Deloitte.

Interim financial reporting

A guide to IAS 34

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An IAS Plus guide

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Abbreviations

Alt	Alternative
EPS	Earnings per share
GAAP	Generally Accepted Accounting Principles
IAS(s)	International Accounting Standard(s)
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee of the IASB, and title of Interpretations developed by that committee
IFRS(s)	International Financial Reporting Standard(s)

Throughout this publication, paragraphs that represent the authors' interpretations and examples other than those cited in IFRSs are highlighted by green shading.

1. Introduction and scope

IAS 34 *Interim Financial Reporting* prescribes the minimum content for an interim financial report, and the principles for recognition and measurement in complete and condensed financial statements for an interim period. The Standard has been effective since 1 January 1999, and was most recently amended as a consequential amendment of IAS 1(2007) *Presentation of Financial Statements*, resulting in changes in terminology, and in the titles and layout of certain of the financial statements to be included in interim financial reports. These amendments are effective for periods beginning on or after 1 January 2009.

IFRS 8 *Operating Segments*, which supersedes IAS 14 *Segment Reporting* and is effective for periods beginning on or after 1 January 2009, has expanded the segment information to be disclosed in interim financial reports. In this guide, it is assumed that the interim accounting period under consideration begins on or after 1 January 2009 – no reference is made to the requirements of IAS 34 applicable to earlier periods.

1.1 Scope of IAS 34

IAS 34 applies to interim financial reports that are described as complying with International Financial Reporting Standards. [IAS 34.3]

Interim financial reports are financial reports containing either a complete set of financial statements (as described in IAS 1) or a set of condensed financial statements (as described later in this guide) for an interim period. An interim period is a financial reporting period shorter than a full financial year. [IAS 34.4]

1.2 No requirement to prepare interim financial reports

IAS 34 does not contain any rules as to which entities should publish interim financial reports, how frequently, or how soon after the end of an interim period. The Standard notes that governments, securities regulators, stock exchanges, and accountancy bodies often require entities with publicly-traded debt or equity to publish interim financial reports, and that those regulations will generally specify the frequency and timing of such reports. However, IAS 34 *encourages* publicly-traded entities:

[IAS 34.1]

- to provide interim financial reports at least as of the end of the first half of their financial year; and
- to make their interim financial reports available no later than 60 days after the end of the interim period.

1.3 No requirement for interim financial reports to comply with IAS 34

Each financial report, annual or interim, is evaluated on a stand-alone basis for compliance with IFRSs. It is important to note that entities that prepare annual financial statements in accordance with IFRSs are not precluded from preparing interim financial reports that do not comply with IFRSs, provided that the interim report does not state that it is IFRS-compliant. The fact that an entity has not published interim financial reports during a financial year, or that it has published interim financial reports that do not comply with IAS 34, does not prevent the entity's annual financial statements from conforming to IFRSs, if they are otherwise IFRS-compliant. [IAS 34.1 & 2]

1.4 Preliminary announcements

IAS 34 does not address the content of preliminary interim earnings announcements (i.e. those earnings announcements issued shortly after the end of an interim period that disclose abbreviated preliminary financial information for the interim period just ended). IAS 34.3 does state, however, that if an interim financial report is described as complying with IFRSs, it must comply with all of the requirements of IAS 34. Therefore, if any reference to IFRSs is made in a preliminary interim earnings announcement, the following sentences (or something substantively similar) should be included in that earnings release.

> 'While the financial figures included in this preliminary interim earnings announcement have been computed in accordance with International Financial Reporting Standards (IFRSs) applicable to interim periods, this announcement does not contain sufficient information to constitute an interim financial report as that term is defined in IFRSs. The directors expect to publish an interim financial report that complies with IAS 34 in March 20X2.'

2. Content of an interim financial report

2.1 General principles underlying the preparation of financial statements

If an entity presents a complete set of financial statements for interim reporting purposes (as described in IAS 1 *Presentation of Financial Statements* – see chapter 3 of this guide), it must apply IAS 1 in full. If an entity presents a condensed set of financial statements for interim reporting purposes, IAS 1.4 contains the following guidance.

> "This Standard does not apply to the structure and content of condensed interim financial statements prepared in accordance with IAS 34 *Interim Financial Reporting*. However, paragraphs 15-35 apply to such financial statements."

Paragraphs 15-35 of IAS 1, which therefore apply when preparing all interim financial reports (whether condensed or complete), deal with:

- fair presentation and compliance with IFRSs;
- going concern;
- accrual basis of accounting;
- materiality and aggregation; and
- offsetting.

2.2 Minimum components

Entities reporting in accordance with IAS 34 are required to include in their interim financial reports, at a minimum, the following components:

[IAS 34.8]

- a condensed statement of financial position;
- a condensed statement of comprehensive income, presented as either:
  - a condensed single statement; or
  - a condensed separate income statement and a condensed statement of comprehensive income;
- a condensed statement of changes in equity;
- a condensed statement of cash flows; and
- selected explanatory notes.

If, in its annual financial statements, an entity presents the components of profit or loss in a separate income statement as described in IAS 1.81, it should also present interim condensed information in a separate statement. [IAS 34.8A]

Note that the titles of the financial statements listed above have been amended as a consequential amendment of IAS 1(2007). Entities are permitted to use titles for these statements other than those set out above. An entity would be expected to use the same titles in its interim financial report as are used in its annual financial statements.

These amendments are effective for periods beginning on or after 1 January 2009 and entities should describe their effect on the financial statements in the first interim financial report for that year.

2.3 Periods required to be presented

IAS 34.20 requires interim reports to include interim financial statements (whether condensed or complete – see chapter 3 of this guide) for the periods listed in the following table.

Statement	Current	Comparative
Statement of financial position	End of current interim period	End of immediately preceding financial year
Statement of comprehensive income (and, where applicable, separate income statement)	Current interim period and cumulatively for the year-to-date	Comparable interim period and year-to-date of immediately preceding financial year
Statement of changes in equity	Cumulatively for the current financial year-to-date	Comparable year-to-date of immediately preceding financial year
Statement of cash flows	Cumulatively for the current financial year-to-date	Comparable year-to-date of immediately preceding financial year

2.3.1 Entities that report half-yearly

Based on the requirements of IAS 34.20, example 2.3.1 illustrates the statements required to be presented in the interim financial report of an entity that reports half-yearly, with a 31 December 20X9 year end.

Example 2.3.1

Statements required for entities that report half-yearly

Statement	Current	Comparative
Statement of financial position at	30 June 20X9	31 December 20X8
Statement of comprehensive income (and, where applicable, separate income statement) – 6 months ended	30 June 20X9	30 June 20X8
Statement of changes in equity – 6 months ended	30 June 20X9	30 June 20X8
Statement of cash flows – 6 months ended	30 June 20X9	30 June 20X8

2.3.2 Entities that report quarterly

Based on the requirements of IAS 34.20, example 2.3.2 illustrates the statements required to be presented in the half-yearly interim financial report of an entity that reports quarterly, with a 31 December 20X9 year end.

Example 2.3.2

Statements required for entities that report quarterly

Statement	**Current**	**Comparative**
Statement of financial position at	30 June 20X9	31 December 20X8
Statement of comprehensive income (and, where applicable, separate income statement)		
– 6 months ended	30 June 20X9	30 June 20X8
– 3 months ended	30 June 20X9	30 June 20X8
Statement of changes in equity		
– 6 months ended	30 June 20X9	30 June 20X8
Statement of cash flows		
– 6 months ended	30 June 20X9	30 June 20X8

2.3.3 Entities with seasonal businesses

The requirements of IAS 34.20, as discussed above, specify the minimum periods for which interim financial statements are to be presented. However, entities may wish to provide additional information. For example, an entity whose business is highly seasonal is encouraged to disclose financial information relating to the twelve months up to the end of the interim period, and comparative information for the equivalent twelve-month period in the prior year. [IAS 34.21]

2.3.4 Change of financial year end

Example 2.3.4

Comparative interim period when financial year end changes

Company A's financial year ends on 31 March. It reports half-yearly. It prepared annual financial statements for the year ended 31 March 20X1. Subsequently, it published a half-yearly report for the six months ended 30 September 20X1.

Company A changes its financial year end to 31 December and prepares 'annual' financial statements for the nine months ended 31 December 20X1. Its half-yearly interim report for 20X2 will be for the six months ended 30 June 20X2. What comparative period should be used for the June 20X2 interim financial report?

IAS 34 does not consider the circumstances where there is a change in the financial year end. IAS 34.20 requires the presentation of comparative information for the statement of comprehensive income, statement of changes in equity, and statement of cash flows, for "comparable interim periods". In many circumstances, using the period from 1 January 20X1 to 30 June 20X1 as the comparative period may be preferable to using the amounts previously reported for the period from 1 April 20X1 to 30 September 20X1, because this would enable users to compare trends over time, particularly in a seasonal business. However, based on the particular facts and circumstances, other periods may be appropriate (e.g. where local regulations prescribe the comparative period(s) to be presented following a change in financial year end).

2.3.5 Comparative financial statements when interim financial reports are produced for the first time

When an entity is preparing its first interim financial report under IAS 34, unless the report relates to the first period of operation, it should generally include comparatives as discussed in the previous sections. In the exceptional circumstances where the entity does not have available in its accounting records the financial information needed to prepare the comparative interim financial statements, the entity has no choice but to omit prior period comparative financial statements.

In the circumstances described, however, the omission of the comparative financial statements represents a non-compliance with IAS 34. Therefore, the interim financial report cannot be described as complying with IAS 34 without an 'except for' statement regarding the omission of prior period comparative figures. Both the fact of, and the reason for, the omission should be disclosed.

2.4 Consolidated financial statements

If the entity's most recent annual financial statements were consolidated statements, then the interim financial report should also be prepared on a consolidated basis. If the entity's annual financial report included the parent's separate financial statements in addition to consolidated financial statements, IAS 34 neither requires nor prohibits the inclusion of the parent's separate statements in the entity's interim report. [IAS 34.14]

Where the entity has disposed of all of its subsidiaries during the interim period, such that it has no subsidiaries at the end of the interim reporting period, it should prepare its interim financial report on a consolidated basis because it had subsidiaries at some point during the interim period. The statement of comprehensive income, statement of changes in equity and statement of cash flows will include the impact of the subsidiaries up to the date(s) of disposal and the effects of the disposal.

2.5 Materiality

Materiality is defined in IAS 1.7 as follows.

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

IAS 34.23 requires that, in deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality should be assessed in relation to the interim period financial data. In making assessments of materiality, it should be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.

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

3. Condensed or complete interim financial statements

Where the minimum required information for interim financial statements prescribed by IAS 34.8 (as listed in section 2.2 above) is presented, the resultant financial statements are described as 'condensed'. However, entities also have the option of including a complete set of financial statements in their interim financial reports. Where an entity takes this alternative, the form and content of the financial statements must conform to the requirements of IAS 1 *Presentation of Financial Statements* for a complete set of financial statements, in addition to complying with the requirements of IAS 34. [IAS 34.7 & 9] Therefore, the measurement and disclosure requirements of all relevant Standards apply. These include all measurement and disclosure requirements of IAS 34 and, in particular, the selected explanatory note disclosures listed in IAS 34.16 (see chapter 4 of this guide).

The requirements of IAS 1 (other than the general principles referred to in section 2.1 above) are not generally applicable to condensed interim financial statements.

3.1 Items to appear on the face of condensed financial statements

IAS 34 requires, for each component (statement of financial position, statement of comprehensive income, statement of changes in equity, and statement of cash flows), that each of the headings and subtotals that were included in the entity's most recent annual financial statements should be disclosed. Additional line items are required if their omission would make the condensed interim financial statements misleading. [IAS 34.10]

In prescribing the minimum content, IAS 34 uses the phrase "each of the headings and subtotals", thereby seeming to imply that not all of the line items that were presented in the most recent annual financial statements are necessarily required. Such an interpretation would do a disservice, however, to a user of the financial statements who is trying to assess trends in the interim period in relation to financial years. Therefore, the phrase should be interpreted, in nearly all cases, to mean the line items that were included in the entity's most recent annual financial statements. The line items in most published financial statements are already highly aggregated and it would be difficult to think of a line item in the annual statement of comprehensive income, in particular, that would not also be appropriate in an interim statement of comprehensive income.

For the statement of financial position, a too literal interpretation of "each of the headings and subtotals" might lead to an interim statement of financial position that presented lines only for total current assets, total non-current assets, total current liabilities, total non-current liabilities and total equity, which would generally be insufficient for trend analysis.

For the statement of changes in equity, all material movements in equity occurring in the interim period should be disclosed separately.

In the case of the statement of cash flows, some aggregation of the lines from the annual statement may be appropriate, but subtotals for 'operating', 'investing' and 'financing' only are unlikely to be sufficient.

If a particular category of asset, liability, equity, income, expense or cash flows was so material as to require separate disclosure in the financial statements in the most recent annual financial statements, such separate disclosure will generally be appropriate in the interim financial report. Further aggregation would only be anticipated where the line items in the annual statements are unusually detailed.

Under IAS 34.10, additional line items should be included if their omission would make the condensed interim financial statements misleading. Therefore, a new category of asset, liability, income, expense, equity or cash flow arising for the first time in the interim period may require presentation as an additional line item in the condensed financial statements.

A category of asset, liability, income, expense, equity or cash flow may be significant in the context of the interim financial statements even though it is not significant enough to warrant separate presentation in the annual financial statements. In such cases, separate presentation in the condensed interim financial statements may be required.

3.2 Use of the term 'condensed'

The requirements discussed in the previous section will result in the presentation of at least some statements that include all of the line items, headings and subtotals that were presented in the most recent annual financial statements. The question then arises as to whether such statements should, in practice, be described as 'condensed'.

Given that the notes supplementing the interim financial statements are limited, the presentation package taken together is condensed from what would be reported in a complete set of financial statements under IAS 1 and other Standards. In such circumstances, the information presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows is condensed – even if the appearance of the statements has not changed. These interim statements should therefore be described as 'condensed', because otherwise a user might infer that they constitute a complete set of financial statements under IAS 1, which they do not. A complete set of financial statements must include a full note presentation consistent with the annual presentation.

4. Selected explanatory notes

IAS 34 specifies that an interim financial report should contain selected explanatory notes.

4.1 Required disclosures

The disclosure requirements of IAS 34 are based on the assumption that anyone reading the interim financial report will have access to the most recent annual financial statements. Therefore, not all of the supplementary notes in the annual financial statements are required for interim reporting purposes, because this would result in repetition, or the reporting of relatively insignificant changes. The explanatory notes included with the interim financial information are intended to provide 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. [IAS 34.15]

The list below sets out the minimum explanatory notes required by IAS 34. The information is generally presented on a financial year-to-date basis. However, the entity is also required to disclose any events or transactions that are material to an understanding of the current interim period. [IAS 34.16]

The following information should be disclosed in the notes to the interim financial statements, if material to an understanding of the interim period and if not disclosed elsewhere in the interim financial report: [IAS 34.16]

(a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as were followed in the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change (see chapter 5 of this guide);

(b) explanatory comments about the seasonality or cyclicality of interim operations;

(c) the nature and amount of items affecting assets, liabilities, equity, net income or cash flows, that are unusual because of their size, nature or incidence;

(d) 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, if those changes have a material effect in the current interim period;

(e) issuances, repurchases and repayments of debt and equity securities;

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

(g) the following segment information (see 4.3 below):

  (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; and

  (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 should be separately identified and described in that reconciliation;

(h) material events subsequent to the end of the interim period that have not been reflected in the interim financial statements;

(i) the effect of changes in the composition of the entity during the interim period, including business combinations (see 4.4 below), obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinued operations; and

(j) changes in contingent liabilities or contingent assets since the end of the last reporting period.

The Standard requires the entity to provide explanatory comments about the seasonality or cyclicality of interim operations under IAS 34.16(b). Discussion of changes in the business environment (such as changes in demand, market shares, prices and costs) and discussion of prospects for the full current financial year of which the interim period is a part will normally be presented as part of a management discussion and analysis or financial review, outside of the notes to the interim financial statements.

IAS 34.17 provides the following examples of the kinds of disclosures that are required:

- the write-down of inventories to net realisable value and the reversal of any such write-down;
- recognition of a loss arising from the impairment of property, plant, and equipment, intangible assets, or other assets, and the reversal of any such impairment loss;
- the 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;
- any loan default or any breach of a loan agreement that has not been remedied on or before the end of the reporting period; and
- related party transactions.

4.2 Detail required in explanatory notes

IAS 34 does not specify the level of detail for the disclosures required by IAS 34.16 and IAS 34.17. The guiding principle is that the interim disclosures should be those that are useful in understanding the changes in financial position and performance of the entity since the end of the last annual reporting period. IAS 34.18 points out that the detailed disclosures required by other IFRSs are not required in an interim financial report that includes condensed financial statements and selected explanatory notes. Therefore, in general, the level of detail in interim note disclosures will be less than the level of detail in annual note disclosures. The following examples illustrate this point.

- IAS 2.37 suggests that amounts of inventories at the end of a period and changes in inventories during the period are normally classified between merchandise, production supplies, materials, work in progress and finished goods. That level of detail would not normally be required in condensed interim financial statements unless it is significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Therefore, the disclosure of a write-down of inventories to net realisable value and the reversal of such a write-down, as required by IAS 34.17(a), will generally be made at the entity-wide level in condensed interim financial statements, rather than analysed between different classes of inventories.
- IAS 36.126 requires disclosure of impairment losses and reversals for each class of assets. The disclosure of impairment losses and reversals required by IAS 34.17(b) will generally be made at the entity-wide level in condensed interim financial statements, rather than by class of assets, except where a particular impairment or reversal is deemed significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period.
- IAS 24.16 requires disclosure of key management personnel compensation by category. Such detailed disclosures of the remuneration of key management personnel are not generally required in interim financial reports unless there has been a significant change since the end of the last annual reporting period and disclosure of that change is necessary for an understanding of the interim period. For example, a bonus granted or share options awarded to members of key management personnel during the interim period are likely to be significant to an understanding of the interim period and, therefore, should be disclosed.

At its February 2009 meeting, the International Accounting Standards Board (IASB) considered the disclosure requirements of IAS 34. This review was prompted by requests from various sources for the Board to mandate more specific disclosure requirements for interim financial reports (most recently, such requests had been received in relation to disclosures regarding financial instruments). In the agenda papers for the Board's meeting, IASB staff summarised the current requirements as requiring disclosure in interim financial reports of information that is:

- material to the overall interim financial statements; or
- unusual or irregular; or

- a change from the previous reporting period (of the current or previous financial year) that has a significant effect on the current reporting period; or
- relevant to an understanding of estimates used in the interim financial statements.

The Board was not keen to mandate more specific information to be disclosed in interim financial statements (either by incorporating disclosure requirements of other Standards into IAS 34 or by specifying within other Standards which disclosure requirements are mandatory for interim financial reports). It is more likely that additional guidance will be developed for inclusion in IAS 34 regarding how to comply with the Standard's existing disclosure requirements (e.g. by providing more examples to illustrate information that should be disclosed in interim financial statements). At the date of writing, IASB staff were working on proposals in this regard.

4.3 Segment information – application of IFRS 8

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.

IFRS 8 superseded IAS 14 *Segment Reporting* for periods beginning on or after 1 January 2009. The consequential amendments to IAS 34 (i.e. the expanded disclosure requirements under IAS 34.16(g) listed in section 4.1) are effective for annual periods beginning on or after 1 January 2009. Therefore, for calendar-year entities, the expanded requirements apply for interim periods beginning on or after 1 January 2009.

The disclosure requirements set out in IAS 34.16(g) (see section 4.1) are based on the premise that the full segment disclosures in the most recent annual report are available and that insignificant updates to that information are not generally required in interim periods. This premise will not be appropriate in the first year of adoption of IFRS 8, unless the segments under IFRS 8 are not materially different to those previously presented under IAS 14. Therefore, in the first interim financial report affected by IFRS 8, it would seem appropriate to disclose:

- a measure of total assets for each reportable segment (rather than simply explaining material changes as is required on an ongoing basis); and
- a comprehensive description of the basis of segmentation of information and the basis of measurement of segment profit or loss (rather than simply explaining any changes in those bases as is required on an ongoing basis).

If the segments identified in accordance with IFRS 8 do not differ materially from those previously disclosed under IAS 14, a statement to that effect should be included in the first interim financial report affected by IFRS 8, in order to comply with the disclosure requirements for changes in accounting policies in accordance with IAS 34.16(a). Any segment information presented should be sufficient to ensure that the interim financial report includes all information that is relevant to understanding an entity's financial position and performance during that interim period.

In that first interim financial report, in line with the general transitional provisions for IFRS 8, segment information reported in comparative interim financial reports should be restated, unless the necessary information is not available and the cost to develop it would be excessive. [IFRS 8.36]

4.4 Business combinations occurring during the interim period

Where business combinations have occurred during the interim period, IAS 34.16(i) requires the entity to disclose all of the details prescribed for annual financial statements by IFRS 3 *Business Combinations*.

IFRS 3 was revised in 2008 and, consequently, revised disclosure requirements apply to interim financial reports. These revised requirements should be applied for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3(2008) for an earlier period, the revised disclosure requirements for interim financial reports should also be applied for that earlier period.

For users' convenience, the disclosure requirements of both the previous and the revised versions of IFRS 3 are set out in the IAS 34 compliance checklist included in this guide. The model interim financial report included in this guide illustrates the disclosures required by IFRS 3(2008).

4.5 Comparative information for explanatory note disclosures

IAS 34 does not explicitly require that comparative information be provided for explanatory note disclosures in condensed interim financial statements. However, the notes support the financial statements (listed in section 2.2 above) for which comparative information is required. Therefore, although IAS 34.16 contains no express reference to the requirement for comparative information, we consider that the requirements of IAS 1.38 should be applied, and that comparative information should be provided for all numerical information, and for narrative and descriptive information to the extent that it is relevant to an understanding of the current interim period's financial statements.

For the purposes of interim financial statements, the 'previous period' referred to in IAS 1.38 should be taken to mean the equivalent interim period. Therefore, for example, where disclosures are made under IAS 34.16 in respect of business combinations or share issues on a financial year-to-date basis, then comparative information for the equivalent year to date should be reported.

When an entity presents a complete set of financial statements for interim reporting purposes, then all of the requirements of IAS 1 apply and, therefore, comparative information is required for the explanatory note disclosures under IAS 34.16.

4.6 Inclusion of interim period disclosures in next annual financial statements

If an item of information is deemed significant and, therefore, is disclosed in an entity's interim financial report, that item of information will not necessarily be disclosed in the entity's next annual financial report that includes the interim period in which the disclosure was made. Under IAS 34, interim period disclosures are determined based on materiality levels assessed by reference to the interim period financial data (see section 2.5). The Standard recognises that the notes to interim financial statements are intended to explain 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. A disclosure that is useful for that purpose may not be useful in the annual financial statements.

To illustrate, IAS 34.16(c) requires disclosure of the nature and amount of any item that affects assets, liabilities, equity, net income or cash flows if it is unusual because of its nature, size or incidence. Such an item may be unusual in size in the context of a single quarter or half-year period, for example, but not so with respect to the full financial year.

As discussed at section 4.9, IAS 34.26 does require disclosure in the notes to the annual financial statements where an estimate of an amount reported in an earlier interim period is changed significantly during the final interim period of the financial year but a separate financial report is not produced for that final interim period.

4.7 Inclusion of interim period disclosures in subsequent interim periods of the same financial year

If an item of information is deemed significant and, therefore, is disclosed in an entity's interim financial report for the first quarter, that item of information will not necessarily be disclosed in the interim financial reports for the subsequent quarters of the same financial year. Under IAS 34, materiality is assessed by reference to each interim period's financial data (see section 2.5). Therefore, an item that is considered material in the context of one interim period may not be material for subsequent interim periods of the same financial year. IAS 34.16 indicates that note disclosures are normally on a year-to-date basis.

For example, the explanatory notes in the interim financial report at 30 June for a 31 December year-end entity that reports quarterly will cover the period 1 January to 30 June. An item of information that was deemed significant in the first quarter report and, therefore, was disclosed in the notes to the interim financial report for the three months ending 31 March, may not be significant on a 30 June six-month year-to-date basis. If that is the case, disclosure in the six-month interim financial report is not required.

By contrast, an item might be significant to understanding the performance of the entity for the current interim period (in the example above, the three months ended 30 June) but not for the year-to-date (six months ended 30 June). IAS 34.16 specifically requires disclosure of such items – in addition to reporting information on a year-to-date basis, the entity is required to disclose any events or transactions that are material to an understanding of the current interim period.

4.8 Disclosure of compliance with IFRSs

IAS 34.19 requires that, where an interim financial report has been prepared in accordance with the requirements of that Standard, that fact should be disclosed. An interim financial report should not be described as complying with International Financial Reporting Standards unless it complies with all of the requirements of IFRSs. The latter statement will be appropriate only where interim financial statements are complete rather than condensed.

As condensed interim financial reports do not include all of the disclosures required by IAS 1 *Presentation of Financial Statements* and other Standards, they do not meet this requirement. They are, therefore, more appropriately described as having been prepared 'in accordance with IAS 34 *Interim Financial Reporting'* rather than 'in accordance with IFRSs'.

IAS 34 clarifies that, where other Standards call for disclosures in financial statements, in that context they mean a complete set of financial statements of the type normally included in an annual financial report. Such disclosures are not required if the interim financial report includes only condensed financial statements and selected explanatory notes. [IAS 34.18]

Therefore, when presenting condensed interim financial information, the entity needs to consider compliance with Standards at two levels:

- compliance with all of the measurement and presentation rules contained in extant Standards and Interpretations (as stated in the previous paragraph, compliance with the disclosure requirements of Standards other than IAS 34 is not required); and
- compliance with the disclosure requirements and the measurement principles for interim reporting purposes specified by IAS 34.

4.9 Disclosure in annual financial statements

It is quite common that entities do not prepare a separate report for the final interim period in a financial year. This will be determined on the basis of the rules of local regulators. For example, an entity with a reporting period to 31 December, which reports half-yearly, may not be required to produce a separate interim report covering the period from July to December.

In such circumstances, IAS 34 requires disclosure in the notes to the *annual* financial statements where an estimate of an amount reported in an earlier interim period is changed significantly during the final interim period. The nature and amount of that change in estimate are required to be disclosed. [IAS 34.26] This requirement is intended to provide the user of the financial statements with details of changes in estimates in the final interim period consistent with those generally required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Standard does state, however, that this disclosure requirement is intended to be narrow in scope, relating only to the change in estimate, and it is not intended to introduce a general requirement to include additional interim period financial information in the entity's annual financial statements. [IAS 34.27]

IAS 34.27 makes clear that, when such a change in estimate occurs and is required to be disclosed in the annual financial statements, the disclosure represents additional interim period financial information. Consequently, although the disclosure is made in the annual financial statements, materiality will generally be determined by reference to interim period financial data.

5. Accounting policies for interim reporting

5.1 Same accounting policies as annual financial statements

The accounting policies applied in the interim financial statements should be consistent with those applied in the most recent annual financial statements, except for 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. [IAS 34.28]

Entities are required to disclose in their interim financial reports that this requirement has been met. [IAS 34.16(a)]

5.2 Changes in accounting policies

Preparers of interim financial reports in compliance with IAS 34 are required to consider any changes in accounting policies that will be applied for the next annual financial statements, and to implement the changes for interim reporting purposes. Such changes will generally encompass:

- changes required by an IFRS that will be effective for the annual financial statements; and
- changes that are proposed to be adopted for the annual financial statements, in accordance with the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, on the basis that they will result in the financial statements providing reliable and more relevant information.

If there has been any change in accounting policy since the most recent annual financial statements, the interim financial report is required to include a description of the nature and effect of the change. [IAS 34.16(a)]

If a new Standard that is effective in the current financial year requires disclosures in annual financial statements, those disclosures would not ordinarily be required in a condensed interim financial report, unless specifically required by IAS 34 or by the new Standard. For example, IFRS 7 *Financial Instruments: Disclosures* would not generally affect an entity's interim financial report because disclosures in accordance with IFRS 7 are not required unless their omission would make the condensed interim financial statements misleading. In contrast, IFRS 8 *Operating Segments* resulted in consequential amendments to IAS 34, which require more detailed segment information in the interim financial report (see section 4.3 above).

If a new Standard or Interpretation has been published during the first interim period but it is not effective until after the end of the annual reporting period, an entity may decide in the second interim period to adopt this Standard or Interpretation early for its annual financial statements. The fact that the new Standard or Interpretation was not early adopted in its first interim financial statements does not generally preclude the entity from adopting a new policy in the second interim period or at the end of the annual reporting period. The requirements for restating previously reported interim periods are discussed at section 5.3.

5.3 Restatement of previously reported interim periods

A change in accounting policy, other than one for which the transitional provisions are specified by a new IFRS, should be reflected by:

[IAS 34.43]

* restating the financial statements of prior interim periods of the current financial year, and the comparable interim periods of prior financial years that will be restated in annual financial statements in accordance with IAS 8; or

• when it is impracticable to determine the cumulative effect at the beginning of the financial year of applying a new accounting policy to all prior periods, adjusting the financial statements of prior interim periods of the current financial year, and comparable interim periods of prior financial years, to apply the new accounting policy prospectively from the earliest date practicable.

IAS 8 states that retrospective application of a new accounting policy is impracticable when an entity cannot apply it after making every reasonable effort to do so.

IAS 34.44 states that an objective of these principles is to ensure that a single accounting policy is applied to a particular class of transactions throughout an entire financial year. That is not to say that voluntary changes in accounting policy part-way through the year are prohibited. Such changes are permitted, provided that the conditions of IAS 8 are met. What IAS 34.44 requires is that, where a change in accounting policy is adopted at some point during the year, the amounts reported for earlier interim periods should be restated to reflect the new policy.

6. General principles for recognition and measurement

As discussed in chapter 5 of this guide, in preparing their interim financial reports, entities are required to apply the same accounting policies as will be applicable for their next annual financial statements. The principles for recognising assets, liabilities, income and expenses for interim periods are the same as in annual financial statements.

It is not intended, however, that each interim period should be seen to stand alone as an independent period. The Standard states that the frequency of an entity's 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. [IAS 34.28]

There is a degree of inconsistency in IAS 34. The requirement set out at section 5.1 above (that the same accounting policies should be applied in the interim financial statements as are applied in annual financial statements) represents a 'discrete period' approach to interim reporting. On the other hand, IAS 34.28's requirement that measurements for interim reporting purposes should be made on a year-to-date basis so that the frequency of the entity's reporting does not affect the measurement of its annual results represents an 'integral period' approach.

This inconsistency has led to a number of areas of potential conflict between the requirements of IAS 34 and those of other Standards applied at the end of interim reporting periods. IFRIC 10 deals with one area of conflict regarding reversals of certain impairment losses (see section 8.1 below).

6.1 Seasonal, cyclical or occasional revenues

Revenues that are received seasonally, cyclically or occasionally within a financial year should not be anticipated or deferred as of an interim date, if anticipation or deferral would not be appropriate at the end of the financial year. [IAS 34.37]

Thus, for example, an entity engaged in retailing does not divide forecasted revenue by two to arrive at its half-year revenue figures. Instead, it reports its actual results for the six-month period. If the retailer wishes to demonstrate the cyclicality of its revenues, it could include, as additional information, revenue for the 12 months up to the end of the interim reporting period and comparative information for the corresponding previous 12-month period.

6.2 Uneven costs

The rule on revenues also applies to costs. Costs that are incurred unevenly during an entity's financial year should be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year. [IAS 34.39]

A cost that does not meet the definition of an asset at the end of an interim period is *not* deferred in the statement of financial position at the interim reporting date either to await future information as to whether it has met the definition of an asset, or to smooth earnings over interim periods within a financial year. [IAS 34.30(b)] Thus, when preparing interim financial statements, the entity's usual recognition and measurement practices are followed. The only costs that are capitalised are those incurred *after* the specific point in time at which the criteria for recognition of the particular class of asset are met. Deferral of costs as assets in an interim statement of financial position in the hope that the criteria will be met before the year end is prohibited (see also section 7.6 below).

Example 6.2A

Major advertising campaign early in the financial year

An entity reports quarterly. In the first quarter of the financial year, the entity introduces new models of its products that will be sold throughout the year. At that time, it incurs a substantial cost for running a major advertising campaign (completed by the end of that quarter) that will benefit sales throughout the year. Is it appropriate to spread the advertising cost over the period in which benefits (in the form of revenues) are expected (all four quarters of the year) or is the entire cost an expense of the first quarter?

The entire cost is recognised in profit or loss in the first quarter. Explanatory note disclosure may be required. IAS 38.69(c) requires that all expenditure on advertising and promotional activities should be recognised as an expense when incurred. As outlined above, a cost that does not meet the definition of an asset at the end of an interim period is not deferred, either to await future information as to whether it has met the definition of an asset or to smooth earnings over interim periods within a financial year.

Example 6.2B

Fixed costs of a manufacturer whose business is seasonal

A manufacturer's shipments of finished products are highly seasonal (shares of annual sales are respectively 20 per cent, 5 per cent, 10 per cent, and 65 per cent for the four quarters of the financial year). Manufacturing takes place more evenly throughout the year. The entity incurs substantial fixed costs, including fixed costs relating to manufacturing, selling and general administration, and wishes to allocate all of its fixed costs to the four quarters based on each quarter's share of estimated annual sales volume.

Such an allocation is not acceptable under IAS 34. IAS 34.39 states that costs that are incurred unevenly during an entity's financial year should be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.

In the circumstances described, the fixed costs should be split between manufacturing fixed costs and non-manufacturing fixed costs. IAS 2.12 requires that the cost of manufactured inventories should include a systematic allocation of fixed production overheads (i.e. fixed manufacturing costs). Because manufacturing takes place evenly throughout the year, the entity will recognise cost of goods sold expense only when sales are made and, therefore, it will achieve its objective of allocating fixed manufacturing costs to the four quarters based on sales volume.

Fixed non-manufacturing costs, however, are different. IAS 2.16 makes clear that administrative overheads that do not contribute to bringing inventories to their present location and condition, and selling costs (whether variable or fixed), are excluded from the cost of inventories and are recognised as expenses in the periods in which they are incurred. Therefore, the entity must recognise its fixed non-manufacturing costs in profit or loss as incurred in each of the four quarters. As required by IAS 34.16, explanatory comments about the seasonality or cyclicality of interim operations should be disclosed in the notes to interim financial statements. In addition, IAS 34.21 encourages seasonal businesses to present 'rolling' 12-month financial statements in addition to interim period financial statements.

Example 6.2C

Production tooling costs incurred early in the financial year

An entity reports quarterly. In the first quarter of each financial year, the entity introduces new models of its products that will be sold throughout the year. At that time, it incurs a substantial cost for retooling its production line to manufacture the new models. Is it appropriate to spread the tooling cost over the benefit period (all four quarters of the year), or is the entire cost an expense of the first quarter?

It is appropriate to spread these costs provided that they meet the recognition criteria in IAS 16.7 *Property, Plant and Equipment*. Those criteria require that an item of property, plant and equipment be recognised as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Assuming that the tooling costs meet these criteria, the costs would be capitalised and amortised over the model year, regardless of the entity's interim reporting policy. To illustrate, if the entity's financial year is the calendar year, but new products are introduced in September for a model-year from 1 September to 31 August, then at 31 December some portion of the tooling costs would be carried forward as an asset into the next financial year, whether or not the entity prepared any interim financial reports.

6.3 Use of estimates

IAS 34.41 requires that measurement procedures used in interim financial reports produce information that is reliable, with all material relevant financial information being appropriately disclosed. It nevertheless acknowledges that, while reasonable estimates are often used for both annual and interim financial reports, interim reports generally will require a greater use of estimation methods than annual financial reports.

Appendix C to the Standard provides a number of examples of the use of estimates in interim financial reports, which are reproduced below.

Examples of the use of estimates for interim reporting purposes
[Appendix C to IAS 34]

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.

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 the end of annual reporting periods than at interim dates.

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

Pensions: IAS 19 *Employee Benefits* requires that an entity determine 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.

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. IAS 34.B14 acknowledges that while that degree of precision is desirable at the end of interim reporting periods as well, 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.

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. Such opinions about litigation, claims, assessments, and other contingencies and uncertainties may or may not also be needed at interim dates.

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 the end of annual reporting periods, though not at the end of interim reporting periods.

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.

Specialised industries: Because of complexity, costliness 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.

Additional examples

Financial instruments: Financial instruments that are carried at fair value should be remeasured at the interim date using the same methodology as at the end of the annual reporting period. Also, the carrying amount of financial instruments at amortised cost should be recalculated at the interim date.

Share-based payments: Liabilities in respect of cash-settled share-based payments will generally be based on the fair value of the share options as at the end of the previous reporting period. If changes in the fair value of the share options since the most recent annual financial statements are material to the interim period, the fair value of the cash-settled share-based payments should be remeasured at the interim date.

In relation to equity-settled share based payments, an entity should consider whether, at the interim date, there is any change in the number of equity instruments expected to vest. Where the change could have a material impact on the interim period, the number of equity instruments expected to vest should be re-estimated at the interim date.

6.4 Changes in estimates

As an illustration of the impact of changes in estimates, IAS 34 considers the rules for recognising and measuring losses from inventory write-downs, restructurings or impairments. The principles to be followed in an interim period are the same as those for annual periods. If such items are recognised and measured in, say, the first quarter of a financial year and the estimate changes in the second quarter of the year, the original estimate is adjusted in the second interim period, either by recognition of an additional amount or by reversal of the previously-recognised amount. [IAS 34.30(a)]

If changes in estimates arise, the results of previous interim periods of the current year are not retrospectively adjusted. However, the nature and amount of any significant changes in estimates must be disclosed either:

[IAS 34.16(d), 26 & 35]

- in the annual report, if there has been no subsequent interim period financial report that disclosed the change in estimate (see section 4.9 above); or
- in the following interim period financial report of the same year.

IFRIC 10 gives guidance on circumstances in which an impairment loss recognised in an interim period should not be subsequently reversed (see section 8.1).

7. Applying the recognition and measurement principles

Appendix B to IAS 34 contains a number of detailed examples to illustrate the application of the recognition and measurement principles discussed in the previous sections. These are reproduced below, together with a number of additional examples developed to illustrate important principles.

7.1 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]

7.2 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]

7.3 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 apply 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]

7.4 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:

[IAS 34.B5 & B6]

- the bonus is a legal obligation, or past practice would make the bonus a constructive obligation and the entity has no realistic alternative but to make the payments; and

- a reliable estimate of the obligation can be made.

IAS 19 *Employee Benefits* provides guidance on the application of the recognition rules to year-end bonuses.

7.5 Contingent lease payments

Contingent lease payments can be an example of a legal or constructive obligation that is recognised as a liability. If a lease provides for contingent payments based on the lessee achieving a certain level of annual sales, an obligation can arise in the interim period 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]

7.6 Intangible assets

Entities are required to apply 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 that the recognition criteria will be met later in the financial year is not justified. [IAS 34.B8]

Example 7.6

Development costs that meet the IAS 38 capitalisation criteria midway in an interim period

An entity engaged in the pharmaceutical sector, with a December year end, reports quarterly. Throughout 20X2, its research department is engaged in a major drug development project. Development costs incurred in 20X2, by quarter, are as follows:

First quarter	CU100
Second quarter	CU100
Third quarter:	
1 July to 31 August	CU80
1 September to 30 September	CU60
Fourth quarter	CU150

The entity publishes its half-year report on 15 August, and the CU200 of development costs incurred during the first and second quarters are recognised in profit or loss. On 1 September, the research department determines that the criteria set out in IAS 38 for capitalising the development costs as an intangible asset have been met.

IAS 38 requires that asset recognition (cost capitalisation) should begin at the point in time at which the recognition criteria are met, not at the start of the financial reporting period in which those criteria are met. Therefore, the following amounts are reported in the interim financial reports for the second half of the financial year, and in the annual report at 31 December 20X2:

	30 September	31 December
	CU	CU
Asset recognised in the statement of financial position	60	210

	3 months ended 30 September	9 months ended 30 September	12 months ended 31 December
	CU	CU	CU
Development costs recognised in profit or loss	80	280	280

7.7 Pensions

The 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-time events. [IAS 34.B9]

7.8 Vacations, holidays, and other short-term compensated absences

Accumulating compensated absences are those that are carried forward and can be 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. That principle is also applied at the end of interim financial reporting periods. Conversely, 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. [IAS 34.B10]

Example 7.8

Vacation accruals at interim dates

An entity reports quarterly. Its financial year end is 31 December. Holiday entitlement accumulates with employment over the year, but any unused entitlement cannot be carried forward past 31 December. Most of the entity's employees take a substantial portion of their annual leave in July or August. Should an appropriate portion of employees' salaries during the July/August vacation period be accrued in the first and second quarter interim financial statements?

A portion should be accrued if the employees' vacation days are earned (accumulated) through service during the first and second quarters. Vacations are a form of short-term compensated absence as defined in IAS 19. IAS 19.11 requires that the expected cost of short-term accumulating compensated absences be recognised when the employees render service that increases their entitlement to future compensated absences. This principle is applied in both annual and interim financial statements.

7.9 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 generally are 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 generally is not consistent with the definition of a liability. [IAS 34.B11]

7.10 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 definitions of asset and liability (requiring *control* over resources to be received, or an *obligation* to pay out resources) would not be met. [IAS 34.B23]

7.11 Depreciation and amortisation

Depreciation and amortisation charges for an interim period are based only on assets owned during that interim period. They should not take into account asset acquisitions or disposals planned for later in the financial year. [IAS 34.B24]

It would not generally be necessary to reassess residual values for items of property, plant and equipment as at the interim date, unless there are indicators that there has been a material change in residual values since the end of the previous reporting period.

7.12 Inventories

7.12.1 Measurement of inventories – general

Inventories are measured for interim financial reporting using the same principles as at financial year end. IAS 2 *Inventories* establishes 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 inventories at the end of interim reporting periods. 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. The following sections set out examples of how to apply the net realisable value test at an interim date and how to treat manufacturing variances at interim dates. [IAS 34.B25]

7.12.2 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 at interim dates. [IAS 34.B26]

An entity will reverse a write-down to net realisable value in a subsequent reporting period only if it would be appropriate to do so at the end of the financial year. [IAS 34.B26]

7.12.3 Interim period manufacturing cost variances

Price, efficiency, spending and volume variances of a manufacturing entity are recognised in income at the end of interim reporting periods to the same extent that those variances are recognised in income at financial year end. Deferral of variances that are expected to be absorbed by the 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]

7.13 Foreign currency translation gains and losses

Foreign currency translation gains and losses are measured for interim financial reporting using the same principles as at financial year end. [IAS 34.B29]

IAS 21 *The Effects of Changes in Foreign Exchange Rates* specifies how to translate the financial statements for foreign operations into the presentation currency, including guidelines for using average or closing foreign exchange rates and guidelines for including the resulting adjustments in profit or loss or in other comprehensive income. Consistent with IAS 21, the actual average and closing rates for the interim period are used. Entities do not anticipate changes in foreign exchange rates in the remainder of the current financial year when translating foreign operations at an interim date. [IAS 34.B30]

If IAS 21 requires that translation adjustments are recognised as income or as expenses 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.B31]

7.14 Interim financial reporting in hyperinflationary economies

Interim financial reports in hyperinflationary economies are prepared following the same principles as at 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 is restated to the current measuring unit. [IAS 34.B32 & B33]

Entities are required to follow the 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 should 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.B34]

7.15 Capitalisation of borrowing costs in interim periods

Example 7.15

Capitalisation of borrowing costs

An entity capitalises borrowing costs directly attributable to the construction of qualifying assets under IAS 23 *Borrowing Costs*. The entity funds its asset construction with general borrowings, rather than project-specific borrowings. Further, it uses general borrowings for purposes other than construction, so that the amount of borrowings in any period is not necessarily related to the amount of construction during that period. The entity reports quarterly.

IAS 23.14 requires that the capitalisation rate for general borrowings be the weighted average of borrowing costs applicable to borrowings of the entity that are outstanding during the period. For interim reporting purposes, the reference to 'period' in IAS 23.14 should be interpreted to mean the year-to-date period, not each individual quarter so that, in accordance with IAS 34.28 and IAS 34.36, the amount of borrowing costs capitalised is 'trued up' each quarter on a year-to-date basis.

7.16 Non-current assets held for sale and discontinued operations

The measurement and presentation principles of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* should be applied in interim financial reports in the same way as at the end of the annual reporting period. Therefore, a non-current asset that meets the criteria to be classified as held-for-sale at the interim date should be presented as such. In assessing any potential impairment loss and fair value less costs to sell of the non-current asset held for sale, a greater use of estimation methods may be acceptable for interim reporting purposes than at the end of the annual reporting period.

8. Impairment of assets

IAS 36 *Impairment of Assets* requires that an impairment loss be recognised if the recoverable amount of an asset has declined below its carrying amount. IAS 34 requires that an entity apply 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 make 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]

8.1 IFRIC 10 *Interim Financial Reporting and Impairment*

As discussed at section 5.1 above, IAS 34.28 requires an entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements. IAS 34.28 also states that the frequency of an entity's reporting (annual, half-yearly, or quarterly) should not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes should be made on a year-to-date basis.

IFRIC Interpretation 10 *Interim Financial Reporting and Impairment* addresses the interaction between the requirements in IAS 34.28 and those dealing with the recognition of impairment losses relating to goodwill under IAS 36 and relating to certain financial assets under IAS 39 *Financial Instruments: Recognition and Measurement*, and the effect of that interaction on subsequent interim and annual financial statements:

- IAS 36.124 states that "an impairment loss recognised for goodwill shall not be reversed in a subsequent period";
- IAS 39.69 states that "impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss"; and
- IAS 39.66 requires that impairment losses for financial assets carried at cost (such as an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured) should not be reversed.

The issue addressed by IFRIC 10 is whether an entity should reverse impairment losses recognised in an interim period relating to goodwill, or relating to investments in equity instruments or in financial assets carried at cost, if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at the end of the subsequent reporting period.

The issue is best illustrated by considering the example of Entity A and Entity B, which each hold the same equity investment with the same acquisition cost. Entity A prepares quarterly interim financial statements while Entity B prepares half-yearly financial statements. Both entities have the same financial year-end date. If there was a significant decline in the fair value of the equity instrument below its cost in the first quarter, Entity A would recognise an impairment loss in its first quarter's interim financial statements. However, if the fair value of the equity instrument subsequently recovered, so that by the half-year date there had not been a significant decline in fair value below cost, Entity B would not recognise an impairment loss in its half-yearly financial statements if it tested for impairment only at the end of the half-year reporting period. Therefore, unless Entity A reversed the impairment loss that had been recognised in an earlier interim period, the frequency of reporting would affect the measurement of its annual results when compared with Entity B's approach.

The consensus in the Interpretation is that an entity should not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in an equity instrument or a financial asset carried at cost. Essentially, IFRIC 10 concludes that the prohibitions on reversals of recognised impairment losses relating to goodwill under IAS 36 and relating to investments in equity instruments and financial assets carried at cost under IAS 39 should take precedence over the more general statement in IAS 34 regarding the frequency of an entity's reporting not affecting the measurement of its annual results.

IFRIC 10 emphasises that an entity should not extend the consensus of this Interpretation by analogy to other areas of potential conflict between IAS 34 and other Standards.

9. Measuring interim income tax expense

9.1 Use of estimated annual rate

The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, i.e. the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. [IAS 34.B12]

This is consistent with the basic principle set out in IAS 34.28 that the same accounting recognition and measurement principles should 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 total annual earnings. [IAS 34.B13]

To the extent practicable, a separate estimated average annual effective income tax rate is determined for each tax 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.B14]

9.2 Impact of progressive (graduated) tax rates

The estimated average annual effective income tax rate will 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 34.B13] Example 9.2, which is drawn from Appendix B to IAS 34, illustrates the impact of progressive tax rates.

Example 9.2

Progressive tax rates

[IAS 34.B15]

An entity reporting quarterly expects to earn 10,000 pre-tax each quarter and operates in a jurisdiction with a tax rate of 20 per cent on the first 20,000 of annual earnings and 30 per cent on all additional earnings. Actual earnings match expectations. The following table shows the amount of income tax expense that is reported in each quarter:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Tax expense	2,500	2,500	2,500	2,500	10,000

9.3 Uneven earnings throughout the year

Example 9.3, again drawn from Appendix B to IAS 34, illustrates the application of the IAS 34 principles when earnings are distributed unevenly throughout the year.

Example 9.3

Uneven earnings throughout the year

[IAS 34.B16]

An entity reports quarterly, earns 15,000 pre-tax profit in the first quarter but expects to incur losses of 5,000 in each of the three remaining quarters (thus having zero income for the year), and operates in a jurisdiction in which its estimated average annual income tax rate is expected to be 20 per cent. The following table shows the amount of income tax expense that is reported in each quarter:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Tax expense	3,000	(1,000)	(1,000)	(1,000)	0

9.4 Change in estimate of annual tax rate

When preparing the tax estimate to be included in an interim period, the tax expense is based on the best estimate of the weighted average *annual* income tax rate expected for the full financial year. Therefore, as for other changes in estimates, amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period if the estimate of the annual income tax rate changes. [IAS 34.30(c)]

The estimated average annual income tax rate would be re-estimated on a year-to-date basis, consistent with IAS 34.28.

The nature and amount of any significant changes in the estimated tax rate should be disclosed either:

[IAS 34.16(d), 26 & 35]

- in the annual report, if there has been no subsequent interim period financial report that disclosed the change in estimate (see section 4.9); or
- in the following interim period financial report of the same year.

9.5 Difference in financial reporting year and tax year

If the financial reporting year and the income tax year differ, the income tax expense for the interim periods of that financial reporting year is measured using separate weighted average estimated effective tax rates for each of the income tax years applied to the portion of pre-tax income earned in each of those income tax years. [IAS 34.B17]

Example 9.5

Difference in financial reporting year and tax year

[IAS 34.B18]

An entity's financial reporting year ends 30 June and it reports quarterly. Its taxable year ends 31 December. For the financial year that begins 1 July, Year 1 and ends 30 June, Year 2, the entity earns 10,000 pre-tax each quarter. The estimated average annual income tax rate is 30 per cent in Year 1 and 40 per cent in Year 2.

	Quarter ending 30 Sept Year 1	Quarter ending 31 Dec Year 1	Quarter ending 31 Mar Year 2	Quarter ending 30 June Year 2	Year ending 30 June Year 2
Tax expense	3,000	3,000	4,000	4,000	14,000

9.6 Tax credits

Some tax jurisdictions give taxpayers credits against the tax payable based on amounts of capital expenditure, exports, research and development expenditure, 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. On the other hand, tax benefits that relate to a one-time event are recognised in computing income tax expense in the interim period in which that event occurs, in the same way that special tax rates applicable to particular categories of income are not blended into a single effective annual tax rate. Moreover, in some jurisdictions, tax benefits or credits that are reported on the income tax return, including those related to capital expenditure and levels of exports, are more similar to a government grant and are recognised in the interim period in which they arise. [IAS 34.B19]

9.7 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 *Income Taxes* provides that "the benefit relating to a tax loss that can be carried back to recover current tax of a previous period should be recognised as an asset". A corresponding reduction of tax expense or increase of tax income is also recognised. [IAS 34.B20]

IAS 12 also provides that a deferred tax asset should 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. Detailed criteria are specified for the purpose of assessing the availability of future taxable profit against which the unused tax losses and credits can be utilised. [IAS 34.B21]

For interim reporting purposes, the criteria for recognition of deferred tax assets 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. [IAS 34.B21]

Example 9.7A

Tax loss carryforward at interim reporting date

[IAS 34.B22]

An entity that reports quarterly has an operating loss carryforward of 10,000 for income tax purposes at the start of the current financial year for which a deferred tax asset has not been recognised. The entity earns 10,000 in the first quarter of the current year and expects to earn 10,000 in each of the three remaining quarters. Excluding the carryforward, the estimated average annual income tax rate is expected to be 40 per cent. Tax expense is as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Tax expense	3,000	3,000	3,000	3,000	12,000

The tax effect of losses that arise early in the financial year should be recognised only when the tax benefits are expected to be realised either during the current year or as a deferred tax asset at the end of the year. For the purpose of applying this guidance, an established seasonal pattern of loss in the early interim periods followed by profits in later interim periods is generally sufficient to support a conclusion that realisation of the tax benefit from the early losses is probable. Recognition of the tax benefit of losses incurred in early interim periods will generally not occur in those interim periods if available evidence indicates that profits are not expected in later interim periods.

If the tax benefits of losses incurred in the early interim periods of a financial year are not recognised in those interim periods, no income tax expense will be recognised in respect of profits generated in later interim periods until the tax effects of the previous losses are offset.

The tax effect of a deferred tax asset expected to be recognised at the end of a financial year for deductible temporary differences and carryforwards that originate during the current financial year should be spread throughout the financial year by an adjustment to the annual effective tax rate.

Example 9.7B

Recognition of deferred tax assets at the end of an interim reporting period

Assume that during the first quarter of 20X1 an entity operating in a tax jurisdiction with a 50 per cent tax rate generates a tax credit of CU4,000 (i.e. sufficient to cover taxable profits of CU8,000). Under local tax law, the tax credit will expire at the end of 20X2. At the end of the first quarter of 20X1, available evidence about the future indicates that taxable income of CU2,000 and CU4,000 will be generated during 20X1 and 20X2 respectively. Therefore, the entity expects to utilise CU1,000 (CU2,000 x 50 per cent) of the tax credit to offset tax on its 20X1 taxable income, and CU2,000 (CU4,000 x 50 per cent) to offset tax on its 20X2 income. It expects to recognise a deferred tax asset in its statement of financial position at the end of 20X1 of CU2,000 (relating to the tax relief available in 20X2), and the balance of CU1,000 will not be recognised as it is not probable that sufficient taxable profit will be available against which it can be utilised before the losses expire.

Because the tax credit is generated during the current year, the tax consequence of the CU2,000 deferred tax asset expected to be recognised at the end of 20X1 is applied rateably to each of the interim periods during 20X1.

Therefore, if profits arise on a straight-line basis through 20X1, a benefit for income taxes of CU500 [CU2,000 x 1/4)] will be recognised during the first interim period. Assuming the estimates about the future do not change during the remainder of the year, the tax benefit of the remaining CU1,500 (CU2,000 – CU500) of net deferred tax asset will be recognised rateably over the pre-tax accounting income generated in the later interim periods of 20X1.

9.8 Change in estimate as to recoverability of tax loss carryforward

It is not clear whether IAS 34.B21 applies equally to all circumstances where a previously recognised deferred tax asset is no longer expected to be recoverable. There appear to be two acceptable approaches: the first is to derecognise at the interim reporting date all the amounts assessed as not recoverable and the second is to spread the derecognition by means of the estimated annual effective tax rate.

Example 9.8

Change in estimate as to recoverability of tax loss carryforward

An entity operates in a tax jurisdiction with a 50 per cent tax rate. In 20X1, the entity incurs tax losses of CU50,000, which can be carried forward to offset against future taxable profits until 20X3. At 31 December 20X1, the entity estimates that CU40,000 of the losses can be recovered against profits in 20X2 (budgeted profit CU15,000) and 20X3 (budgeted profit CU25,000), and therefore recognises a deferred tax asset of CU20,000 (CU40,000 x 50 per cent) in its annual financial statements for 20X1.

At the end of the first quarter of 20X2, actual year-to-date profits and expectations for the remainder of the year are in line with budget. However, the budgeted profit for 20X3 is revised downward to CU20,000.

If the deferred tax asset derecognition is accounted for entirely at the date at which it is assessed as not recoverable (the first approach), at the end of the first quarter of 20X2 the carrying amount of the deferred tax asset should be reduced by CU2,500 (CU5,000 at 50 per cent). Therefore, in quarter 1 of 20X2, assuming taxable profits of CU6,000 and an estimated effective annual rate of 50%, the income tax expense for the quarter is estimated as follows:

Tax expense in quarter 1:	(CU6,000 x 50%) + CU2,500 = CU5,500
Deferred tax asset remaining at quarter 1 (not estimated as recoverable at interim reporting date)	nil

Alternatively if the deferred tax asset derecognition is spread throughout the year as part of the computation of the annual effective tax rate (the second approach), the carrying amount of the deferred tax asset should be reduced by CU2,500 (CU5,000 at 50 per cent) only at the end of 20X2. Therefore, in quarter 1 of 20X2, assuming taxable profits of CU6,000 out of estimated annual profits of CU15,000, the income tax expense for the quarter is estimated as follows:

Estimated effective annual tax rate:	[(CU15,000 x 0.50) + CU2,500] /CU15,000 = 66.7%
Tax expense in quarter 1:	CU6,000 x 66.7% = CU4,000
Deferred tax asset remaining at quarter 1 (not estimated as recoverable at interim reporting date):	CU2,500 – (CU6,000 x [66.7%-50%]) = CU1,500

10. Earnings per share

When an entity is within the scope of IAS 33 *Earnings per Share*, it should present basic and diluted earnings per share (EPS) for the interim period in the statement that presents the components of profit or loss for that period. [IAS 34.11]

If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 *Presentation of Financial Statements*, basic and diluted EPS should be presented in that separate statement. [IAS 34.11A]

As a consequential amendment of IAS 1(2007), IAS 34.11 was amended (and IAS 34.11A added) to make clear that the EPS information should be presented in the statement that presents the components of profit or loss for the interim period. As outlined at section 2.2 above, this may be in a statement of comprehensive income or, where the entity has elected to present a separate income statement, in that separate income statement.

IAS 34.11 was further amended by *Improvements to IFRSs* issued in May 2008. The amendment has clarified that EPS information need be presented only when the entity is within the scope of IAS 33 *Earnings per Share*. Although this clarification is expected to have a minimal effect on accounting, the Board considered that it was necessary because, prior to amendment, IAS 34.11 could have been read as requiring the disclosure of EPS in an interim financial report even if the entity is not within the scope of IAS 33.

10.1 Measures of EPS to be presented

IAS 34 does not make any specific reference to the requirements of IAS 33 regarding which measures of basic and diluted EPS should be presented. Nevertheless, to enable users to compare trends, the same EPS figures should be presented in the interim financial report as in the annual financial statements. Therefore, irrespective of whether the interim financial statements are described as 'condensed', the following should be presented in the interim financial report, with equal prominence for all periods presented:

- basic and diluted EPS for profit or loss attributable to the ordinary equity shareholders of the parent entity; and
- where a discontinued operation is reported, basic and diluted EPS for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity.

These should be presented for each class of ordinary shares that has a different right to share in profit for the period.

EPS figures should be provided for all periods presented in the interim financial report. Therefore, for an entity presenting information separately for the current interim period and the current year-to-date, with comparatives for each, EPS (both basic and diluted) should be presented for the same four periods.

10.2 Interim period diluted EPS on a year-to-date basis

Any change in assumptions for the purposes of computing diluted EPS during the interim period may result in an apparent anomaly. For example, the sum of diluted EPS for the first quarter and diluted EPS for the second quarter may not always equal diluted EPS for the half-year period.

Diluted EPS for the first quarter is based on assumptions that were valid during and at the end of that quarter. IAS 33 states that diluted EPS should not be restated for changes in the assumptions used or for conversions of potential ordinary shares into outstanding ordinary shares. Therefore, diluted EPS for the second quarter and for the half-year period may be based on different assumptions than those used in computing diluted EPS for the first quarter. Also, certain outstanding potential ordinary shares may have been 'anti-dilutive' (their conversion to ordinary shares would increase EPS) in the first quarter and, therefore, they may have been excluded from first quarter diluted EPS. In the second quarter and on a six-month basis, however, they may have been dilutive and, therefore, included in diluted EPS.

Example 10.2

Interim period diluted EPS on a year-to-date basis

The following information relates to a quarterly reporter:

	Quarter 1 (1 January to 31 March)	Quarter 2 (1 April to 30 June)	Half year (1 January to 30 June)
Net income	CU1,000	CU1,000	CU2,000
Ordinary shares outstanding	1,000	1,000	1,000
Weighted average quoted market price of ordinary shares	CU8	CU20	CU14

Throughout the half-year, the entity had outstanding 100 options each allowing the holder to purchase one ordinary share for CU10. No options were exercised. For the second quarter interim report, IAS 34.20(b) requires a statement of comprehensive income (and, where appropriate, a separate income statement) for the second quarter and for the half-year. Calculations of basic and diluted EPS are as follows:

	Quarter 1 (1 January to 31 March)	Quarter 2 (1 April to 30 June)	Half year (1 January to 30 June)
Basic EPS	CU1,000/1,000 = CU1.00	CU1,000/1,000 = CU1.00	CU2,000/1,000 = CU2.00
Diluted EPS – numerator	CU1,000	CU1,000	CU2,000
Diluted EPS – denominator	1,000*	1,050 (1,000 + 50**)	1,028.57 (1,000 + 28.57***)
Diluted EPS	CU1	CU0.9524	CU1.9444

* The exercise price of the options is greater than the average market price of shares during the period. Therefore, the options are ignored in computing diluted EPS.

** If the share options were exercised, the proceeds of issue of CU1,000 would equate to an issue of 50 shares at the average market price of CU20. Therefore, the remaining 50 shares are assumed to have been issued for no consideration and are added to the number of ordinary shares outstanding for the computation of diluted EPS.

*** If the share options were exercised, the proceeds of issue of CU1,000 would equate to an issue of 71.43 shares at the average market price of CU14. Therefore, the remaining 28.57 shares are assumed to have been issued for no consideration and are added to the number of ordinary shares outstanding for the computation of diluted EPS.

Note that the sum of diluted EPS for the first quarter (CU1.00) and diluted EPS for the second quarter (CU0.9524) does not equal diluted EPS for the first six months (CU1.9444).

10.3 Calculation of weighted average number of ordinary shares for an interim reporting period

Example 10.3

Calculation of weighted average number of ordinary shares

A publicly-traded entity is required to prepare interim financial statements in accordance with IAS 34. Thirty days before the end of the six-month interim period, a substantial number of shares are issued by the entity.

These new shares should be weighted for inclusion in the denominator of the interim earnings per share calculation based on the number of days that the shares are outstanding as a proportion of the total number of days in the interim period. A reasonable approximation of the weighted average is sufficient in many circumstances.

The number of shares issued should be weighted by the number of days that the shares are outstanding (i.e. 30 days) divided by the number of days in the period (i.e. 182 days).

10.4 EPS calculation at interim reporting date for an entity with contingently issuable shares

Example 10.4

EPS calculation for an entity with contingently issuable shares

Company X, a publicly-traded entity reporting on a calendar year basis, purchased Subsidiary Y on 1 January. The consideration for the acquisition was CU100 million plus an additional 20,000 Company X ordinary shares if Subsidiary Y earns a net income in the year following the acquisition of CU10 million or more. By 30 June of Year 1, Subsidiary Y had earned net income of CU15 million.

Although the 20,000 shares would be issuable if the end of the contingency period were 30 June instead of 31 December, the 20,000 ordinary shares should be excluded from the denominator for the calculation of basic EPS for the six months ended 30 June, because events could transpire in the following six months that would cause Company X not to issue the shares (e.g. Subsidiary Y could lose CU6 million in the following six months). The contingently issuable ordinary shares should be included in the denominator for the calculation of diluted EPS for the six months ended 30 June because, based on the circumstances at that date, the contingency is met.

11. First-time adoption of IFRSs

Note: IFRS 1 *First-time Adoption of International Financial Reporting Standards* was revised in November 2008. The objective of the revision was to improve the structure of the Standard – no new or revised technical material was introduced. The references below are to the text of the Standard as revised in November 2008.

Where an entity presents an interim financial report under IAS 34 for part of the period covered by its first IFRS financial statements, in addition to complying with IAS 34, the entity is also required to comply with the requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards* applicable to interim financial reports.

As discussed at section 1.3 above, where an entity proposes to adopt IFRSs for the first time in its annual financial statements, there is no requirement under IFRSs that IAS 34 be adopted for its interim financial reports issued in that period. However, regulators in different jurisdictions may have issued recommendations or requirements in that regard.

11.1 Requirement to restate comparative information

When an entity prepares an interim financial report under IAS 34 for part of the period covered by its first IFRS financial statements, comparative information will need to be restated to comply with IFRSs. [IFRS 1.IG37]

11.2 The entity's first interim financial report under IAS 34

In the entity's *first* interim financial report under IAS 34 for part of the period covered by its first IFRS financial statements, the following reconciliations are required: [IFRS 1.32(b), 24(a) & (b)]

- reconciliations of its equity reported under previous GAAP to its equity under IFRSs for both of the following dates:
  - the date of transition to IFRSs; and
  - the end of the latest period presented in the entity' s most recent annual financial statements under previous GAAP; and
- a reconciliation to its total comprehensive income in accordance with IFRSs for the latest period in the entity's most recent annual financial statements. The starting point specified for that reconciliation is total comprehensive income in accordance with previous GAAP for the same period or, if an entity did not report such a total, profit or loss under previous GAAP.

Note that these reconciliations are also required to be presented in the entity's first annual IFRS financial statements.

IFRS 1 allows a cross-reference to another published document that includes these reconciliations in place of presentation of the reconciliations themselves in the interim financial report.

These reconciliations are required to give sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income. If the entity presented a statement of cash flows under its previous GAAP, it is also required to explain the material adjustments to the statement of cash flows. [IFRS 1.25]

If the entity becomes aware of errors made under previous GAAP, the reconciliations required by IFRS 1.24(a) and (b) (see above) should distinguish the correction of those errors from changes in accounting policies. [IFRS 1.26]

Where the entity presented an interim financial report (under previous GAAP) for the comparable interim period of the immediately preceding financial year, the following reconciliations are also required: [IFRS 1.32(a)]

- a reconciliation of its equity under previous GAAP at the end of that comparable interim period to its equity under IFRSs at that date; and
- a reconciliation to its total comprehensive income in accordance with IFRSs for that comparable interim period (current and year-to-date). The starting point specified for that reconciliation is total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.

11.3 Other information material to an understanding of the interim period

In addition, if a first-time adopter did not, in its most recent annual financial statements under previous GAAP, disclose information material to an understanding of the current interim period (see section 4.1 above), its interim financial report should disclose that information or include a cross-reference to another published document that includes it. [IFRS 1.33]

11.4 Subsequent interim financial reports in the year of first-time application

Section 11.2 (see above) sets out the requirements for the entity's first interim financial report prepared under IAS 34 in the year of first-time application. For subsequent interim financial reports in the year of first-time application, only the requirements of IFRS 1.32(a) and IFRS 1.33 (see above) apply. Therefore, reconciliations between IFRSs and previous GAAP are only required in respect of equity at the end of the comparable interim period and of total comprehensive income for the comparable interim period (current and year-to-date).

The Implementation Guidance issued with IFRS 1, reproduced below, illustrates the various reconciliations required.

Example 11.4

Interim financial reporting

[IFRS 1.IG Example 10]

Background

Entity R's first IFRS financial statements have a reporting date of 31 December 20X5, and its first interim financial report under IAS 34 is for the quarter ended 31 March 20X5. Entity R prepared previous GAAP annual financial statements for the year ended 31 December 20X4, and prepared quarterly reports throughout 20X4.

Application of requirements

In each quarterly interim financial report for 20X5, entity R includes reconciliations of:

a) its equity under previous GAAP at the end of the comparable quarter of 20X4 to its equity under IFRSs at that date; and

b) its total comprehensive income (or, if it did not report such a total, profit or loss) under previous GAAP for the comparable quarter of 20X4 (current and year-to-date) to its total comprehensive income under IFRSs.

In addition to the reconciliations required by (a) and (b) and the disclosures required by IAS 34, entity R's interim financial report for the first quarter of 20X5 includes reconciliations of (or a cross-reference to another published document that includes these reconciliations):

a) its equity under previous GAAP at 1 January 20X4 and 31 December 20X4 to its equity under IFRSs at those dates; and

b) its total comprehensive income (or, if it did not report such a total, profit or loss) for 20X4 under previous GAAP to its total comprehensive income for 20X4 under IFRSs.

Each of the above reconciliations gives sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income. Entity R also explains the material adjustments to the statement of cash flows.

If entity R becomes aware of errors made under previous GAAP, the reconciliations distinguish the correction of those errors from changes in accounting policies.

If entity R did not, in its most recent annual financial statements under previous GAAP, disclose information material to an understanding of the current interim period, its interim financial reports for 20X5 disclose that information or include a cross-reference to another published document that includes it. [IFRS 1.33]

11.5 Disclosure of accounting policies

As noted at section 4.1 above, IAS 34.16 requires that interim financial reports prepared in accordance with its requirements should include a statement that the same accounting policies and methods of computation are followed in the interim financial statements as were followed in 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. On an ongoing basis, therefore, IAS 34 does not require a complete description of all of the entity's accounting policies in its interim financial reports.

However, in the period of first-time application, we would recommend that a full description of the entity's accounting policies under IFRSs be included in the entity's interim reports or, at least, a reference to another published document where the accounting policies can be found. Since those policies will inevitably differ from the policies disclosed in the most recent annual financial statements (prepared under previous GAAP), it is important for a user of the interim financial report to understand the basis of accounting under IFRSs.

Model interim financial report

Global GAAP Holdings Limited

Interim financial report for the 3 months ended 30 June 2009

The model interim financial report of Global GAAP Holdings Limited is intended to illustrate the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting*. The presentation adopted, however, will not be the only possible presentation to meet the requirements of that Standard.

Global GAAP Holdings Limited is assumed to have presented financial statements in accordance with IFRSs for a number of years. Therefore, it is not a first-time adopter of IFRSs. IFRS 1 *First-time Adoption of International Financial Reporting Standards* includes additional disclosure requirements for interim periods covered by an entity's first IFRS financial statements. These requirements are included in the compliance checklist in the next section of this guide.

The model report illustrates the presentation of a set of condensed financial statements, as envisaged by IAS 34.8. If a complete set of financial statements is published in the interim financial report, the form and content of those statements should conform to the requirements of IAS 1 *Presentation of Financial Statements* for a complete set of financial statements.

This model interim financial report has been presented without regard to local laws or regulations. Preparers of interim financial reports will need to ensure that the options selected under IFRSs do not conflict with such sources of regulation (e.g. the revaluation of assets is not permitted in certain regimes – but these financial statements illustrate the presentation and disclosures required where the entity adopts the revaluation model under IAS 16 *Property, Plant and Equipment*). In addition, local laws or securities regulations may specify disclosures in addition to those required by IFRSs. Preparers of interim financial reports will consequently need to adapt the model interim financial report to comply with such additional local requirements.

For users' convenience, the model report incorporates cross-references to IAS 34, and to the compliance checklist included in the next section of this guide.

For the purposes of presenting the statement of comprehensive income, the alternatives allowed under IFRSs have been illustrated. The alternatives selected should be appropriate to the entity's circumstances, and should generally be consistent with the options selected by the entity for its annual financial statements.

Contents

Source	Checklist	
IAS 34.8(b)(i)	34001(b)	**Condensed consolidated statement of comprehensive income**
IAS 34.10	34003	**for the period ended 30 June 2009** **[Alt 1]**
	34004	
IAS 34.20(b)	34011(b)	

	Notes	Three months ended		Six months ended	
		30/6/09	30/6/08	30/6/09	30/6/08
		CU'000	CU'000	CU'000	CU'000
Continuing operations					
Revenue		255,931	162,492	450,077	297,336
Cost of sales	5	(161,634)	(98,460)	(272,632)	(176,297)
Gross profit		94,297	64,032	177,445	121,039
Investment revenue		78	321	2,927	1,043
Other gains and losses		6,227	4,236	8,650	6,037
Distribution expenses		(45,006)	(31,082)	(73,274)	(55,807)
Administrative expenses		(46,510)	(38,891)	(78,243)	(52,185)
Finance costs		(6,500)	(4,873)	(11,859)	(8,492)
Other expenses		(1,404)	(1,239)	(1,838)	(1,410)
Gain recognised on disposal of interest in former associate	10	582	–	582	–
Share of profit of associates		1,042	839	4,818	1,669
Profit (loss) before tax		2,806	(6,657)	29,208	11,894
Income tax (charge) credit	6	(1,332)	1,616	(4,598)	(1,290)
Profit (loss) for the period from continuing operations		1,474	(5,041)	24,610	10,604
Discontinued operation					
Profit (loss) for the period from discontinued operation	14	5,962	1,460	2,691	(1,168)
Profit (loss) for the period		7,436	(3,581)	27,301	9,436
Other comprehensive income					
Exchange differences arising on translation of foreign operations		1,548	983	3,351	1,023
Available-for-sale financial assets		819	(74)	(233)	(125)
Cash flow hedges		(144)	(125)	(412)	77
Gain (loss) on revaluation of property	9	–	–	32,094	(2,113)
Income tax relating to components of other comprehensive income		–	–	(4,695)	380
Other comprehensive income for the period (net of tax)		2,223	784	30,105	(758)
Total comprehensive income for the period		9,659	(2,797)	57,406	8,678

Source	Checklist

Condensed consolidated statement of comprehensive income
for the period ended 30 June 2009 **[Alt 1 continued]**

	Notes	Three months ended		Six months ended	
		30/6/09	30/6/08	30/6/09	30/6/08
		CU'000	CU'000	CU'000	CU'000
Profit (loss) for the period attributable to:					
Owners of the parent		7,138	(3,982)	20,705	6,776
Non-controlling interests		298	401	6,596	2,660
		7,436	(3,581)	27,301	9,436
Total comprehensive income attributable to:					
Owners of the parent		9,361	(3,198)	50,810	6,018
Non-controlling interests		298	401	6,596	2,660
		9,659	(2,797)	57,406	8,678

IAS 34.11 | 34005

	Notes	30/6/09	30/6/08	30/6/09	30/6/08
Earnings (loss) per share	7				
From continuing and discontinued operations					
Basic		5.94 cents	(3.30 cents)	17.24 cents	5.64 cents
Diluted		4.26 cents	(2.56 cents)	11.50 cents	4.28 cents
From continuing operations					
Basic		0.98 cents	(4.53 cents)	15.00 cents	6.61 cents
Diluted		0.70 cents	(3.50 cents)	10.00 cents	5.02 cents

Note: Alt 1 above illustrates the presentation of comprehensive income in one statement, and aggregates expenses according to their function. Alt 2 (see next pages) illustrates the presentation of comprehensive income in two statements and analyses expenses according to their nature. The format adopted for condensed financial statements in the interim financial report should be consistent with the format adopted for annual financial statements.

Irrespective of whether the one-statement or the two-statement approach is followed, for the components of other comprehensive income, entities have options regarding the extent to which detail is presented in the statement of comprehensive income or in the notes. Where an entity has opted to present some details in the notes for the purposes of its annual financial statements, those details need not be presented in its interim financial report, except to the extent that their disclosure would be required under IAS 34.16 (see item 34007 in the IAS 34 compliance checklist included in this guide).

Source	Checklist	
IAS 34.8(b)(ii) IAS 34.10 IAS 34.20(b)	34001(b) 34003 34004 34011(b)	**Condensed consolidated income statement for the period ended 30 June 2009** **[Alt 2]**

	Notes	Three months ended		Six months ended	
		30/6/09	30/6/08	30/6/09	30/6/08
		CU'000	CU'000	CU'000	CU'000
Continuing operations					
Revenue		255,931	162,492	450,077	297,336
Investment revenue		78	321	2,927	1,043
Other gains and losses		6,227	4,236	8,650	6,037
Changes in inventories of finished goods and work in progress	5	14,908	(9,028)	5,446	7,329
Raw materials and consumables used		(190,506)	(94,062)	(283.336)	(167,366)
Employee benefits expense		(70,574)	(60,350)	(133,100)	(111,760)
Depreciation and amortisation expense		(8,382)	(6,232)	(14,302)	(12,498)
Finance costs		(6,500)	(4,873)	(11,859)	(8,492)
Other expenses		–	–	(695)	(1,404)
Gain recognised on disposal of interest in former associate	10	582	–	582	–
Share of profit of associates		1,042	839	4,818	1,669
Profit (loss) before tax		2,806	(6,657)	29,208	11,894
Income tax (charge) credit	6	(1,332)	1,616	(4,598)	(1,290)
Profit (loss) for the period from continuing operations		1,474	(5,041)	24,610	10,604
Discontinued operation					
Profit (loss) for the period from discontinued operation	14	5,962	1,460	2,691	(1,168)
Profit (loss) for the period		7,436	(3,581)	27,301	9,436
Attributable to:					
Owners of the parent		7,138	(3,982)	20,705	6,776
Non-controlling interests		298	401	6,596	2,660
		7,436	(3,581)	27,301	9,436

Source	Checklist	
IAS 34.11	34005	**Earnings (loss) per share** (Notes: 7)

	Three months ended 30/6/09	Three months ended 30/6/08	Six months ended 30/6/09	Six months ended 30/6/08
From continuing and discontinued operations				
Basic	5.94 cents	(3.30 cents)	17.24 cents	5.64 cents
Diluted	4.26 cents	(2.56 cents)	11.50 cents	4.28 cents
From continuing operations				
Basic	0.98 cents	(4.53 cents)	15.00 cents	6.61 cents
Diluted	0.70 cents	(3.50 cents)	10.00 cents	5.02 cents

Condensed consolidated statement of comprehensive income
for the period ended 30 June 2009 **[Alt 2 – continued]**

	Notes	Three months ended		Six months ended	
		30/6/09	30/6/08	30/6/09	30/6/08
		CU'000	CU'000	CU'000	CU'000
Profit (loss) for the period		7,436	(3,581)	27,301	9,436
Other comprehensive income					
Exchange differences arising on translation of foreign operations		1,548	983	3,351	1,023
Available-for-sale financial assets		819	(74)	(233)	(125)
Cash flow hedges		(144)	(125)	(412)	77
Gain (loss) on revaluation of property	9	–	–	32,094	(2,113)
Income tax relating to components of other comprehensive income		–	–	(4,695)	380
Other comprehensive income for the period (net of tax)		2,223	784	30,105	(758)
Total comprehensive income for the period		9,659	(2,797)	57,406	8,678
Total comprehensive income attributable to:					
Owners of the parent		9,361	(3,198)	50,810	6,018
Non-controlling interests		298	401	6,596	2,660
		9,659	(2,797)	57,406	8,678

Source	Checklist
IAS 34.8(a)	34001(a)
IAS 34.10	34003
	34004
IAS 34.20(a)	34011(a)

Condensed consolidated statement of financial position at 30 June 2009

	Notes	30/6/09	31/12/08
		CU'000	CU'000
Assets			
Non-current assets			
Property, plant and equipment	9	622,227	567,512
Goodwill	11	3,010	3,562
Other intangible assets		26,985	21,294
Investments in associates	10	50,518	12,204
Deferred tax assets		4,118	3,872
Finance lease receivables		84,937	103,565
Other financial assets		13,373	25,432
Other assets		7,746	12,908
		812,914	750,349
Current assets			
Inventories		108,199	91,815
Trade and other receivables		181,464	142,062
Finance lease receivables		54,713	49,674
Derivative financial instruments		1,836	1,798
Other financial assets		35,407	27,932
Cash and cash equivalents		5,609	1,175
		387,228	314,456
Total assets		1,200,142	1,064,805

Source	Checklist

Condensed consolidated statement of financial position at 30 June 2009 – continued

	Notes	30/6/09	31/12/08
		CU'000	CU'000
Equity and liabilities			
Capital and reserves			
Issued capital	13	142,343	142,343
Reserves		68,732	37,341
Retained earnings		174,059	159,119
Equity attributable to owners of the parent		385,134	338,803
Non-controlling interests		17,917	5,576
Total equity		403,051	344,379
Non-current liabilities			
Borrowings	12	477,966	490,393
Obligations under finance leases		5,923	1,244
Retirement benefit obligation		30,714	42,760
Deferred tax liabilities		12,025	2,972
Provisions		2,118	–
		528,746	537,369
Current liabilities			
Trade and other payables		80,862	48,890
Borrowings	12	171,352	128,633
Obligations under finance leases		1,470	1,483
Current tax liabilities		8,229	1,986
Provisions		6,432	2,065
		268,345	183,057
Total liabilities		797,091	720,426
Total equity and liabilities		1,200,142	1,064,805

Source	Checklist
IAS 34.8(c)	34001(c)
IAS 34.10	34003
	34004
IAS 34.20(c)	34011(c)

Condensed consolidated statement of changes in equity for the period ended 30 June 2009

	Issued capital	Properties revaluation reserve
	CU'000	CU'000
Balance at 1 January 2008	142,343	39,552
Effect of changes in the accounting for mail order catalogues (note 2)	–	–
As restated	142,343	39,552
Profit for the period	–	–
Exchange differences arising on translation of foreign operations	–	–
Available-for-sale financial assets	–	–
Cash flow hedges	–	–
Loss on revaluation of property	–	(2,113)
Income tax relating to components of other comprehensive income	–	380
Total comprehensive income for the period	–	(1,733)
Payment of dividends	–	–
Balance at 30 June 2008	142,343	37,819
Balance at 1 January 2009	142,343	34,418
Profit for the period	–	–
Exchange differences arising on translation of foreign operations	–	–
Available-for-sale financial assets	–	–
Cash flow hedges	–	–
Gain on revaluation of property	–	32,094
Income tax relating to components of other comprehensive income	–	(4,695)
Total comprehensive income for the period	–	27,399
Payment of dividends	–	–
Difference arising on disposal of interest in B Sub Limited (note 14)	–	–
Non-controlling interests arising on the acquisition of Sub X Limited (note 15)	–	–
Balance at 30 June 2009	142,343	61,817

Note: This statement complies with the requirements of IAS 1.106, which states that each item of other comprehensive inc
not include this level of detail on the face of the statement.

The IASB is currently considering a proposal to relax the requirements of IAS 1.106 so as to avoid the current duplica

Investments revaluation reserve	Hedging reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Attributable to owners of the parent	Non-contolling interests	Total
CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
6,875	1,501	(7,329)	–	149,878	332,820	1,158	333,978
–	–	–	–	(92)	(92)	–	(92)
6,875	1,501	(7,329)	–	149,786	332,728	1,158	333,886
–	–	–	–	6,776	6,776	2,660	9,436
–	–	1,023	–	–	1,023		1,023
(125)	–	–	–	–	(125)		(125)
–	77	–	–	–	77		77
–	–	–	–	–	(2,113)		(2,113)
–	–	–	–	–	380		380
(125)	77	1,023	–	6,776	6,018	2,660	8,678
–	–	–	–	(14,472)	(14,472)	–	(14,472)
6,750	1,578	(6,306)	–	142,090	324,274	3,818	328,092
6,390	1,156	(4,623)	–	159,119	338,803	5,576	344,379
–	–	–	–	20,705	20,705	6,596	27,301
–	–	3,351	–	–	3,351	–	3,351
(233)	–	–	–	–	(233)	–	(233)
–	(412)	–	–	–	(412)	–	(412)
–		–	–	–	32,094	–	32,094
–		–	–	–	(4,695)	–	(4,695)
(233)	(412)	3,351	–	20,705	50,810	6,596	57,406
–	–	–	–	(5,765)	(5,765)	–	(5,765)
–	–	–	1,286	–	1,286	3,214	4,500
–	–	–	–	–	–	2,531	2,531
6,157	744	(1,272)	1,286	174,059	385,134	17,917	403,051

ome must be shown separately in the statement of changes in equity. However, the illustrative statement of changes in equity accompanying IAS 1 does

tion of information in the statement of comprehensive income and the statement of changes in equity.

Source	Checklist	
IAS 34.8(d) IAS 34.10 IAS 34.20(d) IAS 34.16(c)	34001(d) 34003 34004 34011(d)) 34007(c)	**Condensed consolidated statement of cash flows for the period ended 30 June 2009**

	Notes	Six months ended 30/6/09 CU'000	Six months ended 30/6/08 CU'000
Net cash from operating activities		6,048	46,480
Additions to property, plant and equipment	9	(57,527)	(28,940)
Acquisition of interest in an associate	10	(34,519)	–
Acquisition of a subsidiary	15	(9,491)	–
Proceeds on disposal of property, plant and equipment	9	33,386	9,827
Proceeds on disposal of a subsidiary	14	30,900	–
Proceeds on disposal of interest in a subsidiary	14	4,500	–
Proceeds on disposal of interest in an associate	10	1,245	–
Other investing cash flows (net)		2,600	(17,941)
Net cash used in investing activities		(28,906)	(37,054)
New bank loan raised	12	50,000	30,000
Repayments of bank loans	12	(19,818)	(18,230)
Dividends paid	8	(5,765)	(14,472)
Other financing cash flows (net)		2,875	(3,647)
Net cash from (used in) financing activities		27,292	(6,349)
Net increase in cash and cash equivalents		4,434	3,077
Cash and cash equivalents at 1 January		1,175	2,033
Cash and cash equivalents at 30 June			
Bank balances and cash		5,609	5,110

Source	Checklist	
IAS 34.8(e)	34001(e)	**Notes to the condensed consolidated financial statements for the period ended 30 June 2009**
IAS 34.19	34010	**1. Basis of preparation**

The condensed financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

2. Significant accounting policies

The condensed financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments.

IAS 34.16(a) | 34007(a)

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008, except for the impact of the adoption of the Standards and Interpretations described below.

IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 3), but has had no impact on the reported results or financial position of the Group.

IAS 1 (revised 2007) *Presentation of Financial Statements*
(effective for annual periods beginning on or after 1 January 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

IFRS 3 (revised 2008) *Business Combinations*
(effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009)

IFRS 3 (revised 2008) has been adopted in advance of its effective date and has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2009. Its adoption has affected the accounting for the acquisition of Sub X Limited in the current period.

The impact of IFRS 3(2008) *Business Combinations* has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests). In the current period, in accounting for the acquisition of Sub X Limited, the Group has elected to measure the non-controlling interests at fair value. Consequently, the goodwill recognised in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the identifiable net assets of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration. Whereas, under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if it met probability and reliably measurable criteria, under the revised Standard the consideration for the acquisition always includes the fair value of any contingent consideration. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against goodwill only to the extent that they reflect fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). Under the previous version of the Standard, adjustments to consideration were always made against goodwill;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss, measured at fair value of non-contractual relationships; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being expensed when incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Notes to the condensed consolidated financial statements for the period ended 30 June 2009 – continued

In the current period, these changes in policies have affected the accounting for the acquisition of Sub X Limited as follows:

Statement of financial position

	30/06/09
	CU'000
Excess of the fair value of non-controlling interests in Sub X Limited over their share of the identifiable net assets (reflected in non-controlling interests)	157
Liability recognised in respect of the fair value of contingent consideration that would not have been recognised under the previous version of the Standard (reflected in provisions)	75
Adjustment of purchase consideration to reflect settlement of law suit against Sub X Limited (profit or loss)	40
Acquisition-related costs expensed when incurred (profit or loss)	(145)
Additional goodwill recognised as result of the adoption of IFRS 3(2008)	127

Statement of comprehensive income

	30/06/09
	CU'000
Gain recognised to reflect the effective settlement of the Group's law suit against Sub X Limited	40
Acquisition-related costs expensed when incurred	(145)
Decrease in profit for the period as a result of the adoption of IFRS 3(2008)	(105)

The revised Standard has also required additional disclosures in respect of the business combinations in the period (see note 15).

Results in future periods may be affected by future impairment losses in respect of the increased goodwill, and by potential changes in the liability recognised for contingent consideration.

The revised Standard is also expected to affect the accounting for business combinations in future accounting periods, but the impact will only be determined once the detail of future business combination transactions is known.

IAS 27(revised 2008) ***Consolidated and Separate Financial Statements***
(effective for annual periods beginning on or after 1 July 2009)

IAS 27(2008) has been adopted in advance of its effective date from 1 January 2009 and has been applied prospectively. The revised Standard has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in its subsidiaries. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under IAS 27(2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date that control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

Notes to the condensed consolidated financial statements
for the period ended 30 June 2009 – continued

In respect of the disposal during the period of part of the Group's interest in B Sub Limited, the impact of the change in policy has been that the difference of CU1.286 million between the consideration received and the transfer between the parent's equity and non-controlling interests has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the period of CU1.286 million.

The revised Standard is also expected to affect the accounting for changes in ownership interests in future accounting periods, but the impact will only be determined once the detail of future transactions is known.

IAS 28(2008) *Investments in Associates*
(effective for annual periods beginning on or after 1 July 2009)

IAS 28(2008) has been adopted in advance of its effective date in the current period. The principle adopted in IAS 27(2008) that a change in accounting basis is recognised as a disposal and re-acquisition at fair value is extended by consequential amendments to IAS 28 such that, on the loss of significant influence, the investor measures at fair value any investment retained in the former associate.

This change has affected the accounting for the partial disposal of the Group's interest in K Plus Limited in the period. The difference of CU104,000 between the carrying amount and fair value of the interest retained in K Plus Limited has been recognised in profit or loss in the period, net of a tax charge of CU31,000. Had the Group's previous accounting policy been followed, the carrying amount of the investment retained would have been regarded as cost for the purpose of subsequent accounting as an available-for-sale investment under IAS 39 and the movement in fair value (and related deferred tax) would have been recognised in other comprehensive income. The profit reported for 2008 has therefore been increased by CU73,000 as a result of the change in accounting policy. This increase will be offset by a decrease in profits of an equivalent amount when the investment is disposed of in future accounting periods.

Improvements to IFRSs issued in May 2008

The Improvements include 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied, and have resulted in a number of changes in the detail of the Group's accounting policies. The only amendment included in *Improvements to IFRSs* that has had a material impact on the Group's accounting policies is the amendment to IAS 38 *Intangible Assets,* which has been amended to state that an entity is permitted to recognise a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. Mail order catalogues have been specifically identified as a form of advertising and promotional activities. In the past, the Group recognised its inventories of catalogues held as an asset up to the date of dispatch. The amendments to IAS 38 have been applied retrospectively in accordance with the relevant transitional provisions, resulting in a reduction in inventories held at 1 January 2008 of CU132,000 and the recognition of a current tax refund due of CU40,000 at the same date, leading to a net adjustment to retained earnings at 1 January 2008 of CU92,000. [Marketing expenses/raw materials and consumables used] in the six months ended 30 June 2009 have been increased by CU12,000 (2008: CU7,000), and the current tax charge reduced by CU4,000 (2008: CU2,000). The impact of the change at 30 June 2009 has been to decrease inventories by CU63,000 (2008: CU85,000), to increase current tax assets by CU40,000 (2008: CU40,000), to decrease current tax liabilities by CU6,000 (2087: CU2,000), and to decrease retained earnings by CU17,000 (2008: CU43,000).

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended 30 June 2009 – continued
IAS 34.16(g)	34007(g)	**3. Segment information**

Note: The information set out below goes beyond the ongoing requirements of IAS 34 because, in the first year of implementation, additional information is required that will not have been provided in the previous year's annual financial statements (see section 4.3 of this guide for further discussion).

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally was analysed on the basis of the types of goods supplied by the Group's operating divisions (i.e. electronic equipment, leisure goods, construction services, toys and 'other'). However, information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focussed on the category of customer for each type of goods. The principal categories of customer for these goods are direct sales to major customers, wholesalers, retailers and internet sales. The Group's reportable segments under IFRS 8 are therefore as follows:

Electronic equipment	– direct sales – wholesalers and retail outlets – internet sales
Leisure goods	– wholesalers – retail outlets
Other	

The leisure goods segments supply sports shoes and equipment, outdoor play equipment and, prior to discontinuation (see below), toys.

Other operations include the development, sale and installation of computer software for specialised business applications, leasing specialised storage equipment, and distribution services.

In prior years, the Group was involved in the manufacture and sale of toys, which was reported as a separate segment under IAS 14. That operation was discontinued with effect from 30 April 2009 (see note 14). For IFRS 8 purposes, the toy operation is included in the leisure goods reportable segments.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of IFRS 8.

Source	Checklist	

Notes to the condensed consolidated financial statements for the period ended 30 June 2009 – continued

IAS 34.16(g) 34007(g)

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

	Revenue		Segment profit	
	Six months ended		Six months ended	
	30/6/09	30/6/08	30/6/09	30/6/08
	CU'000	CU'000	CU'000	CU'000
Continuing operations				
Electronic equipment				
– direct sales	99,187	64,116	7,642	4,309
– wholesalers and retail outlets	84,106	43,339	6,719	2,895
– internet sales	81,117	40,746	6,339	2,693
Leisure goods (excluding toys)				
– wholesalers	98,411	83,554	7,722	5,589
– retail outlets	79,700	50,339	6,319	3,367
Other	7,556	15,242	933	1,487
Total for continuing operations	450,077	297,336	35,674	20,340
Investment revenue			2,927	1,043
Central administration and directors' salaries			(2,934)	(2,646)
Finance costs			(11,859)	(8,492)
Gain recognised on disposal of interest in former associate			582	–
Share of profit of associates			4,818	1,649
Profit before tax (continuing operations)			29,208	11,894
Discontinued operation				
Leisure goods (toys)				
– wholesalers	35,714	34,977	557	879
– retail outlets	28,033	20,288	(625)	(1,829)
Total for discontinued operations	63,747	55,265	(68)	(950)
Central administration and directors' salaries			(386)	(362)
Gain on disposal of toy manufacturing operation			3,883	–
Profit (loss) before tax (discontinued operations)			3,429	(1,312)
Income tax expense (continuing and discontinued)			(5,336)	(1,146)
Consolidated revenue (excluding investment revenue) and profit for the period	513,824	352,601	27,301	9,436

All of the segment revenue reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, investment revenue and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Source	Checklist	

Notes to the condensed consolidated financial statements for the period ended 30 June 2009 – continued

The following is an analysis of the Group's assets by operating segment:

	30/6/09	31/12/08
	CU'000	CU'000
Continuing operations		
Electronic equipment		
– direct sales	191,561	159,454
– wholesalers and retail outlets	165,567	107,133
– internet sales	160,571	102,150
Leisure goods (excluding toys)		
– wholesalers	189,828	206,792
– retail outlets	158,635	124,573
Other	22,462	37,910
Total for continuing operations	888,624	738,012
Discontinued operation		
Leisure goods (toys)		
– wholesalers	–	86,995
– retail outlets	–	52,091
Total for discontinued operations	–	139,086
Total segment assets	888,624	877,098

IAS 34.16(b) | 34007(b)

4. Results for the period

[Provide explanatory comments about the seasonality or cyclicality of the interim operations, where applicable.]

IAS 34.16(c) | 34007(c)

5. Changes in inventories/cost of sales

Included in [changes in inventories of finished goods and work in progress/cost of sales] for the six months ended 30 June 2009 is an amount of CU2.79 million in respect of exceptional allowances recognised to reduce the carrying amount of inventories to their net realisable value. The allowances were recognised in the three months ended 31 March 2009.

6. Income tax (charge) credit

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 14 per cent (6 months ended 30 June 2008: 18 per cent).

Source	Checklist

Notes to the condensed consolidated financial statements for the period ended 30 June 2009 – continued

7. Earnings (loss) per share

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the following data:

	Three months ended		Six months ended	
	30/6/09	30/6/08	30/6/09	30/6/08
	CU'000	CU'000	CU'000	CU'000
Earnings				
Earnings for the purposes of basic and diluted earnings per share (profit (loss) for the period attributable to owners of the parent)	7,138	(3,982)	20,705	6,776
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	120,111	120,111	120,111	120,111
Effect of dilutive share options	47,430	35,317	59,981	38,216
Weighted average number of ordinary shares for the purposes of diluted earnings per share	167,541	155,428	180,092	158,327

From continuing operations

Earnings figures are calculated as follows:

	Three months ended		Six months ended	
	30/6/09	30/6/08	30/6/09	30/6/08
	CU'000	CU'000	CU'000	CU'000
Profit (loss) for the period attributable to owners of the parent	7,138	(3,982)	20,705	6,776
Less: (profit) loss for the period from discontinued operation	(5,962)	(1,460)	(2,691)	1,168
Earnings for the purposes of basic and diluted earnings per share from continuing operations	1,176	(5,442)	18,014	7,944

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

IAS 34.16(f) 34007(f)

8. Dividends

During the interim period, a dividend of 4.8 cents (2008: 12.05 cents) per share was paid to the shareholders.

9. Property, plant and equipment

During the period, the Group spent approximately CU57 million on the final stage of construction of its new office premises and on additions to the manufacturing plant in B Land, in order to upgrade its manufacturing capabilities.

It also disposed of certain of its machinery and tools with a carrying amount of CU30 million for proceeds of CU33 million.

Source	Checklist	

Notes to the condensed consolidated financial statements for the period ended 30 June 2009 – continued

The Group revalued its land and buildings in B Land at 31 March 2009 and recognised a revaluation surplus of CU32.09 million. The valuation was carried out by Messrs R.P. Trent & Co. The directors are satisfied that the carrying amount of the land and buildings at 30 June 2009 is not materially different from their fair value.

IAS 34.16(i) | 34007(i)

10. Investments in associates

On 25 May 2009, the Group acquired a 30 per cent interest in A Plus Limited, a company incorporated in C Land and engaged in the manufacture of electronic goods. The consideration for the acquisition was CU34.5 million.

At 31 December 2008, the Group held a 40% interest in K Plus Limited and accounted for the investment as an associate. In June 2009, the Group transferred a 30% interest to a third party for proceeds of CU1.245 million. The Group has retained the remaining 10% interest as an available-for-sale investment. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	CU'000
Proceeds of disposal	1,245
Plus: fair value of investment retained	360
Less: carrying amount of investment on the date of loss of significant influence	(1,023)
Profit recognised	582

A current tax charge of CU143,000 arose on the gain realised in the period, and a deferred tax charge of CU31,000 has been recognised in respect of the portion of the gain not taxable until the remaining interest is disposed of.

IFRS 3(2008. B67(d) | 34039

11. Goodwill

	2009	2008
	CU'000	CU'000
Gross		
At 1 January	3,562	3,562
Additional goodwill arising on the acquisition of Sub X Limited	467	–
Derecognised on the disposal of of Sub A Limited	(1,019)	–
	3,010	3,562
Accumulated impairment losses		
At 1 January and 30 June	–	–

IAS 34.16(e) | 34007(e)

12. Borrowings

During the period, the Group obtained a new short-term bank loan in the amount of CU50 million (2008: CU30 million). The loan bears interest at variable market rates and is repayable within 1 year. The proceeds were used to meet short-term expenditure needs. Repayments of other bank loans amounting to CU19.8 million (2008: CU18.2 million) were made in line with previously disclosed repayment terms.

IAS 34.16(e) | 34007(e)

13. Issued capital

Issued capital as at 30 June 2009 amounted to CU142,343,000. There were no movements in the issued capital of the Company in either the current or the prior interim reporting periods.

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended 30 June 2009 – continued
IAS 34.16(i)	34007(i)	**14. Disposals of subsidiaries**

Disposal of interest in a subsidiary

On 31 January 2009, the Group disposed of 20% of its interest in B Sub Limited, reducing its continuing interest to 80%. The proceeds on disposal of CU4.5 million were received in cash.

The difference between the disposal proceeds and the amount transferred to non-controlling interests (CU3.214 million) has been recognised directly in equity.

Disposal of subsidiary (discontinued operation)

On 30 April 2009, the Group disposed of Sub A Limited, which carried out all of its toy manufacturing operations. The proceeds on disposal of CU30.9 million were received in cash.

IAS 34.16(i) 34007(i) The profit (loss) for the period from the discontinued operation is analysed as follows:

	Month ended 30/4/09	3 months ended 30/6/08	4 months ended 30/4/09	6 months ended 30/6/08
	CU'000	CU'000	CU'000	CU'000
Profit (loss) of toy manufacturing operation for the period	2,079	1,460	(1,192)	(1,168)
Gain on disposal of toy manufacturing operation	3,883	–	3,883	–
	5,962	1,460	2,691	(1,168)

The results of the toy manufacturing operation for the relevant periods were as follows:

	Month ended 30/4/09	3 months ended 30/6/08	4 months ended 30/4/09	6 months ended 30/6/08
	CU'000	CU'000	CU'000	CU'000
Revenue	22,318	28,802	63,747	55,265
Operating costs	(19,011)	(25,209)	(61,311)	(54,474)
Finance costs	(1,228)	(1,203)	(2,890)	(2,103)
Profit (loss) before tax	2,079	2,390	(454)	(1,312)
Income tax (charge) credit	–	(930)	(738)	144
Profit (loss) after tax	2,079	1,460	(1,192)	(1,168)

IAS 34.16(i) 34007(i) The net assets of Sub A Limited at the date of disposal were as follows:

	CU'000
Net assets disposed of	25,998
Attributable goodwill	1,019
	27,017
Profit on disposal	3,883
Total consideration	30,900
Satisfied by cash, and net cash inflow arising on disposal	30,900

A profit of CU3.88 million was earned on the disposal of Sub A Limited. No tax charge or credit arose on the transaction.

Source	Checklist	
		Notes to the condensed consolidated financial statements for the period ended 30 June 2009 – continued
		15. Acquisition of subsidiaries
IFRS 3(2008). B64(a) – (d)	34036	On 15 May 2009, the Group acquired an 80% interest in Sub X Limited. Sub X Limited is engaged in distribution activities and was acquired with the objective of significantly improving the Group's distribution logistics.
IFRS 3(2008). B64(f)	34036	*Consideration transferred*

	CU'000
Cash	9,691
Contingent consideration arrangement (i)	75
	9,766
Plus: effect of settlement of legal claim against Sub X Limited (ii)	40
	9,806

IFRS 3(2008). B64(g)	34036	(i) The contingent consideration requires the Group to pay the non-controlling interests an additional CU300,000 if Sub X Limited's profit before interest and tax (PBIT) in each of the years 2009 and 2010 exceeds CU500,000. Sub X's PBIT for the past three years has been CU350,000 on average and the directors do not expect that the specified target will be met. CU75,000 represents the estimated fair value of this obligation.
IFRS 3(2008). B64(l)	34036	(ii) Prior to the acquisition of Sub X Limited, the Group was pursuing a legal claim against that company in respect of damage to goods in transit to a customer. Although the Group was confident of recovery, this amount has not previously been recognised as an asset. In line with the requirements of IFRS 3(2008), the Group has recognised the effective settlement of this legal claim on the acquisition of Sub X Limited by recognising CU40,000 (being the estimated fair value of the claim) as a gain in the [statement of comprehensive income/income statement] within the 'other gains and losses' line item. This has resulted in a corresponding increase in the consideration transferred.
IFRS 3(2008). B64(m)	34036	Acquisition-related costs amounting to CU145,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the 'other expenses' line item in the [statement of comprehensive income/income statement].
IFRS 3(2008). B64(i)	34036	*Assets acquired and liabilities assumed at the date of acquisition*

	CU'000
Current assets	
Cash & cash equivalents	200
Trade & other receivables	2,943
Inventories	3,631
Non-current assets	
Plant & equipment	7,512
Current liabilities	
Trade & other payables	(2,358)
Non-current liabilities	
Deferred tax liabilities	(58)
	11,870

Source	Checklist	
IFRS 3(2008). B67(a)	34039	The initial accounting for the acquisition of Sub X Limited has only been provisionally determined at the end of the interim reporting period. For tax purposes, the tax values of Sub X's assets are required to be reset based on market values and other factors. At the date of finalisation of this interim financial report, the necessary market valuations and other calculations had not been finalised and the adjustments to deferred tax liabilities and goodwill noted above have therefore only been provisionally determined based on the directors' best estimate of the likely tax values. The market valuations obtained for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combination.
IFRS 3(2008). B64(h)	34036	The receivables acquired (which principally comprised trade receivables) with a fair value of CU2.943 million had gross contractual amounts of CU3.3 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected is CU220,000.

Non-controlling interests

IFRS 3(2008.) B64(o)	34036	The non-controlling interest (20%) in Sub X Limited recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to CU2,531 million. This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate range of 18% – 22%;
- assumed long-term sustainable growth rates of 3% – 5%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in Sub X Limited.

Goodwill arising on acquisition

	CU'000
Consideration transferred	9,806
Plus: non-controlling interests (at fair value)	2,531
Less: fair value of identifiable net assets acquired	(11,870)
Goodwill arising on acquisition	467

IFRS 3(2008.) B64(e)	34036	Goodwill arose in the acquisition of Sub X Limited because the acquisition included the customer lists and customer relationships of Sub X Limited as part of the acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.
IFRS 3(2008). B64(k)	34036	None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition

	CU'000
Consideration paid in cash	9,691
Less: cash and cash equivalent balances acquired	(200)
	(9,491)

Source	Checklist	
		Impact of acquisition on the results of the Group
IFRS 3(2008) B64(g)	34036	Included in the profit for the interim period is CU35,000 attributable to Sub X Limited. Revenue for the period includes CU673,000 in respect of Sub X Limited.
		Had the acquisition of Sub X Limited been effected at 1 January 2009, the revenue of the Group from continuing operations for the six months ended 30 June 2009 would have been CU454.89 million, and the profit for the year from continuing operations would have been CU24.8 million. The directors of the Group consider these pro-forma numbers to represent an approximate measure of the performance of the combined group on a half-yearly basis and to provide a reference point for comparison in future periods.
		In determining the pro-forma revenue and profit of the Group had Sub X Limited been acquired at the beginning of the current reporting period, the directors have:
		• calculated depreciation and amortisation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements;
		• based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination; and
		• excluded takeover defence costs of Sub X Limited as a one-off pre-acquisition transaction.
IAS 34.16(j)	34007(j)	**16. Contingencies and commitments**
		[Changes in contingent liabilities or contingent assets since the end of the previous reporting period.]
IAS 34.16(h)	34007(h)	**17. Events after the end of the reporting period**
		[Material events subsequent to the end of the interim reporting period that have not been reflected in the financial statements for the interim period.]
	34009 (Note)	**18. Related party transactions**
		[Details of significant related party transactions for the period.]
IAS 34.16(j)	34007(j)	**19. Approval of interim financial statements**
		The interim financial statements were approved by the board of directors on 17 August 2009.

IAS 34 compliance checklist

Reference	Requirement	Source
	This checklist addresses the requirements of IAS 34 Interim Financial Reporting*.*	
	IFRS 1 First-time Adoption of International Financial Reporting Standards *includes additional disclosure requirements for interim periods covered by an entity's first IFRS financial statements. These requirements are also included in this checklist.*	
	Where an entity elects to present a complete set of financial statements at the interim reporting date, IAS 1 Presentation of Financial Statements *will apply to those financial statements. Even where a condensed interim financial report is prepared, certain requirements of IAS 1 apply. The sections applicable to condensed interim financial reports, as set out in IAS 1, deal with:* • *fair presentation and compliance with IFRSs;* • *going concern;* • *accrual basis of accounting;* • *materiality and aggregation; and* • *offsetting.*	
	Note that this checklist reflects the amendments made in IAS 34 as a result of the 2007 revision of IAS 1, which are effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. Entities that have not yet adopted IAS 1(2007) should refer to the previous version of this checklist available at **www.iasplus.com**	
	Minimum components of an interim financial report	
	Note: IAS 34 defines the minimum content of an interim financial report as including condensed financial statements and selected explanatory notes. The interim financial report is intended to provide an update on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events and circumstances, and does not duplicate information previously reported.	IAS 34.6
34001	An interim financial report shall include, at a minimum, the following components:	
	a) a condensed statement of financial position;	IAS 34.8(a)
	b) a condensed statement of comprehensive income, presented as either:	IAS 34.8(b)
	i) a condensed single statement; or	
	ii) a condensed separate income statement and a condensed statement of comprehensive income;	
	c) a condensed statement of changes in equity;	IAS 34.8(c)
	d) a condensed statement of cash flows; and	IAS 34.8(d)
	e) selected explanatory notes.	IAS 34.8(e)
	Note: If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1, it presents interim condensed information from that separate statement.	IAS 34.8A
	Form and content of interim financial statements	
34002	If an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements shall conform to the requirements of IAS 1 for a complete set of financial statements.	IAS 34.9
	Note: Even where the entity prepares a condensed interim report, some sections of IAS 1 apply – see the introductory notes at the beginning of this checklist.	

Reference	Requirement	Source
34003	If an entity publishes a set of condensed financial statements in its interim financial report, those condensed statements shall include, at a minimum, each of the headings and subtotals that were included in the entity's most recent annual financial statements and the selected explanatory notes as required by IAS 34.	IAS.34.10
34004	Additional line items or notes shall be included if their omission would make the condensed interim financial statements misleading.	IAS.34.10
	Note: Where the entity has opted to publish a complete set of financial statements for the interim period, the recognition and measurement guidance in IAS 34 applies to those financial statements, and such statements should include all of the disclosures required by IAS 34 (particularly the selected note disclosures in paragraph 16 of IAS 34) as well as those required by other Standards.	IAS 34.7
34005	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 scope of IAS 33.	IAS 34.11
	Note: If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1, it presents basic and diluted earnings per share in that separate statement.	IAS 34.11A
34006	An interim report is prepared on a consolidated basis if the entity's most recent annual financial statements were consolidated statements.	IAS 34.14
	Note: The parent's separate financial statements are not consistent or comparable with the consolidated statements in the most recent annual financial report. If an entity's annual financial report included the parent's separate financial statements in addition to consolidated financial statements, IAS 34 neither requires nor prohibits the inclusion of the parent's separate statements in the entity's interim financial report.	IAS 34.14
	Selected explanatory notes	
	Note: A user of an entity's interim financial report will also have access to the most recent annual financial report of that entity. It is unnecessary, therefore, for the notes to an interim financial report to provide relatively insignificant updates to the information that was already reported in the notes in the most recent annual report. At an interim date, 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 is more useful.	IAS 34.15
34007	An entity shall include the following information, as a minimum, in the notes to its interim financial statements, if material and if not disclosed elsewhere in the interim financial report:	
	a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change;	IAS 34.16(a)
	b) explanatory comments about the seasonality or cyclicality of interim operations;	IAS 34.16(b)
	c) the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence;	IAS 34.16(c)
	d) 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, if those changes have a material effect in the current interim period;	IAS 34.16(d)
	e) issuances, repurchases, and repayments of debt and equity securities;	IAS 34.16(e)
	f) dividends paid (aggregate or per share) separately for ordinary shares and other shares;	IAS 34.16(f)

Reference	Requirement	Source
	g) if IFRS 8 *Operating Segments* requires the entity to disclose segment information in its annual financial statements, the following segment information:	IAS 34.16(g)
	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; and	
	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;	
	h) material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;	IAS 34.16(h)
	i) the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations; and	IAS 34.16(i)
	Note: In the case of business combinations, the entity shall disclose the information required by IFRS 3 Business Combinations *(see item 34026 et seq.).*	IAS 34.16(i)
	j) changes in contingent liabilities or contingent assets since the end of the last annual reporting period.	IAS 34.16(j)
34008	The explanatory notes outlined above (paragraph 16 of IAS 34) shall normally be reported on a financial year-to-date basis.	IAS 34.16
34009	Notwithstanding that the explanatory notes outlined above (paragraph 16 of IAS 34) are normally reported on a financial year-to-date basis, the entity shall also disclose any events or transactions that are material to an understanding of the current interim period.	IAS 34.16

Reference	Requirement	Source
	Notes:	
	1) Examples of the kinds of disclosures that are required by paragraph 16 of IAS 34 are set out below. Individual IFRSs provide guidance regarding disclosures for many of these items:	IAS 34.17
	• *the write-down of inventories to net realisable value and the reversal of such a write-down;*	
	• *recognition of a loss from the impairment of property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss;*	
	• *the 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;*	
	• *any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period; and*	
	• *related party transactions.*	
	2) Other IFRSs specify disclosures that should be made in financial statements. In that context, financial statements means complete sets of financial statements of the type normally included in an annual financial report and sometimes included in other reports. Except as required by paragraph 16(i) (business combinations – see above), the disclosures required by those other IFRSs are not required if an entity's interim financial report includes only condensed financial statements and selected explanatory notes rather than a complete set of financial statements.	IAS 34.18
	Disclosure of compliance with IFRSs	
34010	If an entity's interim financial report is in compliance with IAS 34, that fact shall be disclosed.	IAS 34.19
	Note: An interim financial report shall not be described as complying with IFRSs unless it complies with all of the requirements of IFRSs.	*IAS 34.19*
	Periods for which interim financial statements are required to be presented	
34011	Interim reports shall include interim financial statements (condensed or complete) for periods as follows:	
	a) statement of 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;	IAS 34.20(a)
	b) statements of comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparative statements of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year;	IAS 34.20(b)
	Note: As permitted by IAS 1, an interim report may present for each period either a single statement of comprehensive income, or a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).	IAS 34.20(b)
	c) 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; and	IAS 34.20(c)

Reference	Requirement	Source
	d) statement of cash flows 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.	IAS 34.20(d)
	Note: Appendix A to IAS 34 illustrates the periods required to be presented by an entity that reports half-yearly and an entity that reports quarterly.	IAS 34.22
34012	Entities whose business is highly seasonal are encouraged (but not required) to report financial information for the twelve months up to the end of the interim period, and comparative information for the prior twelve-month period	IAS 34.21
	Note: If such information is reported, on the basis that it may be useful to users of the interim financial report, it is reported in addition to the information required in paragraph 20 of IAS 34 (see above).	IAS 34.21
	Materiality	
34013	In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data.	IAS 34.23
	Notes:	
	1) In making assessments of materiality, it should be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.	IAS 34.23
	2) IAS 1 Presentation of Financial Statements *and IAS 8* Accounting Policies, Changes in Accounting Estimates and Errors *define an item as material if its omission or misstatement could influence the economic decisions of users of the financial statements. IAS 1 requires separate disclosure of material items, including (for example) discontinued operations, and IAS 8 requires disclosure of changes in accounting estimates, errors and changes in accounting policies. Neither Standard contains quantified guidance as to materiality.*	IAS 34.23
	3) While judgement is always required in assessing materiality, IAS 34 bases the recognition and disclosure decision on data for the interim period by itself for reasons of understandability of the interim figures. 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 to avoid misleading inferences that might result from non-disclosure. The overriding goal is to ensure that an interim financial report includes all information that is relevant to understanding an entity's financial position and performance during the interim period.	IAS 34.25
	Disclosure in annual financial statements	
34014	If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year, but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that financial year.	IAS 34.26
	Note: 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. Paragraph 16(d) of IAS 34 requires similar disclosure in an interim financial report. Examples include changes in estimate in the final interim period relating to inventory write-downs, restructurings, or impairment losses that were reported in an earlier interim period of the financial year. The disclosure required by paragraph 26 of IAS 34 is consistent with the IAS 8 requirement and is intended to be narrow in scope – relating only to the change in estimate. An entity is not required to include additional interim period financial information in its annual financial statements.*	IAS 34.27

Reference	Requirement	Source
	Recognition and measurement	
	Note: Appendix B to IAS 34 provides examples of applying the general recognition and measurement principles set out in paragraphs 28 to 39 of IAS 34.	IAS 34.40
	Same accounting policies as annual financial statements	
34015	An entity shall apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for 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.	IAS 34.28
34016	However, the frequency of an entity's reporting (annual, half-yearly, or quarterly) shall not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes shall be made on a year-to-date basis.	IAS 34.28
	Note: Paragraphs 29 to 36 of IAS 34 provide more guidance on the application of the principles set out in paragraph 28 (see above).	
	Revenues received seasonally, cyclically, or occasionally	
34017	Revenues that are received seasonally, cyclically, or occasionally within a financial year shall not be anticipated or deferred as of an interim date if anticipation or deferral would not be appropriate at the end of the entity's financial year.	IAS 34.37
	Note: Examples include dividend revenue, royalties, and government grants. Additionally, some entities consistently earn more revenues in certain interim periods of a financial year than in other interim periods, for example, seasonal revenues of retailers. Such revenues are recognised when they occur.	IAS 34.38
	Costs incurred unevenly during the financial year	
34018	Costs that are incurred unevenly during an entity's financial year shall be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.	IAS 34.39
	Use of estimates	
34019	The measurement procedures to be followed in an interim financial report shall be designed to ensure that the resulting information is reliable and that all material financial information that is relevant to an understanding of the financial position or performance of the entity is appropriately disclosed.	IAS 34.41
	Notes:	
	1) While measurements in both annual and interim financial reports are often based on reasonable estimates, the preparation of interim financial reports generally will require a greater use of estimation methods than annual financial reports.	IAS 34.41
	2) Appendix C to IAS 34 provides examples of the use of estimates in interim periods.	IAS 34.42
	Restatement of previously reported interim periods	
34020	A change in accounting policy (other than one for which the transition is specified by a new IFRS) shall be reflected by: a) restating the financial statements of prior interim periods of the current financial year and the comparable interim periods of any prior financial years that will be restated in the annual financial statements in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; or	IAS 34.43

Reference	Requirement	Source
	b) when it is impracticable to determine the cumulative effect at the beginning of the financial year of applying a new accounting policy to all prior periods, adjusting the financial statements of prior interim periods of the current financial year and comparable interim periods of prior financial years to apply the new accounting policy prospectively from the earliest date practicable.	
	Note: One objective of the preceding principle is to ensure that a single accounting policy is applied to a particular class of transactions throughout an entire financial year. Under IAS 8, a change in accounting policy is reflected by retrospective application, with restatement of prior period financial data as far back as is practicable. However, if the cumulative amount of the adjustment relating to prior financial years is impracticable to determine, then under IAS 8 the new policy is applied prospectively from the earliest date practicable. The effect of the principle in paragraph 43 of IAS 34 (see above) is to require that within the current financial year any change in accounting policy is applied either retrospectively or, if that is not practicable, prospectively, from no later than the beginning of the financial year.	IAS 34.44
	Requirements for interim periods covered by the entity's first IFRS financial statements	
	Notes: *1) The requirements below refer to interim financial reports prepared under IAS 34 for interim periods covered by the entity's first IFRS financial statements. They supplement the requirements of IAS 34 for such interim periods. See Example 10 in the Implementation Guidance issued with IFRS 1 (reproduced in section 11.4 of this guide) for an illustration of the various reconciliations required.* *2) IFRS 1* First-time Adoption of International Financial Reporting Standards *was revised in November 2008. The objective of the revision was to improve the structure of the Standard – no new or revised technical material was introduced. The references below are to the text of the Standard as revised in November 2008.*	
34021	Where an entity presents an interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements, and it presented an interim financial report for the comparable interim period of the immediately preceding financial year, each such interim financial report shall include: a) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under IFRSs at that date; and b) a reconciliation to its total comprehensive income in accordance with IFRSs for that comparable interim period (current and year to date). The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.	IFRS 1.32(a)
34022	In addition to the reconciliations required by paragraph 32(a) of IFRS 1 (see above), the entity's <u>first</u> interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements shall include the following reconciliations described in paragraphs 24(a) and 24(b) of IFRS 1 (supplemented by the details required by paragraphs 25 and 26 of IFRS 1) (unless this disclosure requirement is met by a cross-reference to another published document that includes these reconciliations):	IFRS 1.32(b)
	a) a reconciliation of its equity reported in accordance with previous GAAP to its equity in accordance with IFRSs for both of the following dates: i) the date of transition to IFRSs; and ii) the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP; and	IFRS 1.24(a)
	b) a reconciliation to its total comprehensive income in accordance with IFRSs for the latest period in the entity's most recent annual financial statements. The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for the same period, or, if an entity did not report such a total, profit or loss under previous GAAP.	IFRS 1.24(b)

Reference	Requirement	Source
	Note: The reconciliations required by paragraphs 24(a) and 24(b) of IFRS 1 (see above) are required to give sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income.	IFRS 1.25
34023	If the entity presented a statement of cash flows under its previous GAAP, it shall explain the material adjustments to the statement of cash flows.	IFRS 1.25
34024	If the entity has become aware of errors made under previous GAAP, the reconciliations required by paragraphs 24(a) and 24(b) of IFRS 1 (see above) shall distinguish the correction of those errors from changes in accounting policies.	IFRS 1.26
34025	If a first-time adopter did not, in its most recent annual financial statements under previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report shall disclose that information or include a cross-reference to another published document that includes it.	IFRS 1.33
	Business combinations (entities that have not yet adopted IFRS 3(2008))	
	Where business combinations have occurred during the interim period, IAS 34.16(i) requires the entity to disclose all of the details prescribed for annual financial statements by IFRS 3 Business Combinations. *IFRS 3 was revised in 2008 and, consequently, revised disclosure requirements apply to interim financial reports. These revised requirements should be applied for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3(2008) for an earlier period, the revised disclosure requirements for interim financial reports should also be applied for that earlier period.* *This section of the checklist sets out the disclosure requirements for entities that have not yet adopted IFRS 3(2008). The disclosure requirements of the revised Standard are set out in the following section.*	
34026	The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that were effected: a) during the period; and b) after the end of the reporting period but before the financial statements are authorised for issue.	IFRS 3.66
	Note: Paragraphs 67 to 71 of IFRS 3, set out below, specify the minimum disclosures required to satisfy this requirement.	
	Business combinations effected during the period	
	Note: The information listed below should be disclosed in aggregate for business combinations effected during the period that are individually immaterial.	IFRS 3.68
34027	The acquirer shall disclose the following information for each business combination that was effected during the period:	
	a) the names and descriptions of the combining entities or businesses;	IFRS 3.67(a)
	b) the acquisition date;	IFRS 3.67(b)
	c) the percentage of voting equity instruments acquired;	IFRS 3.67(c)
	d) the cost of the combination and a description of the components of that cost, including any costs directly attributable to the combination; and	IFRS 3.67(d)

Reference	Requirement	Source
	e) where equity instruments have been issued or become issuable as part of the cost of the combination, the following information:	IFRS 3.67(d)
	i) the number of equity instruments issued or issuable;	
	ii) the fair value of the equity instruments issued or issuable; and	
	iii) the basis for determining that fair value;	
	f) in disclosing the basis for determining the fair value of equity instruments issued or issuable as part of the cost of the combination, if a published price for the instruments did not exist at the date of exchange, the significant assumptions used to determine fair value;	IFRS 3.67(d)
	g) in disclosing the basis for determining the fair value of equity instruments issued or issuable as part of the cost of the combination, if a published price for the instruments existed at the date of exchange, but was not used as the basis for determining the cost of the combination:	IFRS 3.67(d)
	i) that fact:	
	ii) the reasons the published price was not used;	
	iii) the method and significant assumptions used to attribute a value to the equity instruments; and	
	iv) the aggregate amount of the difference between the value attributed to, and the published price of, the equity instruments;	
	h) details of any operations the entity has decided to dispose of as a result of the business combination;	IFRS 3.67(e)
	i) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities;	IFRS 3.67(f)
	j) unless disclosure would be impracticable, the carrying amounts of each class of the acquiree's assets, liabilities and contingent liabilities, determined in accordance with IFRSs, immediately before the combination;	IFRS 3.67(f)
	k) if disclosure of such IFRS carrying amounts immediately before combination is impracticable, that fact, together with an explanation of why this is the case;	IFRS 3.67(f)
	l) in respect of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost;	IFRS 3.67(g)
	i) the amount of any such excess recognised in profit or loss in accordance with paragraph 56 of IFRS 3; and	
	ii) the line item in the statement of comprehensive income in which the excess is recognised;	
	m) a description of the factors that contributed to a cost that results in the recognition of goodwill, including a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably;	IFRS 3.67(h)
	n) a description of the nature of any excess of the acquirer's interest in the net fair value of the aquiree's identifiable assets, liabilities and contingent liabilities over cost, recognised in profit or loss in accordance with paragraph 56 of IFRS 3;	IFRS 3.67(h)
	o) unless impracticable, the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period; and	IFRS 3.67(i)
	p) if it is impracticable to disclose the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period:	IFRS 3.67(i)
	i) that fact; and	
	ii) an explanation of why this is the case.	

Reference	Requirement	Source
34028	If the initial accounting for a business combination that was effected during the period has been determined only provisionally as described in paragraph 62 of IFRS 3, the entity shall disclose: a) that fact; and b) an explanation of why this is the case.	IFRS 3.69
34029	Unless impracticable, the following information shall be disclosed: a) the revenue of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period; and b) the profit or loss of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period.	IFRS 3.70
34030	If disclosure of the information required by paragraphs 70(a) and 70(b) of IFRS 3 (see above) would be impracticable, the entity shall disclose: a) that fact; and b) an explanation of why this is the case.	IFRS 3.70
	Business combinations effected after the end of the reporting period	
34031	Where practicable, the acquirer shall disclose the information required by paragraphs 67(a) to 67(i) of IFRS 3 (see above) for each business combination effected after the end of the reporting period but before the financial statements are authorised for issue.	IFRS 3.71
34032	If disclosure of any of the information required by paragraph 71 of IFRS 3 (see above) in respect of business combinations effected after the end of the reporting period would be impracticable, the entity shall disclose: a) that fact; and b) an explanation of why this is the case.	IFRS 3.71
	The effect of adjustments recognised that relate to business combinations that were effected in the current or in previous periods	
34033	The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of gains, losses, error corrections and other adjustments recognised in the current period that relate to business combinations that were effected in the current or in previous periods.	IFRS 3.72
	Note: Paragraph 73 of IFRS 3, set out below, specifies the minimum disclosures required to satisfy this requirement.	
34034	The entity shall disclose:	
	a) the amount, and an explanation, of any gain or loss recognised in the current reporting period and that relates to the identifiable assets acquired or liabilities or contingent liabilities assumed in a business combination that was effected in either the current or a previous period that is of such a size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance;	IFRS 3.73(a)
	b) if the initial accounting for a business combination that was effected in the immediately preceding period was determined only provisionally at the end of that period, the amounts, and explanations, of adjustments to the provisional values recognised during the current period; and	IFRS 3.73(b)
	c) the information about error corrections required to be disclosed by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for any of the acquiree's identifiable assets, liabilities or contingent liabilities, or changes in values assigned to those items, that the acquirer recognises during the current period in accordance with paragraphs 63 and 64 of IFRS 3.	IFRS 3.73(c)

Reference	Requirement	Source
	Business combinations (entities that have adopted IFRS 3(2008))	
	Where business combinations have occurred during the interim period, IAS 34.16(i) requires the entity to disclose all of the details prescribed for annual financial statements by IFRS 3 Business Combinations. *IFRS 3 was revised in 2008 and, consequently, revised disclosure requirements apply to interim financial reports. These revised requirements should be applied for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3(2008) for an earlier period, the revised disclosure requirements for interim financial reports should also be applied for that earlier period.* *This section of the checklist sets out the disclosure requirements for entities that have already adopted IFRS 3(2008). The disclosure requirements of the previous version of the Standard are set out in the previous section.*	
34035	The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that occur either: a) during the current reporting period; or b) after the end of the reporting period but before the financial statements are authorised for issue.	IFRS 3(2008).59
	Note: Paragraphs B64 to B66 of IFRS 3(2008), set out below, specify the minimum disclosures required to satisfy this requirement.	
	Business combinations occurring during the reporting period	
	Note: For individually immaterial business combinations occurring during the reporting period that are material collectively, the acquirer shall disclose in aggregate the information required by B64(e) – (q) listed below	IFRS 3(2008). B65
34036	The acquirer shall disclose the following information for each business combination that occurs during the reporting period:	
	a) the name and a description of the acquiree;	IFRS 3(2008). B64(a)
	b) the acquisition date;	IFRS 3(2008). B64(b)
	c) the percentage of voting equity interests acquired;	IFRS 3(2008). B64(c)
	d) the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree;	IFRS 3(2008). B64(d)
	e) a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition or other factors;	IFRS 3(2008). B64(e)
	f) the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration, such as: i) cash; ii) other tangible or intangible assets, including a business or subsidiary of the acquirer; iii) liabilities incurred, for example, a liability for contingent consideration; and iv) equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of determining the fair value of those instruments or interests;	IFRS 3(2008). B64(f)

Reference	Requirement	Source
	g) for contingent consideration arrangements and indemnification assets: i) the amount recognised as of the acquisition date; ii) a description of the arrangement and the basis for determining the amount of the payment; and iii) an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact;	IFRS 3(2008).B64(g)
	h) for acquired receivables: (disclosures required by major class of receivable) i) the fair value of the receivables; ii) the gross contractual amounts receivable; and iii) the best estimate at the acquisition date of the contractual cash flows not expected to be collected;	IFRS 3(2008).B64(h)
	i) the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed;	IFRS 3(2008).B64(i)
	j) for each contingent liability recognised in accordance with paragraph 23, the information required in paragraph 85 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. If a contingent liability is not recognised because its fair value cannot be measured reliably, the acquirer shall disclose: i) the information required by paragraph 86 of IAS 37; and ii) the reasons why the liability cannot be measured reliably;	IFRS 3(2008).B64(j)
	k) the total amount of goodwill that is expected to be deductible for tax purposes;	IFRS 3(2008).B64(k)
	l) for transactions that are recognised separately from the acquisition of assets and assumption of liabilities in the business combination in accordance with paragraph 51 (pre-existing relationships): i) a description of each transaction; ii) how the acquirer accounted for each transaction; iii) the amounts recognised for each transaction and the line item in the financial statements in which each amount is recognised; and iv) if the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount;	IFRS 3(2008).B64(l)
	m) the disclosure of separately recognised transactions required by (l) shall include the amount of acquisition-related costs and, separately, the amount of those costs recognised as an expense and the line item or items in the statement of comprehensive income in which those expenses are recognised. The amount of any issue costs not recognised as an expense and how they were recognised shall also be disclosed;	IFRS 3(2008).B64(m)
	n) in a bargain purchase: i) the amount of any gain recognised in accordance with paragraph 34 and the line item in the statement of comprehensive income in which the gain is recognised; and ii) a description of the reasons why the transaction resulted in a gain;	IFRS 3(2008).B64(n)
	o) for each business combination in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at the acquisition date: i) the amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount; and ii) for each non-controlling interest in an acquiree measured at fair value, the valuation techniques and key model inputs used for determining that value;	IFRS 3(2008).B64(o)

Reference	Requirement	Source
	p) in a business combination achieved in stages: i) the acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date; and ii) the amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination (see paragraph 42 of IFRS 3(2008)) and the line item in the statement of comprehensive income in which that gain or loss is recognised; and	IFRS 3(2008).B64(p)
	q) the following information: i) the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period; ii) the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period; and	IFRS 3(2008).B64(q)
	f) If disclosure of any of the information required by IFRS 3(2008).B64(q) is impracticable (as defined in IAS 8), the aquirer shall disclose that fact and explain why the disclosure is impracticable.	IFRS 3(2008).B64(q)
	Business combinations effected after the end of the reporting period	
34037	If the acquisition date of a business combination is after the end of the reporting period but before the financial statements are authorised for issue, the acquirer shall disclose the information required by paragraph B64 of IFRS 3(2008) (see above) unless the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue. In that situation, the acquirer shall describe which disclosures could not be made and the reasons why they cannot be made.	IFRS 3(2008).B66
	The effect of adjustments recognised that relate to business combinations that occurred in the period or previous reporting periods	
34038	The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current reporting period that relate to business combinations that occurred in the period or in previous reporting periods.	IFRS 3(2008).61
	Note: Paragraph B67 of IFRS 3(2008), set out below, specifies the minimum disclosures required to satisfy this requirement.	
34039	The entity shall disclose the following information for each material business combination or in the aggregate for individually immaterial business combinations that are material collectively:	
	a) if the initial accounting for a business combination is incomplete (see paragraph 45 of IFRS 3(2008)) for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognised in the financial statements for the business combination thus have been determined only provisionally: i) the reasons why the initial accounting for the business combination is incomplete; ii) the assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete; and iii) the nature and amount of any measurement period adjustments recognised during the reporting period in accordance with paragraph 49 of IFRS 3(2008);	IFRS 3(2008).B67(a)

Reference	Requirement	Source
	b) for each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires: i) any changes in the recognised amounts, including any differences arising upon settlement; ii) any changes in the range of outcomes (undiscounted) and the reasons for those changes; and iii) the valuation techniques and key model inputs used to measure contingent consideration;	IFRS 3(2008).B67(b)
	c) for contingent liabilities recognised in a business combination, the acquirer shall disclose the information required by paragraphs 84 and 85 of IAS 37 for each class of provision;	IFRS 3(2008).B67(c)
	d) a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period showing separately: i) the gross amount and accumulated impairment losses at the beginning of the reporting period; ii) additional goodwill recognised during the reporting period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations;* iii) adjustments resulting from the subsequent recognition of deferred tax assets during the reporting period in accordance with paragraph 67 of IFRS 3(2008); iv) goodwill included in a disposal group classified as held for sale in accordance with IFRS 5 and goodwill derecognised during the reporting period without having previously been included in a disposal group classified as held for sale; v) impairment losses recognised during the reporting period in accordance with IAS 36 (IAS 36 requires disclosure of information about the recoverable amount and impairment of goodwill in addition to this requirement.); vi) net exchange rate differences arising during the reporting period in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates;* vii) any other changes in the carrying amount during the reporting period; and viii) the gross amount and accumulated impairment losses at the end of the reporting period; and	IFRS 3(2008).B67(d)
	e) the amount and an explanation of any gain or loss recognised in the current reporting period that both: i) relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or previous reporting period; and ii) is of such a size, nature or incidence that disclosure is relevant to understanding the combined entity's financial statements.	IFRS 3(2008).B67(e)
34040	If the specific disclosures required by IFRS 3(2008) and other IFRSs do not meet the objectives set out in paragraphs 59 and 61 of IFRS 3(2008) (see above), the acquirer shall disclose whatever additional information in necessary to meet those objectives.	IFRS 3(2008).63

Deloitte IFRS resources

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IFRSs in your pocket	Published in several languages, this pocket-sized guide includes summaries of all IASB Standards and Interpretations, updates on agenda projects, and other IASB-related information.
IFRSs and US GAAP: A pocket comparison	A summary of the principal differences in pocket-sized format, including a status report as to what is being done about each difference.
Presentation and disclosure checklist	Checklist incorporating all of the presentation and disclosure requirements of IFRSs.
Model financial statements	Model financial statements illustrating the presentation and disclosure requirements of IFRSs.
iGAAP 2008 Financial instruments: IAS 32, IAS 39 and IFRS 7 explained	4th edition (May 2008). Guidance on how to apply these complex Standards, including illustrative examples and interpretations.
Standard-specific guides: – IFRS 1 – IFRS 2 – IFRS 3 & IAS 27 – IFRS 5 – IAS 34	Detailed guides for specific Standards, with explanations of the requirements, guidance for application, and discussion of evolving literature.

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