | - | 480 | 1,453 |
| Income tax - items reclassified to profit or loss | | (16) | (50) | 241 | 213 |
| *Net other comprehensive income to be reclassified to profit or loss in subsequent periods* | | 85 | 269 | 738 | 1,717 |
| ***Items not reclassified to profit or loss in subsequent periods*** | | | | | |
| Loss on property revaluation | | (394) | (1,244) | (1,426) | (4,316) |
| Gains/losses on equity investments | | (22) | (69) | (99) | (300) |
| Actuarial gains - defined benefit pension schemes | | 112 | 354 | 78 | 236 |
| Income tax - items not reclassified to profit or loss | | 70 | 222 | 160 | 1,000 |
| *Net other comprehensive income not being reclassified to profit or loss in subsequent periods* | | (233) | (736) | (1,288) | (3,380) |
| **Total other comprehensive income (loss) for the period** | | **(148)** | **(467)** | **(550)** | **(1,663)** |
| **Total comprehensive income (loss) for the period** | | **319** | **794** | **1,566** | **4,801** |

See earlier guidance notes.

## Interim consolidated statement of comprehensive income
### (Single statement approach, analysed by function of expense)
### For the nine months ended 30 September 2020 *(continued)*

| (in CU '000) | Note | 2020 | | 2019 | |
|---|---|---|---|---|---|
| | | 1 Jul-30 Sep | 1 Jan-30 Sep | 1 Jul-30 Sep | 1 Jan-30 Sep |
| | | | | (As restated) | (As restated) |
| **Profit for the period attributable to:** | | | | | |
| **Owners of the parent** | | **463** | **1,248** | **2,002** | **6,119** |
| Non-controlling interest | | 4 | 13 | 114 | 345 |
| | | **467** | **1,261** | **2,116** | **6,464** |
| Total comprehensive income (loss) for the period attributable to: | | | | | |
| **Owners of the parent** | | **315** | **781** | **1,452** | **4,456** |
| Non-controlling interest | | 4 | 13 | 114 | 345 |
| | | **319** | **794** | **1,566** | **4,801** |
| Earnings per share for profit for the period attributable to the owners of the parent during the year | | | | | |
| Basic (CU cent) | | 0.1 | 0.2 | 2.7 | 8.2 |
| Diluted (CU cent) | | 0.2 | 0.5 | 2.4 | 7.4 |
| Continuing operations | | | | | |
| Basic (CU cent) | | 0.1 | 0.2 | 2.5 | 7.5 |
| Diluted (CU cent) | | 0.2 | 0.5 | 2.2 | 6.7 |

# Contact

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

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## EUROPE

| | | |
|---|---|---|
| Anne Catherine Farlay | France | annecatherine.farlay@bdo.fr |
| Jens Freiberg | Germany | jens.freiberg@bdo.de |
| Teresa Morahan | Ireland | tmorahan@bdo.ie |
| Ehud Greenberg | Israel | ehudg@bdo.co.il |
| Stefano Bianchi | Italy | stefano.bianchi@bdo.it |
| Roald Beumer | Netherlands | roald.beumer@bdo.nl |
| Reidar Jensen | Norway | reidar.jensen@bdo.no |
| Leonid Sidelkovskiy | Russia | L.Sidelkovskiy@bdo.ru |
| David Cabaleiro | Spain | david.cabaleiro@bdo.es |
| Beat Rüfenacht | Switzerland | beat.ruefenacht@bdo.ch |
| Katerina Rafalska | Ukraine | krafalska@bdo.ua |
| Moses Serfaty | United Kingdom | moses.serfaty@bdo.co.uk |

## ASIA PACIFIC

| | | |
|---|---|---|
| Aletta Boshoff | Australia | aletta.boshoff@bdo.com.au |
| Hu Jian Fei | China | hu.jianfei@bdo.com.cn |
| Fanny Hsiang | Hong Kong | fannyhsiang@bdo.com.hk |
| Pradeep Suresh | India | pradeepsuresh@bdo.in |
| Khoon Yeow Tan | Malaysia | tanky@bdo.my |

## LATIN AMERICA

| | | |
|---|---|---|
| Marcello Canetti | Argentina | mcanetti@bdoargentina.com |
| Victor Ramirez | Colombia | vramirez@bdo.com.co |
| Ernesto Bartesaghi | Uruguay | ebartesaghi@bdo.com.uy |

## NORTH AMERICA & CARIBBEAN

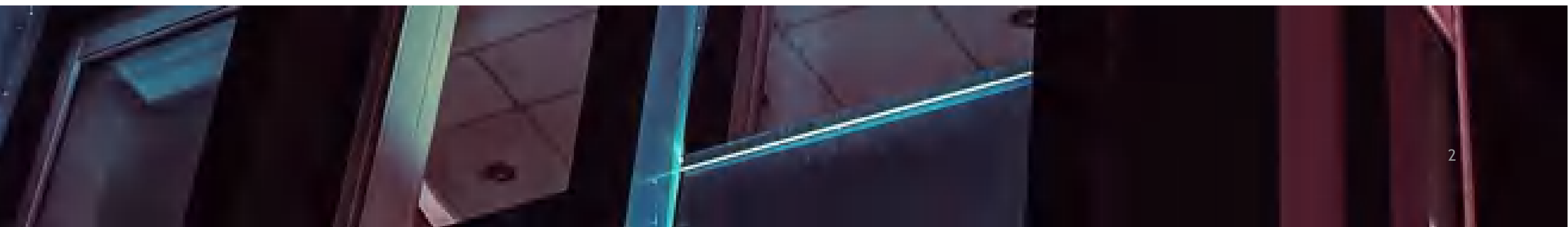
| | | |
|---|---|---|
| Armand Capisciolto | Canada | acapisciolto@bdo.ca |
| Wendy Hambleton | USA | whambleton@bdo.com |

## MIDDLE EAST

| | | |
|---|---|---|
| Arshad Gadit | Bahrain | arshad.gadit@bdo.bh |
| Antoine Gholam | Lebanon | agholam@bdo-lb.com |

## SUB SAHARAN AFRICA

| | | |
|---|---|---|
| Theunis Schoeman | South Africa | tschoeman@bdo.co.za |



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