

VALUE ACCOUNTS Holdings Limited

Interim financial reporting

June 2021



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This publication presents the sample interim financial report of a fictitious public company, VALUE ACCOUNTS Holdings Limited. It illustrates the financial reporting requirements that would apply to such a company under Australian Accounting Standards on issue at 28 February 2021. Supporting commentary is also provided. For the purposes of this publication, VALUE ACCOUNTS Holdings Limited is listed on the Australian Securities Exchange and is the parent entity in a consolidated entity.

The reporting requirements that apply to VALUE ACCOUNTS Holdings Limited are:

- Australian Accounting Standards
- Interpretations issued by the Australian Accounting Standards Board (AASB) and the Urgent Issues Group (UIG)
- *Corporations Act 2001*
- Australian Securities & Investments Commission releases
- Listing Rules of the Australian Securities Exchange

VALUE ACCOUNTS Holdings Limited – Interim financial reporting June 2021 is for illustrative purposes only and should be used in conjunction with the relevant legislation, standards and other reporting pronouncements.

Disclaimer

This publication has been prepared for general reference only and does not constitute professional advice. It is not intended to be and is not comprehensive in relation to its subject matter. This publication is not intended to cover all aspects of Australian Accounting Standards, or to be used as a substitute for reading any relevant accounting standard, professional pronouncement or guidance, legislation (including the *Corporations Act 2001* (Cth)) or any other relevant material. Specific company structure, facts and circumstances will have a material impact on the preparation and content of financial reports. No person should undertake or refrain from undertaking any action based on this publication or otherwise rely on this publication. Any use or reliance on this publication is at a person's own risk. This publication should not be used as a substitute for consultation with a professional adviser with knowledge of information relevant to your particular circumstances. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication. To the extent permitted by law, PwC and its partners, members, employees and agents do not accept or assume any liability, responsibility or duty of care to anyone for any use of or reliance on this publication. Any references in this publication to PwC providing, or agreeing to provide, any services to any entity are illustrative only and are not intended to reflect or summarise the terms of actual arrangements in respect of any particular parties or the provision of services to them. Accordingly, users of this publication should not rely on such references as reflecting or summarising actual terms. Legal advice should be obtained as to whether any particular arrangements are required to be disclosed, and as to the form and context of any disclosure. This disclaimer applies to the maximum extent permitted by law and, without limitation, to liability arising in negligence under statute. Liability is limited by a scheme approved under Professional Standards Legislation.

Foreword

This publication presents illustrative interim financial statements for a fictitious listed company, VALUE ACCOUNTS Holdings Limited, for the six months to 30 June 2021. While we have attempted to create a realistic set of financial statements for the company (a corporate entity that manufactures goods, provides services and holds investment property), the underlying story only provides the framework for the disclosures. As this publication is primarily a reference tool, we have not applied materiality considerations. Instead, we have included illustrative disclosures for as many common scenarios as possible.

The financial statements comply with Australian Accounting Standards as issued at 28 February 2021 and that apply to reporting periods commencing on or after 1 January 2021, including AASB 134 *Interim Financial Reporting*. Reporting requirements of the *Corporations Act 2001* and the Listing Rules of the Australian Securities Exchange (ASX) are also covered, except for the additional reporting requirements set out in Appendix D to Listing Rule 4.2A.3. Please note that the amounts disclosed in this publication are purely for illustrative purposes and may not be consistent throughout the publication.

New accounting standards for 2021

There are only a few amendments to the accounting standards that become applicable from 1 January 2021 and that entities will need to consider in the preparation of interim reports for periods commencing after that date. These are listed in the [commentary to the notes](#) (paragraph 28 on page 43). While we have assumed that none of them required a change in VALUE ACCOUNTS Holdings Limited's accounting policies, this assumption will not necessarily apply to all entities. Where there has been a change in policy, this will need to be disclosed in the notes.

Entities with hedging relationships and entities that have exposure to interest rates where (i) the interest rates are dependent on interbank offered rates (IBORs), and (ii) these IBORs are subject to interest rate benchmark reform may need to explain the changes to their accounting policies arising from the adoption of the AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform – Phase 2 [AASB 9, AASB 139, AASB 7, AASB 4 and AASB16]* effective 1 January 2021. Affected entities that voluntarily provided Phase 2 disclosures in their most recent annual report should also consider to what extent information provided about IBOR reform may need to be updated or supplemented. Where an affected entity has not made any of the Phase 2 disclosures in its last annual report, it should consider including the material disclosures required for an understanding of the adoption of the amendments that will be required to be made in the December 2021 annual report, see page 44 (commentary paragraphs 32 to 34) for details.

Similarly, entities that have received material COVID-19 related rent concessions as lessee or have provided rent concessions as lessor for the first time in this interim reporting period should make required disclosures where material, see commentary paragraphs 35 to 38 on page 44.

Finally, all entities, including those that are not insurers, will also need to consider whether they have any contracts that meet the definition of insurance contracts and hence could be affected by the future adoption of IFRS 17 *Insurance Contracts*. Where this is the case, users may expect to see some information about the entity's assessments and possible plans of adoption, even if the entity has concluded that the impact will not be material.

COVID-19

Impairment of assets including receivables, information about going concern and borrowing profiles will continue to receive particular focus from stakeholders and preparers will need to explain the continuing impact of COVID-19 on their business and the key assumptions made. However, this will differ from entity to entity and we have therefore not illustrated any COVID-19 related disclosures in this publication. Our dedicated [COVID-19 website](#) provides many useful resources and continues to be updated to reflect recent developments.

Using this publication

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

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

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

Top interim reporting pitfalls

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

- Incorrect or no disclosure of new standards, amendments and AASB interpretations that are effective for the first time for the interim period and required a change in accounting policy. Appropriate disclosures are particularly important for major new or revised standards that will require significant changes, such as AASB 17 *Insurance Contracts*.
- Basis of preparation note is incorrect, eg does not refer to AASB 134 or Australian Accounting Standards.
- No disclosure of the nature and amount of items that are unusual by their nature, size or incidence.
- Recognition of income and expense items in the wrong period.
- Insufficient consideration given to possible impairment issues in relation to both financial and non-financial assets.
- Omission of some or all business combinations disclosures, especially those related to combinations after the interim reporting date.
- No explanations of the effect of seasonality on operations.
- Incomplete AASB 7 and AASB 13 financial instruments disclosures.

Feedback

We welcome your feedback on the Value Accounts Holdings Limited format and content. Please contact us at [IFRS Communications](#) or speak to your usual PwC representative to let us know your thoughts.

Paul Shepherd

Partner
PwC Australia
April 2021

VALUE ACCOUNTS Holdings Limited

ABN XY XYZ XYZ XYZ ^{2,3}

Interim report ¹ – 30 June 2021

Directors' report	4
Interim financial report	
Condensed consolidated statement of profit or loss	11
Condensed consolidated statement of comprehensive income	12
Condensed consolidated balance sheet	13
Condensed consolidated statement of changes in equity	15
Condensed consolidated statement of cash flows	17
Notes to the condensed consolidated financial statements	21
Directors' declaration	45
Independent auditor's review report to the members	46
Australian requirements for interim financial reports	47
Appendix: Abbreviations	49

AASB134(6)
Not mandatory

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by VALUE ACCOUNTS Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. ⁴

AASB134(8)(e)
AASB101(138)(a)

VALUE ACCOUNTS Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at 350 Harbour Street, 1234 Nice Town. Its shares are listed on the Australian Stock Exchange.

Commentary

Title of report

1. Where a non-statutory interim financial report is prepared (ie one that is not required under the *Corporations Act 2001*), we recommend that the report be renamed as 'Interim financial report for the quarter/half year/nine months ended.....'.

Quotation of Australian Business Number or Australian Company Number

2. Under the *Corporations Act 2001*, a company is required to show its name and Australian Company Number (ACN) or its Australian Business Number (ABN) on all public documents. It may only show the ABN if the last nine digits of its ABN are identical to the last nine digits of its ACN
3. Guidance on issues relating to the use of ACNs is set out in ASIC Regulatory Guide 13.

Interim report to be read in conjunction with annual report

4. See paragraph 22 of the **commentary to the notes** to the consolidated financial statements (page 41) for our thoughts on why this disclosure should be retained.

CA153(1),(2)

ASIC-RG13

Directors' report ^{1-6,12}

CA306 Your directors present their report on the consolidated entity consisting of VALUE ACCOUNTS Holdings Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2021

Directors

CA306(1)(b) The following persons were directors of VALUE ACCOUNTS Holdings Limited during the whole of the half-year and up to the date of this report:

J C Campbell
A L Cunningham
M K Hollingworth
R J Hunter
C A Maxwell
N T Toddington
H G Wells
B C Bristol

CA306(1)(b) J R Peterson was appointed a director on 1 May 2021 and continues in office at the date of this report.

CA306(1)(b) B A Wilson was a director from the beginning of the financial year until his resignation on 29 July 2021.

Review of operations ⁷

ASIC-RG247 VALUE ACCOUNTS Holdings Limited is a diversified group which derives its revenues and profits from a variety of sources. While our main focus is still on the manufacture and sale of furniture, we are steadily expanding our footprint in the IT industry through our consulting divisions and the manufacture of electronic equipment in Australia. These two main operations are supplemented by residential property development and a number of office buildings that are held as investment property.

CA306(1)(a) A summary of consolidated revenues and results for the half-year by significant industry segments is set out below:

Comparatives not mandatory	Segment revenues		Segment results	
	2021 \$'000	2020 ⁸ \$'000	2021 \$'000	2020 ⁸ \$'000
Furniture – manufacture				
Australia	31,700	32,434	8,184	8,503
China	20,165	21,200	5,534	6,403
Furniture – retail (Australia)	17,277	6,402	8,603	5,710
IT consulting				
US	13,905	12,049	4,702	8,301
Europe	9,370	10,900	(1,520)	3,450
Electronic equipment (Australia)	9,800	4,300	2,896	2,620
Other	3,330	3,119	1,929	2,164
Total segment revenue/result	105,547	90,404	30,328	36,791

Segment results are adjusted earnings before interest, tax, depreciation and amortisation, which is the measure of segment result that is reported to the strategic steering committee to assess the performance of the operating segments. For a reconciliation to operating profit before tax refer to [note 2](#).

Significant factors that have affected the group's operations and results during the six months to 30 June 2021 are described below:

Review of operations

(a) Furniture – manufacturing

The furniture division manufactures and sells a range of furniture, principally hardwood sideboards, chairs and tables and commercial office furniture. Segment revenue for the six months to 30 June 2021 was lower than the revenue for the comparable period as a result a new major competitor which put pressure on prices and also resulted in lower sales volumes. However, the restructuring initiatives that we put in place in the second half of the prior financial year are starting to show pleasing results through lower operating costs. As a consequence, the segment results for the two divisions in Australia and China were only marginally lower than the previous year. In June, we have further run a major marketing campaign and this has had a positive impact on our sales for July 2021, which are 10% higher than the sales in June and 7% higher than the sales in the comparable period (July 2020).

(b) Furniture – retail

The retail furniture division operates a chain of fifteen stores, mainly on the eastern seaboard. The division has continued to grow rapidly since its establishment in January 2018, with three more stores opened during the six months to 30 June 2021. The directors expect further growth in sales and profits in the remainder of the financial year. Management is currently considering a number of sites in Harbourcity, Nicetown and Springfield and expects to open at least another four stores before the end of December 2021. The acquisition of Better Office Furnishings Limited also contributed to the growth, see [note 10](#) to the interim financial statements.

(c) IT consulting

The IT consulting division provides business IT management, design, implementation and support. While the revenue in the US was slightly higher than for the comparable period, revenue in Europe fell by \$1,530,000 reflecting increased pressure from competitors and the loss of two major contracts. This was combined with an increase of the associated cost due to a severe skills shortage in this area, a legal claim and cost overruns on a major fixed price contract. As a consequence, the results for these two segments were considerably lower than last year and an impairment loss of \$1,390,000 was recognised for the European segment (see [note 6](#) to the interim financial statements). However, the directors are confident of increasing the cost recovery rate again in the medium to long-term. A new contract pricing tool was introduced in May which will make it easier to monitor costs going forward. The group has also renegotiated the contracts with its major customers and has managed to lock in better rates for the next twelve months.

(d) Electronic equipment

Through the acquisition of VALUE IFRS Electronics Group in April 2020, the group is now also involved in the manufacture and sale of electronic equipment. Although this division did not contribute greatly to revenues and results until now, the directors see significant growth potential in this area and have recently approved a plan to expand the production facilities in 2021. A block of land suitable for this purpose was acquired in June 2021. The results of this division were adversely affected by a necessary increase in the warranty provisions. However, the problem has since been rectified and overall this new division is already generating pleasing results, contributing \$2,902,000 to the group's overall segment results of \$30,365,000.

(e) Other activities

Other activities include the development and resale of land and the management of investment properties. The investment property division suffered a small loss due to a weakening of the rental and real estate market. The results of the other division were satisfactory. Not included in the segment results is the engineering subsidiary which was sold on 28 February 2020. Further information on the sale and the results of this subsidiary is set out in [note 10](#) to the interim financial statements.

(f) Significant gains and expenses

The results were affected by the following significant gains and expenses: ⁸

Comparatives not
mandatory

	2021 \$'000	2020 \$'000
Gains:		
Gain on sale of freehold land	-	1,270
Less: Applicable income tax	-	(381)
	-	889
Gain on sale of machinery hire division	-	930
Less: Applicable income tax	-	(279)
	-	651

Review of operations

(g) Significant gains and expenses

Comparatives not mandatory	2021 \$'000	2020 \$'000
Expenses		
Provision for legal claim (see note 7)	1,375	-
Less: Applicable income tax	<u>(413)</u>	<u>-</u>
	<u>962</u>	<u>-</u>
Re-estimation of warranty provision (see note 7)	505	-
Less: Applicable income tax	<u>(152)</u>	<u>-</u>
	<u>353</u>	<u>-</u>
Remeasurement of contingent consideration (see note 10)	540	-
Less: Applicable income tax	<u>(162)</u>	<u>-</u>
	<u>378</u>	<u>-</u>
Impairment of goodwill (see note 6)	1,390	2,410
Less: Applicable income tax	<u>-</u>	<u>-</u>
	<u>1,390</u>	<u>2,410</u>
Write off of assets destroyed by fire	-	1,210
Less: Applicable income tax	<u>-</u>	<u>(363)</u>
	<u>-</u>	<u>847</u>

An insurance recovery of \$300,000 relating to the fire was recognised as other income in the half-year ending 30 June 2020.

Auditor's independence declaration ^{1(c)}

CA306(2)
CA307C

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Rounding of amounts ⁹

ASIC2016/191
Changed requirement

The company is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

CA306(3)(a)

This report is made in accordance with a resolution of directors. ¹⁰

CA306(3)(c)

M K Hollingworth
Director ¹⁰

CA306(3)(b)

Sydney
29 August 2021 ^{10,11}



CA306(2)
CA307C

Auditor's Independence Declaration

As lead auditor for the review of VALUE ACCOUNTS Holdings Limited for the half-year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(a) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of VALUE ACCOUNTS Holdings Limited and the entities it controlled during the period.

A B Jones
Partner
PricewaterhouseCoopers

Sydney
29 August 2021

Directors' report

Contents of directors' reports

1. The information to be disclosed in the half-year directors' report is significantly less extensive than is required in the directors' report for a financial year. The half-year report is only required to contain:

- CA306(1)(a) (a) a review of the entity's operations during the half-year and the results of those operations see paragraph 7 below, and
- CA306(1)(b) (b) the name of each person who has been a director of the disclosing entity at any time during or since the end of the half-year and the period for which they were a director
- CA306(2)
CA307C (c) a copy of the auditor's independence declaration made under CA 307C in relation to the audit or review for the half-year
- CA306(2) (d) where applicable, disclosures relating to additional information included in the financial report under CA 303(3)(c) – see paragraph 2 below.

Disclosures required where additional information is included to give true and fair view

- CA306(2) 2. If the financial report for a half-year includes additional information under CA 303(3)(c) (information included to give a true and fair view of financial position and performance), the directors' report for the half-year must:
 - (a) set out the directors' reasons for forming the opinion that the inclusion of that additional information was necessary to give the true and fair view required by CA 305, and
 - (b) specify where that additional information can be found in the financial report.
 This disclosure is not illustrated in the VALUE ACCOUNTS Holdings Limited directors' report, as there is no additional information included under CA 303(3)(c).

Transfer of information from the directors' report

- ASIC2016/188
ASIC-RG68(76),
(77C) 3. *ASIC Corporations (Directors' Report Relief) Instrument 2016/188* permits entities to transfer information otherwise required to be included in the half-year directors' report to the financial report or a document included with the directors' report and financial report.
- ASIC2016/188 4. Entities taking advantage of the relief provided by instrument 2016/188 must comply with the following conditions:
 - (a) the directors' report must contain a clear cross-reference to the page or pages of the half-year report or the other document containing the transferred information
 - (b) the entity must never distribute or make available the directors' report and financial report without the other documents, and must take reasonable steps to ensure that no-one else distributes or makes those reports available without the other documents
 - (c) a document containing the transferred information must be lodged with ASIC as if it were a part of the report required to be lodged under CA 320.
- 5. Any information transferred from the directors' report to the financial report becomes a part of the financial report and must be covered by the audit or review report.
- 6. Comparative information is not required for information transferred from the directors' report to the financial report unless that information is also required by an accounting standard.

Review of operations

- CA306(1)(a)
ASIC-RG247.42-44 7. The requirement is to present a review of the operations of the entity reported on and the results of those operations. While there is no specific guidance for the review of operations in interim reports, ASIC explains in Regulatory Guide RG 247 *Effective disclosure in an operating and financial review* what type of information it would expect to see in operating and financial reviews (OFRs) of listed companies under CA299A. As far as the comments in RG 247 relate to the review of operations, we consider them equally relevant for interim reports. In particular, the review of operations should explain the entity's business model and identify the underlying drivers of the entity's performance. See Appendix D in our *VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2020* publication for further information.

Directors' report

Comparative figures

8. Comparative figures are not mandatory for directors' reports, but are recommended in the interests of more meaningful disclosure.

Rounding of amounts

9. See Appendix A(n) in our *VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2020* publication for detailed commentary on rounding of amounts in the directors' report and financial report. The commentary covers the requirements of *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* which permits entities to round off as follows, subject to certain conditions and exceptions:

Assets greater than:	Round off to nearest:
\$10m (but less than \$1,000m)	\$1,000
\$1,000m (but less than \$10,000m)	\$100,000
\$10,000m	\$1,000,000

Dating and signing of report

10. The directors' report must be made in accordance with a resolution of the directors, specify the date on which it was made and be signed by a director.
11. There is no specific deadline for signing the directors' report, but it will need to be signed 2 months after the end of the half-year to meet the ASX lodgement deadline for the half-year report if the entity is a listed entity other than a mining exploration entity. The ASIC lodgement deadline is 75 days after the end of the half-year.

Interim reports not required by the *Corporations Act 2001*

12. There is no legal or other requirement for a directors' report to be included in an interim report unless the report is a half-year report for a disclosing entity prepared under Division 2 of Part 2M.3 of the *Corporations Act 2001*.

ASIC2016/191

CA306(3)

CA320
ASX(4.2B)

CA303(1)(a),(2)
AASB134(8)(b)

Condensed consolidated statement of profit or loss^{1-11,18}

		Half-year		
		2021	2020	
		\$'000	\$'000	
		Notes		
Continuing operations				
AASB101(82)(a)	Revenue	2	103,647	87,704
AASB101(99), AASB102(36)(d)	Cost of sales of goods		(41,016)	(35,814)
	Cost of providing services		(11,583)	(12,100)
	Gross profit		51,048	39,790
AASB101(99)	Distribution costs		(23,729)	(12,065)
AASB101(99)	Administrative expenses		(11,865)	(6,032)
AASB101(82)(ba)	Net impairment losses on financial assets ¹⁴⁻¹⁵		(305)	(222)
	Other income		4,459	3,703
	Other gains/(losses) – net		50	1,018
	Operating profit	3	19,658	26,192
	Finance income ¹⁴⁻¹⁵		855	572
AASB101(82)(b)	Finance costs		(3,704)	(3,374)
	Finance costs – net		(2,849)	(2,802)
	Share of net profits of associates and joint ventures accounted for using the equity method	12	205	340
	Profit before income tax		17,014	23,730
	Income tax expense	3(b)	(4,555)	(7,878)
	Profit from continuing operations	3(a)	12,459	15,852
	(Loss)/profit from discontinued operation	11(b)	(32)	664
	Profit for the half-year		12,427	16,516
	Profit is attributable to:			
	Owners of VALUE ACCOUNTS Holdings Limited		11,997	16,063
	Non-controlling interests		430	453
			12,427	16,516
			Cents	Cents
AASB134(11)	Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company: ^{12,13}			
	Basic earnings per share		22.5	30.0
	Diluted earnings per share		21.7	28.6
AASB134(11)	Earnings per share for profit attributable to the ordinary equity holders of the company: ^{12,13}			
	Basic earnings per share		22.4	31.2
	Diluted earnings per share		21.6	29.9

Not mandatory

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

CA303(1)(a),(2)
AASB134(8)(b)

Condensed consolidated statement of comprehensive income ¹⁻¹¹

AASB134(20)(b)

		Half-year	
		2021	2020
		\$'000	\$'000
		Notes	
	Profit for the half-year		12,427
			16,516
	Other comprehensive income		
AASB101(82A)	<i>Items that may be reclassified to profit or loss</i>		
	Changes in the fair value of debt instruments at fair value through other comprehensive income		36 (49)
	Exchange differences on translation of foreign operations		(38) 69
	Exchange differences on translation of discontinued operation	11(b)	- 170
	Gains and losses on cash flow hedges		161 (152)
	Costs of hedging		8 (20)
	Hedging gains reclassified to profit or loss		(41) (240)
	Gains on net investment hedge		85 -
AASB101(91)	Income tax relating to these items		(47) 87
AASB101(82A)	<i>Items that will not be reclassified to profit or loss</i>		
	Gain on revaluation of land and buildings	5	1,495 1,460
	Changes in the fair value of equity investments at fair value through other comprehensive income		91 (79)
	Remeasurements of retirement benefit obligations		81 (143)
AASB101(91)	Income tax relating to these items		(500) (371)
	Other comprehensive income for the half-year, net of tax		1,331 732
	Total comprehensive income for the half-year		13,758 17,248
	Total comprehensive income for the half-year is attributable to:		
	Owners of VALUE ACCOUNTS Holdings Limited		13,259 16,740
	Non-controlling interests		499 508
			13,758 17,248
	Total comprehensive income for the period attributable to owners of VALUE ACCOUNTS Holdings Limited arises from:		
	Continuing operations		13,291 15,906
AASB5(33)(d)	Discontinued operations	11	(32) 834
			13,259 16,740

Not mandatory

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

CA303(1)(a),(2)
AASB134(8)(a)

Condensed consolidated balance sheet ¹⁻¹⁰

AASB134(20)(a)		30 June 2021	31 December 2020
	Notes	\$'000	\$'000
ASSETS			
Current assets			
		35,369	55,083
			15,662
AASB15(105)		2,381	1,519
		26,780	22,153
		144	491
AASB7(8)(f)		677	1,100
	16	11,150	11,300
	16	1,634	1,854
		<u>94,866</u>	109,162
		-	250
		<u>94,866</u>	109,412
Non-current assets			
AASB7(8)(h)		6,637	6,782
	16	2,410	2,390
AASB7(8)(f)		3,750	3,496
	12	4,230	3,775
	16	310	308
	5	143,480	128,890
AASB16(47)(a)		10,108	9,756
		12,510	13,300
	6	27,265	24,550
		247	312
		8,209	7,849
		<u>219,156</u>	201,408
		<u>314,022</u>	310,820
LIABILITIES			
Current liabilities			
		15,535	15,760
AASB15(105)		1,025	1,982
	8	8,110	8,400
AASB16(47)(b)		3,105	3,008
	16	1,136	1,376
		828	1,130
		800	690
	7	3,467	2,697
		<u>34,006</u>	35,043

AASB134(20)(a)		30 June 2021	31 December 2020
	Notes	\$'000	\$'000
Non-current liabilities			
	8	94,193	89,115
AASB16(47)(b)		8,846	8,493
		9,963	12,456
		7,155	6,749
		1,668	1,573
		<u>121,825</u>	<u>118,386</u>
		155,831	153,429
		<u>158,191</u>	<u>157,391</u>
Net assets			
EQUITY			
	9	83,692	83,054
		1,636	1,774
		18,907	17,993
		44,760	45,108
		<u>148,995</u>	<u>147,929</u>
		9,196	9,462
		<u>158,191</u>	<u>157,391</u>
		158,191	157,391

Not mandatory

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

Condensed consolidated statement of changes in equity ¹⁻¹⁰

		Attributable to owners of VALUE ACCOUNTS Holdings Limited						
		Share capital	Other equity	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Notes		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AASB134(20)(c)	Balance at 1 January 2020	63,976	(550)	12,381	34,503	110,310	5,689	115,999
	Profit for the half-year	-	-	-	16,063	16,063	453	16,516
	Other comprehensive income	-	-	690	(13)	677	55	732
	Total comprehensive income for the half-year	-	-	690	16,050	16,740	508	17,248
	Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year	-	-	13	-	13	-	13
	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	79	(79)	-	-	-
	Transactions with owners in their capacity as owners:							
	Contributions of equity, net of transaction costs	9	174	-	-	174	-	174
	Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax		9,730	-	-	9,730	-	9,730
	Acquisition of treasury shares	9	-	(1,217)	-	(1,217)	-	(1,217)
	Non-controlling interest on acquisition of subsidiary		-	-	-	-	5,051	5,051
	Dividends provided for or paid	4	-	-	(11,507)	(11,507)	(1,710)	(13,217)
	Employee share schemes – value of employee services		-	995	-	995	-	995
	Issue of treasury shares to employees	9	-	1,091	(1,091)	-	-	-
			<u>9,904</u>	<u>(126)</u>	<u>(96)</u>	<u>(11,507)</u>	<u>(1,825)</u>	<u>1,516</u>
	Balance at 30 June 2020	73,880	(676)	13,067	38,967	125,238	9,538	134,776

		Attributable to owners of VALUE ACCOUNTS Holdings Limited						
		Share capital	Other equity	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Notes		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AASB134(20)(c)	Balance at 31 December 2020	83,054	1,774	17,993	45,108	147,929	9,462	157,391
	Profit for the half-year	-	-	-	11,997	11,997	430	12,427
	Other comprehensive income	-	-	1,093	169	1,262	69	1,331
	Total comprehensive income for the half-year	-	-	1,093	12,166	13,259	499	13,758
	Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year	-	-	(5)	-	(5)	-	(5)
	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(238)	238	-	-	-
	Transactions with owners in their capacity as owners:							
	Contributions of equity, net of transaction costs	9	638	-	-	638	-	638
	Acquisition of treasury shares	9	-	(1,270)	-	(1,270)	-	(1,270)
	Non-controlling interest on acquisition of subsidiary	10	-	-	-	-	1,720	1,720
	Step acquisition of associate	12	-	-	(30)	30	-	-
	Dividends provided for or paid	4	-	-	(12,782)	(12,782)	(2,485)	(15,267)
	Employee share schemes – value of employee services	-	-	1,226	-	1,226	-	1,226
	Issue of treasury shares to employees	9	-	1,132	(1,132)	-	-	-
		638	(138)	64	(12,752)	(12,188)	(765)	(12,953)
	Balance at 30 June 2021	83,692	1,636	18,907	44,760	148,995	9,196	158,191

Not mandatory

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

Condensed consolidated statement of cash flows ^{1-10,18}

		Half-year	
		2021	2020
		\$'000	\$'000
		Notes	
Cash flows from operating activities			
	Receipts from customers		92,058
	Payments to suppliers and employees		(52,605)
			<u>17,967</u>
	Payments for financial assets at FVPL		-
	Proceeds from disposal of financial assets at FVPL		165
	Insurance recovery relating to fire	3	300
	Transaction costs relating to acquisition of subsidiary	10	(750)
	Other revenue		3,145
	Interest received		572
	Interest paid		(3,869)
	Income taxes paid		(14,748)
			<u>10,548</u>
Net cash inflow from operating activities			
Cash flows from investing activities			
	Payment for acquisition of subsidiary, net of cash acquired	10	(2,600)
	Payments for property, plant and equipment	5	(2,411)
	Payments for investment property		(1,150)
	Payment for acquisition of associate	12	-
	Payments for financial assets at fair value through other comprehensive income		(227)
	Payments for financial assets at amortised cost		-
	Payments for patents and trademarks	6	(9)
	Payment of software development costs	6	(58)
	Loans to related parties		(330)
	Proceeds from sale of engineering division **	11	3,110
	Proceeds from sale of property, plant and equipment		7,495
	Proceeds from sale of financial assets at fair value through other comprehensive income		185
	Repayment of loans by related parties		300
	Distributions received from joint ventures and associates		170
	Dividends received		150
	Interest received on financial assets held as investments		108
			<u>4,733</u>
Net cash (outflow)/inflow from investing activities			
Cash flows from financing activities			
AASB134(16A)(e)	Proceeds from issues of shares and other equity securities	9	-
AASB134(16A)(e)	Proceeds from borrowings	8	18,293
	Payments for shares acquired by the VALUE Employee Share Trust	9	(1,217)
	Share issue cost		(50)
AASB134(16A)(e)	Repayment of borrowings		(25,300)
AASB134(16A)(e), AASB107(17)(e)	Principal elements of lease payments		(922)
AASB134(16A)(f)	Dividends paid to company's shareholders	4	(11,333)
	Dividends paid to non-controlling interests in subsidiaries		(1,710)
			<u>(22,239)</u>
Net cash outflow from financing activities			
Net (decrease)/increase in cash and cash equivalents *			
	Cash and cash equivalents at the beginning of the half-year *		6,762
	Effects of exchange rate changes on cash and cash equivalents		28,049
			<u>18,886</u>
Cash and cash equivalents at end of the half-year *			
			<u>(217)</u>
			<u>(384)</u>

* Cash and cash equivalents are net of bank overdrafts (\$2,040,000 at 30 June 2021 and \$2,250,000 at 30 June 2020)

** For cash flows of discontinued operations see [note 11](#) ¹⁷

Not mandatory

Not mandatory

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

Consolidated interim financial statements

Condensed financial statements

1. An interim financial report contains either a complete set of financial statements as described in AASB 101 *Presentation of Financial Statements* or a set of condensed financial statements as described in AASB 134 *Interim Financial Reporting*.
2. If an entity publishes condensed financial statements in its interim financial report, these condensed financial statements shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial report and the selected explanatory notes as required by AASB 134 *Interim Financial Reporting*.
3. The interim financial report for VALUE ACCOUNTS Holdings Limited contains condensed financial statements, in that it does not include all of the notes that would be required in a complete set of financial statements. However, the primary financial statements are presented in a format consistent with the consolidated financial statements that are required to be presented in an annual financial report under AASB 101 *Presentation of Financial Statements*. This is common and considered best practice.
4. In some countries, the extent to which line items may be aggregated in condensed interim financial statements may also be governed by local regulators or market requirements.
5. Additional line items or notes shall be included if their omission would make the condensed interim financial report misleading. Certain transactions may not be significant in the context of the annual report, but may need to be separately disclosed in the interim report. An example could be costs that are incurred unevenly during the year and that require separate presentation in the interim statement of profit or loss, but not in the annual financial statements.

Periods covered

6. The following tables summarise which statements need to be presented by entities that prepare half-yearly or quarterly reports.

Half-yearly reporting for period ending 30 June 2021

Statement	Current	Comparative
Balance sheet at	30 June 2021	31 December 2020
Statement of comprehensive income (and separate statement of profit or loss, where applicable) :		
- 6 months ended	30 June 2021	30 June 2020
Statement of changes in equity:		
- 6 months ended	30 June 2021	30 June 2020
Statement of cash flows:		
- 6 months ended	30 June 2021	30 June 2020

Quarterly reporting – second quarter interim report for period ending 30 June 2021

Statement	Current	Comparative
Balance sheet at	30 June 2021	31 December 2020
Statement of comprehensive income (and separate statement of profit or loss, where applicable) :		
- 6 months ended	30 June 2021	30 June 2020
- 3 months ended	30 June 2021	30 June 2020
Statement of changes in equity:		
- 6 months ended	30 June 2021	30 June 2020
Statement of cash flows:		
- 6 months ended	30 June 2021	30 June 2020

AASB134(10)

AASB134(10)

AASB134(20)(a)-(d)

Consolidated interim financial statements

- AASB134(20)(b) 7. For a half-year report, the current interim period and the annual reporting period to date are the same. However, where an entity prepares quarterly interim financial reports, the statement of comprehensive income in the interim financial reports for the second and third quarters will need to include additional columns showing the annual reporting period to date and the comparative annual reporting period to date for the corresponding interim period (see table in paragraph 6 above).
8. This half-year financial report is for a disclosing entity reporting under Part 2M.3 of the *Corporations Act 2001*. If an interim financial report is presented for a different interim reporting period, the heading of the financial statements should specify the interim reporting period covered (eg 'For the quarter ended 31 March 2021' or 'For the third quarter ended 30 September 2021') and the heading for the figures should indicate whether they are presented for a quarter, a half-year or the annual reporting period to date, as appropriate.

Third balance sheet

- AASB101(BC33) 9. AASB 134 has a year-to-date approach to interim reporting and does not replicate the requirements of AASB 101 in terms of comparative information. As a consequence, it is not necessary to provide an additional balance sheet (statement of financial position) as at the beginning of the earliest comparative period presented where an entity has made a retrospective change in accounting policies and/or a retrospective reclassification.

Comparatives in interim reports – new disclosing entities

10. Where an entity becomes a disclosing entity and has to prepare an interim financial report for the first time, it will have to provide comparative information for the previous corresponding interim period. This is the case even though the entity would not have prepared a report for that interim period. Entities will not be able to claim that it is impracticable to determine the comparatives retrospectively. Previous relief was removed on transition to IFRS.

Separate statement of profit or loss

- AASB101(10A)
AASB134(8A) 11. AASB 101 permits entities to present the components of profit or loss either as part of a single statement of comprehensive income or in a separate statement of profit or loss. If an entity has decided to retain a separate statement of profit or loss in its annual financial statements it shall also use this format for its interim report.

Earnings per share

- AASB134(11),(11A) 12. Entities that are within the scope of AASB 133 *Earnings per Share* shall present basic and dilutive earnings per share (EPS) for the interim period as follows:
- in the statement of comprehensive income – if the entity presents a single statement, or
 - in the statement of profit or loss – if the entity presents a separate statement of profit or loss and statement of comprehensive income.
- AASB133(68) 13. AASB 134 does not specifically require disclosure of EPS for profit from continuing and discontinued operations, but where there are significant discontinued operations we recommend that they be disclosed separately as required in an annual statement by AASB 133. The EPS from discontinued operations could be disclosed as part of the discontinued operations note, as done in this illustrative interim report (see [note 11](#)).

Disclosure of specified separate line items in the financial statements

- AASB101(82)(a) 14. AASB 101 *Presentation of Financial Statements* requires the separate presentation of the following line items in the statement of profit or loss:
- (a) interest revenue calculated using the effective interest rate method, separately from other revenue *
 - (b) gains and losses from the derecognition of financial assets measured at amortised cost *
 - (c) impairment losses on financial assets, including reversals of impairment losses or impairment gains
 - (d) gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss *
 - (e) gains and losses reclassified from OCI as a result of a reclassification of financial assets from the fair value through OCI measurement category to fair value through profit or loss *.
- AASB101(82)(aa)
- AASB101(82)(ba)
- AASB101(82)(ca)
- AASB101(82)(cb)
- * not illustrated, as immaterial or not applicable to VALUE ACCOUNTS Holdings Limited.

Consolidated interim financial statements

AASB101(29),(30),(30A)
PS2(40)-(55)

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

AASB16(47)

16. Right-of-use assets and lease liabilities do not need to be presented as a separate line item in the balance sheet, as done by VALUE ACCOUNTS Holdings Limited, as long as they are disclosed separately in the notes.

Cash flows relating to discontinued operations

AASB5(33)(c)

17. The net cash flows relating to the operating, investing and financing activities of discontinued operations may either be presented on the face of the statement of cash flows or in the notes. VALUE ACCOUNTS Holdings Limited has chosen to disclose this information in the notes. While it is not mandatory to include a reference to this note on the face of the cash flow statement, we consider it best practice to do so.

Alternative formats for financial statements

18. Appendix E in our *VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2020* publication shows the following alternative formats for the financial statements:

- (a) Statement of profit or loss: classification of expenses by nature
- (b) Statement of cash flows prepared using the direct method.

CA303(1)(b)
AASB134(8)(e)

Notes to the condensed financial statements ^{26,27}

1 Significant changes in the current reporting period ^{1,2}

AASB134(6),(15)

Although global market conditions have affected market confidence and consumer spending patterns, the group remains well placed to grow revenues through ongoing product innovation and the recent acquisition of Complete Office Furniture Limited. The group has reviewed its exposure to climate-related and other emerging business risks but has not identified any risks that could impact the financial performance or position of the group as at 30 June 2021. It has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments.

Not mandatory

The financial position and performance of the group was particularly affected by the following events and transactions during the six months to 30 June 2021:

- a significant increase in revenue from the furniture retail and electronic equipment divisions as a result of business combinations that occurred in the current and previous financial year (see [note 10](#)). This more than offset a reduction in revenue in the furniture manufacturing and wholesale segments (see [note 2](#) below).
- an impairment loss of \$1,390,000 for the European IT consulting division as a result of a loss of two major contracts and increased cost (see [note 6](#))
- an increase in the provision for legal claims against the Australian furniture manufacturing and wholesale division (see [note 7](#))
- an increase in warranty claims following problems with certain parts used in the manufacture of electronic equipment (see [note 7](#))
- the acquisition of a vacant parcel of land to expand the production facilities of VALUE IFRS Electronics Group (see [note 5](#))
- the renegotiation of the group's main borrowing facility, to secure funding for the construction of the new production plant for the electronic equipment division (see [note 8](#))
- an increase of the contingent consideration payable in relation to the acquisition of Better Office Furnishings Limited (see [note 10](#)), and
- the increase of the investment in Cedar Limited from 10% to 30% (see [note 12](#)).

New illustration

Since the end of the interim reporting period, the group has acquired 100% of the issued capital of Complete Office Furniture Limited in July 2021 (see [note 14](#)).

For a detailed discussion about the group's performance and financial position please refer to our review of operations on pages 5 to 7.

AASB134(15),(15B)

[Entities could also discuss the impact of COVID-19 on their financial results and financial position in this note, or refer to notes where further information can be found.]¹⁰

[Entities with operations in the UK, or that are doing a significant amount of business with the UK, should also consider the extent to which additional disclosures are necessary to explain changes since the last annual report arising from the UK's Brexit and the recent developments in this regard.]¹⁰

2 Segment and revenue information ^{5,26}

AASB134(8)(e),
(16A)(g)(v)

(a) Description of segments

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

- 1,2 Furniture – manufacturing and wholesale Australia and China: the manufacture and sale of commercial office furniture, hardwood side boards, chairs and tables in Australia and in China. The committee monitors the performance in those two regions separately.
- 3 Furniture – retail: Since January 2018, the manufacturing and wholesale business has been supplemented by a chain of retail stores in Australia.
- 4,5 IT consulting – Business IT management, design, implementation and support services are provided in the US and Europe. Performance is monitored separately for those two regions.
- 6 Electronic equipment – Although this segment is not large enough to be required to be reported separately under the accounting standards, it has been included here as it is seen to be a potential growth segment which is expected to materially contribute to group revenue in the future. This segment was established following the acquisition of VALUE IFRS Electronics Group in April 2020.

AASB134(16A)(g)(v)

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

AASB134(16A)(g)(v)

The engineering division was sold effective from 1 March 2020. Information about this discontinued segment is provided in [note 11](#).

AASB8(23)

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

The table below shows the segment information provided to the strategic steering committee for the reportable segments for the half-year ended 30 June 2021 and also the basis on which revenue is recognised:

Half-year 2021	Furniture - manufacturing and wholesale		Furniture - retail	IT consulting		Electronic equipment	All other segments	Total	
	Australia	China	Australia	US	Europe	Australia			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
AASB134(16A)(g)(i)	Total segment revenue	31,700	20,165	17,277	13,905	9,370	9,800	3,330	105,547
AASB134(16A)(g)(ii)	Inter-segment revenue	(250)	(150)	(650)	(250)	(200)	(200)	(200)	(1,900)
	Revenue from external customers¹²⁻¹⁴	31,450	20,015	16,627	13,655	9,170	9,600	3,130	103,647
AASB134(16A)(l)	Timing of revenue recognition								
	At a point in time	31,450	20,015	16,627	1,000	600	9,600	3,130	82,422
	Over time	-	-	-	12,655	8,570	-	-	21,225
		31,450	20,015	16,627	13,655	9,170	9,600	3,130	103,647
AASB134(16A)(g)(iii)	Adjusted EBITDA	8,184	5,534	8,603	4,702	(1,520)	2,896	1,929	30,328
	Half-year 2020 ⁵								
AASB134(16A)(g)(i)	Total segment revenue	32,434	21,200	6,402	12,049	10,900	4,300	3,119	90,404
AASB134(16A)(g)(ii)	Inter-segment revenue	(600)	(300)	(400)	(500)	(300)	(300)	(300)	(2,700)
	Revenue from external customers¹²⁻¹⁴	31,834	20,900	6,002	11,549	10,600	4,000	2,819	87,704
AASB134(16A)(l)	Timing of revenue recognition								
	At a point in time	31,834	20,900	6,002	800	950	4,000	2,819	67,305
	Over time	-	-	-	10,749	9,650	-	-	20,399
		31,834	20,900	6,002	11,549	10,600	4,000	2,819	87,704
AASB134(16A)(g)(iii)	Adjusted EBITDA	8,503	6,403	5,710	8,301	3,450	2,620	2,164	36,791

AASB8(23)

(b) Segment information provided to the strategic steering committee

Half-year 2021	Furniture - manufacturing and wholesale		Furniture - retail	IT consulting		Electronic equipment	All other segments	Total
	Australia	China	Australia	US	Europe	Australia		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment assets								
30 June 2021	67,480	50,700	63,110	26,970	19,825	31,940	23,699	283,724
31 December 2020	63,286	45,500	54,950	31,640	23,510	32,815	28,632	280,333
Total segment liabilities								
30 June 2021	12,905	5,100	10,051	2,800	2,200	6,938	2,697	42,691
31 December 2020	12,238	4,800	11,390	3,900	2,600	6,087	1,112	42,127

AASB134(16A)(g)(iv)

AASB134(16A)(g)(iv)

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

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

AASB134(16A)(g)(vi)

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

	Notes	Half-year 2021 \$'000	2020 \$'000
Adjusted EBITDA		30,328	36,791
Intersegment eliminations		(270)	(160)
Finance costs – net		(2,849)	(2,802)
Depreciation and amortisation expense	5,6	(6,758)	(5,697)
Impairment of goodwill and other assets	6	(1,390)	(3,620)
Legal expenses		(1,375)	-
Unrealised financial instrument gains/(losses)		245	105
Share options and rights granted to directors and employees		(1,226)	(995)
Other		309	108
Profit before income tax from continuing operations		17,014	23,730

v

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

3 Profit and loss information ^{8,15-16}

(a) Significant items

		Half-year	
		2021	2020
		\$'000	\$'000
Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:			
Gains			
AASB134(16A)(c)	Gain on sale of freehold land (included in other gains/(losses))	-	1,270
Expenses			
AASB134(16A)(c)	Impairment of goodwill (see note 6)	1,390	2,410
AASB134(16A)(c)	Provision for legal claim (see note 7)	1,375	-
	Re-estimation of warranty provision (see note 7)	505	-
	Acquisition-related costs from the business combination (note 10)	750	-
	Remeasurement of contingent consideration (see note 10)	540	-
AASB134(16A)(c)	Write off of assets destroyed by fire		
	Office and warehouse building	-	465
	Plant and equipment	-	210
	Inventories	-	535
		-	1,210
	Less: Insurance recovery	-	(300)
	Net loss incurred in relation to the fire	-	910

(b) Income tax

AASB134(30)(c)
AASB134(B12)

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2021 is 35%, compared to 33% for the six months ended 30 June 2020. The tax rate was lower in 2020 due to the recognition of previously unrecognised carried forward tax losses.

4 Dividends

		Half-year	
		2021	2020
		\$'000	\$'000
(a) Ordinary shares			
AASB134(16A)(f)	Dividends provided for or paid during the half-year	12,782	11,507
(b) 6% cumulative redeemable preference shares			
Dividends on these shares of \$330,000 (2020 - \$330,000) have been recognised in the balance sheet as payables and have been charged to profit or loss as interest and finance charges because the shares are classified as liabilities.			
(c) Dividends not recognised at the end of the half-year			
Not mandatory	In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 22 cents per fully paid ordinary share (2020 - 20 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 10 October 2021 out of retained earnings at 30 June 2021, but not recognised as a liability at the end of the half-year, is	12,806	11,310

5 Property, plant and equipment ^{4,8,9}

AASB134(15B)(d),(e),(15C) In June 2021, the group acquired a block of vacant land in Springfield at a cost of \$3,000,000. The land will be used for the construction of additional production facilities for the electronic equipment division and the group has entered into new capital commitments of \$12,300,000 in relation to these facilities. Construction is expected to start in October 2021.

		Freehold land \$'000	Freehold buildings \$'000	Furniture, fittings and equipment \$'000	Machinery and vehicles \$'000	Assets under construction \$'000	Total \$'000
At 31 December 2020							
AASB116(73)(d)	Cost or fair value	22,570	38,930	31,790	90,285	3,450	187,025
AASB116(73)(d)	Accumulated depreciation	-	-	(11,970)	(46,165)	-	(58,135)
	Net book amount	<u>22,570</u>	<u>38,930</u>	<u>19,820</u>	<u>44,120</u>	<u>3,450</u>	<u>128,890</u>
Half-year ended 30 June 2021							
AASB116(73)(e)	Opening net book amount	22,570	38,930	19,820	44,120	3,450	128,890
AASB116(73)(e)(viii)	Exchange differences	-	-	(10)	(20)	-	(30)
AASB116(73)(e)(iv)	Revaluation surplus	920	575	-	-	-	1,495
AASB116(73)(e)(iii)	Acquisition of subsidiary (note 10)	-	1,000	1,300	9,795	-	12,095
AASB116(73)(e)(i),(74)(b)	Additions	6,850	80	400	1,085	-	8,415
AASB116(73)(e)(ii)	Disposals	(1,070)	(660)	(900)	(940)	-	(3,570)
	Transfers	-	3,450	-	-	(3,450)	-
AASB116(73)(e)(vii)	Depreciation charge	-	(750)	(765)	(2,300)	-	(3,815)
AASB116(73)(e)	Closing net book amount	<u>29,270</u>	<u>42,625</u>	<u>19,845</u>	<u>51,740</u>	<u>-</u>	<u>143,480</u>
At 30 June 2021							
AASB116(73)(d)	Cost or fair value	29,270	42,625	32,580	100,205	-	204,680
AASB116(73)(d)	Accumulated depreciation	-	-	(12,735)	(48,465)	-	(61,200)
	Net book amount	<u>29,270</u>	<u>42,625</u>	<u>19,845</u>	<u>51,740</u>	<u>-</u>	<u>143,480</u>

6 Intangible assets ^{4,8-10}

AASB134(15B)(d),(15C) The intangible assets held by the group increased primarily as a result of the acquisition of Better Office Furnishings Limited. See [note 10](#) for further information.

AASB3(B67)(d)(i) AASB138(118)(e)	Goodwill ¹⁷ \$'000	Patents, trademarks and other rights \$'000	Internally generated software \$'000	Customer lists and contracts \$'000	Total \$'000
At 31 December 2020					
Cost	10,715	12,430	3,855	3,180	30,180
Accumulated amortisation and impairment	(2,410)	(1,300)	(710)	(1,210)	(5,630)
Net book amount	8,305	11,130	3,145	1,970	24,550
Half-year ended 30 June 2021					
Opening net book amount	8,305	11,130	3,145	1,970	24,550
AASB3(B67)(d)(ii) Additions	-	320	725	-	1,045
Acquisition of subsidiary (note 10)	1,360	-	-	3,465	4,825
Impairment charge (a)	(1,390)	-	-	-	(1,390)
Amortisation charge	-	(410)	(150)	(1,205)	(1,765)
Closing net book amount	8,275	11,040	3,720	4,230	27,265
At 30 June 2021					
Cost	12,075	12,750	4,580	6,645	36,050
Accumulated amortisation and impairment	(3,800)	(1,710)	(860)	(2,415)	(8,785)
AASB101(77) Net book amount	8,275	11,040	3,720	4,230	27,265

(a) Goodwill impairment ¹⁰

Significant estimates

Following the loss of two major contracts in the European IT consulting division and an unexpected significant increase in costs due to instability in the industry in both Europe and the US, management has recalculated the recoverable amount of the two CGUs as at 30 June 2021. An impairment loss of \$1,390,000 was recognised for the European CGU, reducing the carrying amount of the goodwill for this CGU to \$1,480,000. The recoverable amount of the entire European CGU at 30 June 2021 was \$19,963,000.

The recoverable amount of the IT consulting CGU in the US was estimated to be \$27,153,000 as at 30 June 2021 (31 December 2020 – \$36,275,000) which exceeded the carrying amount of the CGU by \$123,000 (31 December 2020 – \$4,560,000). No impairment was therefore required for this CGU.

AASB136(134)(d)(i) The recoverable amount of the two CGUs was determined based on value-in-use calculations, consistent with the methods used as at 31 December 2020. For details see note 8(c) of our Annual report for details. The following table sets out the key assumptions for the two CGUs where the impairment calculations were updated as at 30 June 2021:

	30 June 2021		31 Dec 2020	
	US	Europe	US	Europe
Sales volume (% annual growth rate)	2.1	1.5	3.2	4.1
Sales price (% annual growth rate)	1.5	0.9	1.7	1.8
Budgeted gross margin (%)	45	40	60.0	55.5
Other operating costs (\$'000)	9,300	7,200	8,400	5,600
Annual capital expenditure (\$'000)	500	280	500	230
Long term growth rate (%)	1.9	1.7	2.2	2.0
Pre-tax discount rate (%)	14.5	15.3	14.0	14.8

[Entities should consider explaining how they have reflected the impact of COVID-19 in setting these key assumptions and whether there have been any changes in this regard since the last annual reporting period.] ¹⁰

(a) Goodwill impairment¹⁰AASB136(134)(f)(ii),
(iii)

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

	30 June 2021		31 Dec 2020	
	From	To	From	To
Sales volume (% annual growth rate)	2.1	1.8	3.2	2.0
Budgeted gross margin (%)	45	42	60	43
Long-term growth rate (%)	1.9	1.7	2.2	1.3
Pre-tax discount rate (%)	14.5	14.9	14.0	15.3

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

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

7 Current provisions^{8-9,15-16}

	30 June 2021 \$'000	31 December 2020 \$'000
Legal claims	1,835	460
Service warranties	1,064	635
Restructuring costs	320	900
Make good provision	248	225
Contingent liability recognised on acquisition of VALUE IFRS Electronics Group	-	477
	3,467	2,697

AASB134(16A)(c),(d)

The group has received new legal advice in relation to the claim which alleges that VALUE IFRS Manufacturing Limited had breached certain registered patents of a competitor. The advice now states that it is probable that the entity will be required to pay some compensation in relation to this matter. While the entity is still vigorously defending the claim, it has recognised a provision of \$1,375,000 for this claim as at 30 June 2021.

AASB134(15B)(f),
(16A)(d)

The lawsuit against VALUE IFRS Electronics Group alleging defects on products supplied to certain customers was settled in April 2021 with a payment of \$460,000. The unused amount of \$17,000 was reversed to profit or loss.

AASB134(16A)(d)

In May 2021, the group discovered problems with certain parts used in the manufacture of electronic equipment which resulted in an increase of warranty claims. As a consequence, the estimated rate of claims has been increased in calculating the warranty provision as at 30 June 2021. This resulted in an increase of the provision by \$505,000 in addition to the normal movements in the provision.

	Contingent liability \$'000	Restructuring obligations \$'000	Service warranties \$'000	Legal claims \$'000	Make good provision \$'000	Total \$'000
Current						
Carrying amount at 1 January 2021	477	900	635	460	225	2,697
Charged/(credited) to profit or loss						
additional provisions recognised	-	-	652	1,375	13	2,040
unused amounts reversed	(17)	-	-	-	-	(17)
unwinding of discount	-	-	-	-	10	10
Amounts used during the half-year	(460)	(580)	(223)	-	-	(1,263)
Carrying amount at 30 June 2021	-	320	1,064	1,835	248	3,467

8 Borrowings ^{8-9,11}

AASB134(16A)(c),(e)	In February 2021, the group entered into a new loan facility to finance the construction of the new production plant for the electronic equipment division. The total available amount under the facility is \$20,000,000 of which \$7,000,000 were drawn down as at 30 June 2021. The facility is repayable in three annual instalments, commencing 1 June 2025.
AASB134(15C)	The loan is a fixed rate, Australian-dollar denominated loan which is carried at amortised cost. It therefore did not have any impact on the entity's exposure to foreign exchange and cash flow interest rate risk.
AASB9(B5.4.2)	Facility fees of \$250,000 were payable to the lender upon signing the new loan agreement. These were debited as transaction cost to the loan account to the extent the loan was drawn down as at 30 June 2021. An amount of \$162,500 is carried forward in other current assets and will be recognised as a transaction cost when the balance of the facility is drawn down. This is expected to occur within the next six months, as construction payments become due and payable.
AASB9(B5.4.6)	In addition, the group also renegotiated one of its existing loan facilities to take advantage of lower interest rates. The refinancing resulted in the recognition of a modification gain of \$80,000 which is included in other gains/(losses) in the statement of profit or loss.
AASB2020-8 Interest Rate Benchmark Reform Phase 2	[Entities with loans that are referenced to IBORs should consider whether the information provided in the last annual report (if any) may need to be updated or supplemented.] ³²⁻³⁴

As at 30 June 2021, the contractual maturities of the group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities At 30 June 2021	Less than 6 months \$'000	6 – 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/ liabilities \$'000
Non-derivatives							
Trade payables	11,252	-	-	-	-	11,252	11,252
Contingent consideration (note 10)	-	600	650	700	-	1,950	1,820
Borrowings	4,245	4,540	9,500	31,490	55,725	105,500	102,303
Lease liabilities	1,240	1,280	3,020	5,440	2,290	13,270	11,951
Total non-derivatives	16,737	6,420	13,170	37,630	58,015	131,972	127,326

AASB16(58)

Contractual maturities of financial liabilities At 31 December 2020 ^{3,4}	Less than 6 months \$'000	6 – 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/ liabilities \$'000
Non-derivatives							
Trade payables	13,700	-	-	-	-	13,700	13,700
Borrowings (excluding finance leases)	4,439	4,639	9,310	46,195	40,121	104,704	97,515
Lease liabilities	1,455	1,456	2,911	5,337	2,340	13,499	11,501
Total non-derivatives	19,594	6,095	12,221	51,532	42,461	131,903	122,716

Loan covenants ⁹

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

- the gearing ratio must now be below 45% (reduced from 50%), and
- the ratio of net finance cost to EBITDA must not exceed 10% (reduced from 12%).

The group complied with these ratios throughout the reporting period. As at 30 June 2021, the gearing ratio was 36% (21% at 31 December 2020) and the ratio of net finance cost to EBITDA was 9% (7% at 31 December 2020).

*Financing arrangements*⁹

The group's undrawn borrowing facilities were as follows:

	30 June 2021 \$'000	31 December 2020 \$'000
Fixed rate – expiring beyond one year	13,000	-
Floating rate		
Expiring within one year (bank overdraft and bill facility)	12,400	12,400
Expiring beyond one year (bank loans)	6,160	9,470
	<u>31,560</u>	<u>21,870</u>

9 Equity securities issued

	2021 Shares (thousands)	2020 Shares (thousands)	2021 \$'000	2020 \$'000
Issues of ordinary shares during the half-year				
AASB134(16A)(e)				
Exercise of options issued under the VALUE IFRS Employee Option Plan	46	-	241	-
Acquisition of subsidiary, net of transaction costs and tax		1,698	-	9,730
AASB134(16A)(e)				
Issued for no consideration:				
Dividend reinvestment plan issues	64	59	397	174
	<u>110</u>	<u>1,757</u>	<u>638</u>	<u>9,904</u>

	2021 Shares (thousands)	2020 Shares (thousands)	2021 \$'000	2020 \$'000
Movements in treasury shares during the half-year				
AASB134(16A)(e)				
Acquisition of shares by the VALUE IFRS Employee Share Trust	(201)	(207)	(1,270)	(1,217)
AASB134(16A)(e)				
Employee share scheme issue	183	186	1,132	1,091
	<u>(18)</u>	<u>(21)</u>	<u>(138)</u>	<u>(126)</u>

AASB134(16A)(i) 10 Business combination^{3,15,17,26}

(a) Current period

AASB3(B64)(a)-(d) On 15 February 2021 VALUE ACCOUNTS Holdings Limited acquired 87.5% of the issued shares in Better Office Furnishings Limited, a retailer of office furniture and equipment, for consideration of \$12,030,000. The acquisition is expected to increase the group's market share and reduce cost through economies of scale.

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

	\$'000
AASB3(B64)(f)	
Purchase consideration	
Cash paid	10,750
Contingent consideration (ii)	1,280
Total purchase consideration	<u>12,030</u>

(a) Current period

AASB3(B64)(i)

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

	Fair value \$'000
Cash and cash equivalents	575
Property, plant and equipment (note 5)	12,095
Customer list (note 6)	2,285
Customer contracts (note 6)	1,180
Inventories	1,010
Receivables	685
Payables	(2,380)
Employee benefit obligations	(230)
Borrowings	(3,250)
Net deferred tax assets	420
Net identifiable assets acquired	<u>12,390</u>
Less: non-controlling interest	(1,720)
Add: goodwill	<u>1,360</u>
	<u>12,030</u>

AASB3(B64)(e),(k)

The goodwill is attributable to Better Office Furnishings Limited's strong position and profitability in trading in the office furniture and equipment market and synergies expected to arise after the company's acquisition of the new subsidiary. It has been allocated to the furniture-retail segment. None of the goodwill is expected to be deductible for tax purposes. See note 6 above for the changes in goodwill as a result of the acquisition.

AASB3(B67)(a)

The fair value of the acquired customer list and customer contracts of \$3,465,000 is provisional pending receipt of the final valuations for those assets. Deferred tax of \$1,040,000 has been provided in relation to these fair value adjustments.

(i) Acquisition-related costs

AASB3(B64)(m)

Acquisition-related costs of \$750,000 are included in administrative expenses in profit or loss.

(ii) Contingent consideration

AASB3(B64)(g)

The contingent consideration arrangement requires the group to pay the former owners of Better Office Furnishings Limited 20% of the average profit of Better Office Furnishing Limited in excess of \$2,000,000 for three years from 2021 to 2023, up to a maximum undiscounted amount of \$2,000,000. There is no minimum amount payable.

The fair value of the contingent consideration arrangement of \$1,280,000 was estimated calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 8% and assumed probability-adjusted profit in Better Office Furnishing Limited of \$4,200,000 to \$4,400,000.

AASB3(B67)(b),(58)

As at 30 June 2021, there was an increase of \$540,000 recognised in other gains/losses in profit or loss for the contingent consideration arrangement as the assumed probability-adjusted profit in Better Office Furnishings Limited was recalculated to be in the region of \$5,000,000 to \$5,300,000. The liability is presented within trade and other payables in the balance sheet.

(iii) Acquired receivables

AASB3(B64)(h)

The fair value of trade and other receivables is \$685,000 and includes trade receivables with a fair value of \$623,000. The gross contractual amount for trade receivables due is \$705,000, of which \$82,000 is expected to be uncollectible.

(a) Current period*(iv) Non-controlling interest*

AASB3(B64)(o)

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

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

(v) Revenue and profit contribution

AASB3(B64)(q)

The acquired business contributed revenues of \$16,230,000 and net profit of \$2,675,000 to the group for the period from 15 February 2021 to 30 June 2021. If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax for the half-year ended 30 June 2021 would have been \$109,070,000 and \$12,676,000 respectively.

(b) Prior period ³

On 1 April 2020 the parent entity acquired 70% of the issued share capital of VALUE IFRS Electronics Group. Details of this business combination were disclosed in note 14 of the group's annual financial statements for the year ended 31 December 2020.

11 Discontinued operation ^{3,15,17}**(a) Description**

AASB134(16A)(c),(i)

On 30 October 2019 the group announced its intention to exit the machinery hire business and initiated an active program to locate a buyer for its German subsidiary, VALUE IFRS Engineering GmbH. The subsidiary was sold on 28 February 2020 with effect from 1 March 2020 and was reported in the financial statements for the half-year ending 30 June 2020 as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. For further information about the discontinued operation please refer to note 15 in the group's annual financial statements for the year ended 31 December 2020.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations for the two months ended 28 February 2020 and subsequent adjustments to the contingent consideration receivable.

	Half-year	
	2021 \$'000	2020 \$'000
Revenue	-	4,200
Expenses	-	(3,939)
Other gains/(losses) (revaluation of contingent consideration receivable)	(45)	-
(Loss)/profit before income tax	(45)	261
Income tax benefit/(expense)	13	(78)
(Loss)/profit after income tax of discontinued operation	(32)	183
Gain on sale of subsidiary after income tax (see (c) below)	-	481
(Loss)/profit from discontinued operation	(32)	664
Exchange differences on translation of discontinued operation	-	170
Other comprehensive income from discontinued operation	-	170
Net cash inflow from ordinary activities	-	1,166
Net cash inflow (outflow) from investing activities (2020 includes an inflow of \$3,110,000 from the sale of the division)	-	3,110
Net increase in cash generated by the subsidiary	-	4,276
	Cents	Cents
AASB133(68) Basic earnings per share from discontinued operations	0.1	1.2
Diluted earnings per share from discontinued operations	0.1	1.2

(c) Details of the sale of the subsidiary

	Half-year	
	2021 \$'000	2020 \$'000
Consideration received or receivable:		
Cash	-	3,110
Fair value of contingent consideration	-	1,200
Total disposal consideration	-	4,310
Carrying amount of net assets sold	-	(3,380)
Gain on sale before income tax and reclassification of foreign currency translation reserve	-	930
Reclassification of foreign currency translation reserve	-	(170)
Income tax expense on gain	-	(279)
Gain on sale after income tax	-	481

In the event the operations of the subsidiary achieve certain performance criteria during the period 1 March 2020 to 28 February 2022 as specified in an 'earn out' clause in the sale agreement, additional cash consideration of up to \$2,400,000 will be receivable. At the time of the sale the fair value of the consideration was determined to be \$1,200,000 and was recognised as a financial asset at fair value through profit or loss.

As at 30 June 2021 the fair value was estimated to be \$1,245,000 (note 16). The change in fair value of \$45,000 relates to the remeasurement of the expected cash flows and is presented in the statement of profit and loss as loss from discontinued operations, net of applicable income tax of \$13,000.

AASB5(35)

AASB134(16A)(i)

12 Interests in associates and joint ventures ¹⁸

On 15 February 2021, VALUE ACCOUNTS Holdings Limited increased its investment in Cedar Limited from 10% to 30% for cash consideration of \$400,000 plus \$5,000 transaction costs. As a consequence, VALUE ACCOUNTS Holdings Limited gained significant influence over this investment and the investment was reclassified from a financial asset at fair value through other comprehensive income (FVOCI) to an associate

The carrying amount of the investment presented in FVOCI at the time of the transaction was \$150,000, including fair value gains of \$30,000 that had been recognised in other reserves. The group's accounting policy for step acquisitions of associates is to measure the cost as the sum of the fair value of the interest previously held plus the fair value of the additional consideration transferred (totalling \$550,000). The transaction costs of \$5,000 were expensed as incurred and recognised in administrative expenses. Consistent with the group's policy to transfer any amounts recognised in the FVOCI reserve to retained earnings upon disposal of an investment, \$30,000 were transferred to retained earnings following the step acquisition.

The carrying amount of equity-accounted investments has changed as follows in the six months to June 2021:

	Six months ending 30 June 2021 \$'000
Beginning of the period	3,775
Additions	550
Profit/(loss) for the period	205
Dividends paid	(300)
End of the period	4,230

13 Contingencies ^{8,9}

(a) Contingent liabilities

AASB134(15B)(m)

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

AASB134(16A)(c),(15B)(f)

The claim lodged against VALUE IFRS Retail Limited in December 2019 and disclosed in the note 17 of the annual financial statements was settled through mediation. A payment of \$25,000 was made to the claimant.

14 Events occurring after the reporting period ¹⁹

AASB134(16A)(h)

On 31 July 2021 VALUE ACCOUNTS Holdings Limited acquired all of the issued shares in Complete Office Furniture Limited, a manufacturer and retailer of premium office furniture and equipment, for cash consideration of \$4,500,000.

The provisionally determined fair value of the net identifiable assets of the company at the date of acquisition was \$4,090,000 and the purchased goodwill amounted to \$410,000.

The financial effects of the above transaction have not been brought to account at 30 June 2021. The operating results and assets and liabilities of the company will be brought to account from 31 July 2021.

Refer to [note 4](#) for dividends recommended since the end of the reporting period.

15 Related party transactions ^{8-9,15-16}

AASB134(15),(15B)(j)

During the half-year ended 30 June 2021, VALUE ACCOUNTS Holdings Limited entered into a contract with Combined Construction Company Proprietary Limited for the construction of the new production facilities for the electronic equipment division. Mr A L Cunningham is a director and shareholder of Combined Construction Company Proprietary Limited. The contract is a fixed price contract for the sum of \$1,300,000. It is based on normal commercial terms and conditions.

16 Fair value measurement of financial instruments ^{2,11,20,26}

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

(a) Fair value hierarchy

AASB134(15B)(h),(15C)

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

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2021 and 31 December 2020 ⁴ on a recurring basis:

AASB13(93)(a),(b)

At 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
US unlisted equity securities	-	-	2,350	2,350
US listed equity securities	2,825	-	-	2,825
Australian listed equity securities	5,975	-	-	5,975
Preference shares – property sector	-	1,165	-	1,165
Other (contingent consideration; note 11)	-	-	1,245	1,245
Hedging derivatives – interest rate swaps	-	310	-	310
Hedging derivatives – foreign currency options	-	1,634	-	1,634
Financial assets at fair value through other comprehensive income (FVOCI)				
Equity securities – property sector	1,412	-	-	1,412
Equity securities – retail sector	2,628	-	-	2,628
Equity securities – biotech sector	-	-	1,180	1,180
Debentures – property sector	340	-	-	340
Debentures – retail sector	372	705	-	1,077
Total financial assets	13,552	3,814	4,775	22,141
Financial liabilities				
Contingent consideration payable (note 10)	-	-	1,820	1,820
Hedging derivatives – foreign currency forwards	-	566	-	566
Trading derivatives	-	355	215	570
Total financial liabilities	-	921	2,035	2,956
At 31 December 2020 ⁴	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at FVPL				
US listed equity securities	5,190	-	-	5,190
Australian listed equity securities	6,110	-	-	6,110
Preference shares – property sector	-	1,100	-	1,100
Contingent consideration – note 11	-	-	1,290	1,290
Hedging derivatives – interest rate swaps	-	453	-	453
Trading derivatives – foreign currency options	-	1,709	-	1,709
Financial assets at FVOCI				
Equity securities – property sector	1,286	-	-	1,286
Equity securities – retail sector	2,828	-	-	2,828
Equity securities – forestry sector	-	-	1,150	1,150
Debentures – property sector	378	-	-	378
Debentures – retail sector	350	790	-	1,140
Total financial assets	16,142	4,052	2,440	22,634
Financial liabilities				
Hedging derivatives – foreign currency forwards	-	766	-	766
Trading derivatives	-	275	335	610
Total financial liabilities	-	1,041	335	1,376

(a) Fair value hierarchy

AASB134(15B)(h),
(k),(15C),(16A)(j)
AASB13(93)(c),(e)(iv)

In March 2021, a major investment of VALUE ACCOUNTS Holdings Limited was delisted. As it is no longer possible to determine the fair value of this investment using quoted prices or observable market data, it has been reclassified from level 1 into level 3.

AASB13(95)

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

AASB13(93)(a),(b),(d)

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2021.

AASB13(76),(91)(a)

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

AASB13(81),(91)(a),
(93)(d)

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

AASB13(86),(91)(a),
(93)(d)

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

(b) Valuation techniques used to determine fair values

AASB13(93)(d)

Specific valuation techniques used to value financial instruments include:

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

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

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

AASB134(15B)(k),(15C)

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2021: ⁴

AASB13(93)(e)

	Unlisted equity securities \$'000	Trading derivatives at FVPL \$'000	Contingent consideration receivable \$'000	Contingent consideration payable \$'000	Total \$'000
Opening balance 31 December 2020	1,150	(335)	1,290	-	2,105
Transfer from level 1	2,350	-	-	-	2,350
Disposals	(100)	-	-	-	(100)
Acquisitions	-	3	-	(1,280)	(1,277)
Gains recognised in other income *	-	117	-	(540)	(423)
Losses recognised in discontinued operations *	-	-	(45)	-	(45)
(Losses)/gains recognised in other comprehensive income	130	-	-	-	130
Closing balance 30 June 2021	3,530	(215)	1,245	(1,820)	2,740

AASB13(93)(f)

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period

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

AASB13(93)(d),(h)(iii)

Other than the transfer of equity securities from level 1 to level 3 explained under (a) above there were no transfers between the levels of the fair value hierarchy in the six months to 30 June 2021. There were also no changes made to any of the valuation techniques applied as of 31 December 2020.

(c) Fair value measurements using significant unobservable inputs (level 3)*(ii) Valuation inputs and relationships to fair value*

AASB13(93)(d),(99)

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

AASB13(93)(d),(h)(i)

Description	Fair value at 30 June 2021 \$'000	Unobservable inputs *	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Unlisted equity securities	3,530	Earnings growth factor	2.5 % - 3.5% (3%)	Increased earnings growth factor (+50 basis points (bps)) and lower discount rate (-100 bps) would increase FV by \$190,000; lower growth factor (-50 bps) and higher discount rate (+100 bps) would decrease FV by \$220,000.
		Risk-adjusted discount rate	9% - 11% (10%)	
Trading derivatives	(215)	Credit default rate	25%	A shift of the credit default rate by +/- 5% results in a change in FV of \$60,000
Contingent consideration receivable	1,245	Risk-adjusted discount rate	14%	A change in the discount rate by 100 bps would increase/decrease the FV by \$200,000
		Expected cash inflows	\$1,950,000 - \$2,170,000 (\$2,020,000)	If expected cash flows were 10% higher or lower, the FV would increase/decrease by \$55,000
Contingent consideration payable	(1,820)	Risk adjusted discount rate	8%	A change in the discount rate by 100 bps would increase/decrease the fair value by \$52,000
		Expected revenues	\$5,200,000 - \$5,500,000	If expected revenues were 10% higher or lower, the fair value would increase/decrease by \$400,000

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

AASB13(93)(g)

(iii) Valuation processes

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

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

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

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

(d) Fair values of other financial instruments (unrecognised)AASB134(16A)(i)
AASB7(25)
AASB7(29)(a)

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 30 June 2021:

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

17 Basis of preparation of half-year report ^{1-2,8,21-23,26,27}

AASB134(19)

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

AASB134(6)
Not mandatory

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by VALUE ACCOUNTS Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.²²

AASB134(16A)(a)

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see **note 3(b)**) and the adoption of new and amended standards as set out below.²¹

(a) New and amended standards adopted by the group ²⁸⁻³³AASB108(28)(a)
Revised requirement

A number of amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.³²

(b) Impact of standards issued but not yet applied by the entity ^{24,25}

AASB108(30)

[Entities that could be expected to be significantly impacted by the adoption of AASB 17 *Insurance Contracts* should consider whether there is any information that they should provide in the interim financial report.]²⁵

Notes to the consolidated financial statements**Structure of notes**

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

Notes to the consolidated financial statements

Comparative information

Narrative disclosures

AASB134(16A)(j)

3. AASB 134 does not comment on whether narrative information that was disclosed in the interim financial report for the comparative period must be repeated in the current interim financial report. However, as per paragraph 6 of AASB 134, the interim financial report is intended to provide an update on the last complete set of annual financial statements. It should therefore focus on new activities, events and circumstances and does not need to duplicate information previously reported. On this basis we do not believe it is necessary to repeat business combination disclosures that were also included in the latest annual financial statements. However, we have chosen to retain the comparative disclosures for the discontinued operation since this disclosure explains amounts separately presented in the statement of profit or loss for the comparative period. These amounts may not necessarily be the same as the amounts reported in relation to the discontinued operation in the latest annual financial statements.

Roll-forward information

AASB134(16A)(g)

4. There is also a question as to whether comparative information is required for roll-forward information such as the table showing movements in property, plant and equipment or in relation to the financial instrument disclosures. For the same reasons as set out in the previous paragraph, we do not believe that comparative roll-forward information is required under AASB 134. However, it may be necessary in certain circumstances to provide context for a particular transaction or event that is significant to an understanding of the changes in the entity's financial position and performance.

Segment information

5. Under AASB 134, segment information must be included in interim reports for the year to date, but the standard does not specifically require the disclosure of segment information for additional periods for which a statement of profit or loss is presented in an interim report. We believe such disclosure would be helpful to the users of the interim report and it is likely to be consistent with the management commentary. Management should, therefore, consider providing segmental information for each period for which the statement of profit or loss is presented, including comparative figures.

Materiality

AASB134(23)
AASB101(7)
PS2

6. AASB 134(23) requires management to assess materiality in relation to the interim period financial data when deciding how to recognise, measure, classify or disclose an item for interim financial reporting purposes. In making assessments of materiality, interim measurements may rely on estimates to a greater extent than measurements of annual financial data.
7. While materiality judgements are always subjective, the overriding concern is to ensure that an interim financial report includes all the information that is relevant to an understanding of the financial position and performance of the entity during the interim period. It is therefore generally inappropriate to base quantitative estimates of materiality on projected annual figures. Guidance on assessing materiality is provided in the non-mandatory Practice Statement 2 *Making Materiality Judgements*

Significant events and transactions

AASB134(15),(15B)

8. Interim financial reports must include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. AASB 134 provides examples of events or transactions that may need to be disclosed, but please note that the list is not exhaustive.

AASB134(15C)

9. The information disclosed in relation to these events and transactions shall update the relevant information presented in the most recent annual financial statements and that are required under other accounting standards (eg AASB 7 *Financial Instruments: Disclosures*). For example, VALUE ACCOUNTS Holdings Limited has acquired a significant parcel of land in the six months to June 2021 and refinanced a major borrowing. To show the impact of the acquisition on total property, plant and equipment, we have updated the reconciliation of property, plant and equipment from the last financial statements. We have also updated the liquidity risk disclosures to reflect the revised payment terms resulting from the refinancing.

Notes to the consolidated financial statements

10. Similarly, if the entity has recognised an impairment loss during the interim reporting period, it should consider which of the disclosures made in the annual report would need to be updated in the interim report, to give users sufficient context and information about the uncertainties associated with the impairment calculations. We have illustrated what we would consider appropriate in the context of VALUE ACCOUNTS Holdings Limited's fictional scenario. Depending on the individual circumstances, more or less disclosures may be required. For example, entities may need to explain how they have reflected the impact of COVID-19 in setting these key assumptions and whether there have been any changes in this regard since the last annual reporting period. For guidance, refer to our [dedicated COVID-19 website](#) which provides many useful resources and continues to be updated to reflect recent developments. Entities with operations in the UK, or that are doing a significant amount of business with the UK, should also consider the extent to which additional disclosures are necessary to explain changes since the last annual report arising from the UK's Brexit decision. For further details refer to our In depth publication [Accounting implications of the UK's Brexit decision](#) which is available on PwC's online resource ViewPoint.

Paragraphs 32 to 34 below discuss disclosures that should be considered where the entity is significantly affected by the IBOR reforms or has received material COVID-19 related rent concessions since the last annual report.

AASB134(15C)

11. Another example of disclosures that may require updating in the interim report would be the offsetting disclosures that are required under AASB 7. The disclosures provided in the annual report (see note 23) should be updated if there have been any changes to the offsetting arrangements in the interim period. Entities should remember that the disclosures also cover master netting and similar arrangements that are not currently enforceable, see the commentary to note 23 in in our [VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2020](#) publication for further information.

Disaggregation of revenue

AASB15(114),
(B87)-(B89)

12. Entities must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will depend on the specific circumstances of each entity as to how much detail is disclosed. VALUE ACCOUNTS Holdings Limited has determined that a disaggregation of revenue using existing segments and the timing of the transfer of goods or services (at a point in time vs over time) is adequate for its circumstances. However, this is a judgement and will not necessarily be appropriate for other entities.

13. Other categories that could be used as basis for disaggregation include:

- (a) type of good or service (eg major product lines)
- (b) geographical regions
- (c) market or type of customer
- (d) type of contract (eg fixed price vs time-and-materials contracts)
- (e) contract duration (short-term vs long-term contracts, or
- (f) sales channels (directly to customers vs wholesale).

AASB15(115)

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

Notes to the consolidated financial statements

Other disclosures

- AASB134(16A) 15. In addition to disclosing significant events and transactions as explained in paragraphs 8 to 11 above, an entity shall include the information set out in paragraph 16A of AASB 134 in the notes to the interim financial statements, unless the information is not material or disclosed elsewhere in the interim financial report. The information shall normally be reported on an annual reporting period to date basis. Where the information is disclosed elsewhere, the entity must provide a cross reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.
- AASB2016-1(25)

Unusual items

- AASB134(16A)(c) 16. Disclosure is required of the nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size, or incidence.

Changes in the composition of the entity

- AASB134(16A)(i) 17. AASB 134 requires interim financial reports to disclose the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required to be disclosed under paragraphs 59 – 62 and B64 – B67 of AASB 3 *Business Combinations*. If the goodwill relating to the acquisition is material, the disclosure should also include a reconciliation of goodwill as per paragraph B67(d) of AASB 3. See also commentary paragraph 43 below for disclosures that are not applicable to VALUE ACCOUNTS Holdings Limited and therefore are not illustrated in [note 10](#).

Step acquisition of associates

18. There are two approaches that may be adopted when an investor increases its stake in an entity and an existing investment becomes an associate for the first time. Those two methods are:
- (a) Cost of each purchase' method: the cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of the investee's profits and other equity movements (for example, revaluations). Any acquisition-related costs are treated as part of the investment in the associate.
 - (b) 'Fair value as deemed cost' method (by analogy with AASB 3): The cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. As this method is based on the analogy with the revised AASB 3 guidance on step acquisition of subsidiaries, any acquisition-related costs are expensed in the period in which the costs are incurred. This is different from acquisition-related costs on initial recognition of an associate at cost, as they form part of the carrying amount of the associate. This is the method used by VALUE ACCOUNTS Holdings Limited and illustrated in [note 12](#) of this interim report.

Events occurring after the reporting period

- AASB134(16A)(h) 19. The interim financial report shall disclose events after the interim period that have not been reflected in the interim financial statements. Such disclosure would normally also include an indication of the financial effect of each event, where possible.

Fair value measurement

- AASB134(16A)(j)
AASB13(91)-(93)(h),
(94)-(96),(98),(99)
AASB7(25),(26),
(28)-(30)
20. Entities must also provide detailed information about the fair value measurements of their financial instruments, regardless of whether there have been significant changes or transactions during the interim period. This includes information about:
- (a) the recognised fair value measurements at the end of the interim period
 - (b) for financial assets and financial liabilities that are not measured at fair value – the fair value such that it can be compared with the carrying amount
 - (c) for non-recurring fair value measurements, the reason for the measurement
 - (d) the level of the fair value hierarchy within which the measurements are categorised

Notes to the consolidated financial statements

- (e) the amount of transfers between level 1 and level 2 of the hierarchy, the reasons for those transfers and the entity's policy for determining when transfers have occurred for level 2 and level 3 measurements a description of the valuation techniques and inputs used, changes in the valuation techniques used and reasons for changes. For level 3 measurements also quantitative information about significant unobservable inputs used.
- (f) for level 3 measurements a reconciliation from opening to closing balances, showing separately a number of specifically identified items
- (g) for recurring level 3 measurements, the amount of unrealised gains or losses for the period that is attributable assets and liabilities held at the end of the reporting period
- (h) for level 3 measurements, a description of the valuation processes used by the entity
- (i) for recurring level 3 measurements, a narrative description of the sensitivity of the fair value to changes in unobservable inputs and the effect of changes to unobservable inputs if such changes have a significant effect on the fair value
- (j) the existence of inseparable third-party credit enhancements.

Note that AASB 134 only requires this information for financial instruments, not for non-financial assets and liabilities. However, where an entity has revalued non-financial assets or liabilities to fair value during the interim reporting period, or measured non-financial assets or liabilities at fair value for the first time, it should consider providing similar disclosures if the amounts involved are material. For further commentary around the fair value disclosures required under AASB 13 see the commentary to note 7 in our *VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2020* publication.

Accounting policies

AASB134(16A)(j),(15C)

- 21. The interim financial report shall include a statement that the same accounting policies and methods of computation are followed in the interim financial report as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change (see paragraphs 28-30 below for details of amended standards that apply to annual reporting periods commencing on or after 1 January 2021).
- 22. While there is no longer a requirement to prominently display an explicit statement that the interim financial report is to be read in conjunction with the most recent annual financial report, we recommend retaining it as it is a useful explanation and reminder of the nature of an interim report. Entities may also want to place this statement on the front cover of the interim financial report as illustrated on the example contents page, to make this clear to readers of the interim financial report.
- 23. Where an entity prepares its first interim financial report and there is no previous annual report, we believe that a complete disclosure of significant accounting policies should be provided.

AASB134(16A)(a)

Impact of standards issued but not yet applied

- 24. While not explicitly required under AASB 134, entities should also consider explaining the impact of the future adoption of an accounting standard that has been issued but does not yet need to be applied by the entity. This would be the case in particular where adoption of the standard will have a significant impact on the amounts recognised in the financial statements and this had not been disclosed in the previous annual financial report, or where the entity's assessment has significantly changed. AASB 17 *Insurance Contracts* is an example of a standard that may require disclosure if the entity has issued any insurance contracts.
- 25. AASB 17 *Insurance Contracts* is an example of a standard that may require disclosure if the entity has issued any insurance contracts. Insurance contracts are defined as contracts 'under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder'. Entities should be aware that this could also include certain contracts entered into by entities that are not insurers, such as fixed-fee for service contracts.

AASB17 Appendix A

Notes to the consolidated financial statements

Disclosures not illustrated: not applicable to VALUE ACCOUNTS Holdings Limited

26. The following requirements are not illustrated in this publication as they are not applicable to VALUE ACCOUNTS Holdings Limited:

	Issue not illustrated	Relevant disclosure or reference
AASB101(82)(aa),(ca),(cb)	Separate line items in the statement of profit or loss	Where applicable and material also disclose: <ul style="list-style-type: none"> - gains and losses arising from the derecognition of financial assets measured at amortised cost - gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss, and - gains and losses reclassified from OCI as a result of a reclassification of financial assets from the fair value through OCI measurement category to fair value through profit or loss.
AASB134(16A)(b),(21)	Seasonal or cyclical operations	Explain how the seasonality or cyclicity affects the results and financial position for the interim report, see paragraph 27 below. Consider including financial information for the twelve months up to the end of the interim period and comparative information for the previous twelve months.
AASB134(16A)(g)(v)	Segment disclosures: changes in basis of segmentation or measurement of segment profit or loss	Describe differences.
AASB134(16A)(k) AASB12(9B)	The entity became an investment entity or ceased to be an investment entity during the interim period	Provide the disclosures required by AASB 12 paragraph 9B

Business combinations

	Issue not illustrated	Relevant disclosure or reference
AASB134(16A)(i)		
AASB3(B64)(j)	Contingent liabilities assumed in the business combination	Provide the disclosures required by AASB 137 paragraphs 85 and 86
AASB3(B64)(l),(m)	Transactions recognised separately from the business combination	Disclose the details required by AASB 3 paragraph B64(l) and (m)
AASB3(B64)(n)	Bargain purchase	Disclose the amount of any gain recognised and where it is presented, and explain why the transaction resulted in a gain.
AASB3(B64)(p)	Business combination achieved in stages	Disclose the acquisition-date fair value of the equity interest held immediately before the acquisition date, the gain/loss recognised and where it is presented.
AASB3(B67)(a)(iii)	Subsequent adjustments to incomplete initial accounting	Provide the details required by AASB 3 paragraph B67(a)(iii)
AASB3(B67)(e)	Gains and losses recognised during the period relating to assets or liabilities acquired in a business combination in the current or previous reporting period	Disclose the amount and an explanation of any gain or loss recognised if this information is relevant to an understanding of the entity's interim report.

Notes to the consolidated financial statements

Financial instruments – fair value measurements

AASB134(16A)(j)

AASB13(93)(a)

AASB13(93)(c)

AASB13(98)

AASB7(28)

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

Seasonal or cyclical operations

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

Seasonality of operations

Due to the seasonal nature of the US and UK retail segment, higher revenues and operating profits are usually expected in the second half of the year than the first six months. Wholesale revenues and operating profits are more evenly spread between the two half years. In the financial year ended 31 December 2020, 39% of revenues accumulated in the first half of the year, with 61% accumulating in the second half.

Changes in accounting policies

AASB134(16A)(a)

28. New and amended standards and interpretations must be adopted in the first interim financial statements issued after their effective date or date of early adoption. There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2021 and entities will need to consider whether any of these amendments could affect their existing accounting policies for their 2021 interim reports:
- AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* [AASB 16]
 - AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* [AASB4, AASB 7, AASB 9, AASB 16 and AASB 139].
29. The amendments and their impact are summarised in Appendix D of our *VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2020* publication.
30. AASB 134 does not specify how much detail entities must provide to explain a change in policy. Where the change has a significant impact, we recommend following the requirements in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Such disclosures were illustrated in our *VALUE ACCOUNTS Holdings Limited – Interim financial reporting June 2018* edition in relation to the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* and in the *VALUE ACCOUNTS Holdings Limited – Interim financial reporting June 2019* edition in relation to AASB 16 *Leases*. Depending on the individual circumstances, in particular the impact of the change on individual line items in the financial statements, less detailed disclosures, as illustrated in note 18 in the June 2018 or June 2019 publications, may be sufficient.
31. For the purpose of this edition, we have assumed that VALUE ACCOUNTS Holdings Limited did not have to make any changes to its accounting policies, as it is not affected by the interest rate benchmark reforms and did not receive any material COVID-19 related rent concessions. However, this assumption will not necessarily apply to all entities. Where there has been a change in policy, this will need to be explained.

Notes to the consolidated financial statements

AASB2020-8

32. In particular, entities with hedging relationships and entities that have exposure to interest rates where (i) the interest rates are dependent on IBORs; and (ii) these IBORs are subject to interest rate benchmark reform need to consider the requirement to provide disclosure relevant to the adoption of AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* [AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16].

AASB134(15)-(15C)
AASB7(24J)
Phase 2 (AASB 2020-8)

33. Affected entities that voluntarily provided Phase 2 disclosures in their most recent annual report should also consider to what extent information provided about IBOR reform may need to be updated or supplemented. Where an affected entity has not made any disclosures in its last annual report, it should consider including the disclosures that would be required in the December 2021 annual report. This would include disclosure of

- (c) how the entity is managing the transition to alternative benchmark rates, its progress at the reporting date and the risks to which it is exposed arising from financial instruments because of transition
- (d) disaggregated by significant interest rate benchmark subject to IBOR reform, quantitative information about financial instruments that have yet to transition to an alternative benchmark rate at the end of the reporting period, showing separately non-derivative financial assets and liabilities, and derivatives, and
- (e) if the risks identified have resulted in any changes to an entity's risk management strategy, a description of these changes.

AASB7(24H)
Phase 1 (AASB2019-3)

34. In addition, entities with hedge relationships should consider whether the Phase 1 disclosures provided in the most recent annual report are still representative and may need to be updated or supplemented.

For further details refer to our *Practical guide to Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 for interest rate benchmark (IBOR) reform*. The guide includes example disclosures which illustrate both 'phase 1' and 'phase 2' amendments to IFRS 7 for a cash flow hedge and other financial instruments typical of a corporate entity which applies IFRS 9 to its hedge accounting relationships.

AASB134(15)-(15C)
AASB16(60A)

35. Similarly, if an entity has received material COVID-19 related rent concessions for the first time in the current interim period, or the entity did not previously apply the practical expedient introduced by the amendments made to AASB 16 *Leases* in May 2020, it should consider providing similar disclosures to those required in the annual report.

36. This includes disclosing that the entity has applied the expedient and whether it was applied to all rent concessions that meet the conditions of the amendment. If a lessee has not applied the practical expedient to all such rent concessions, it should provide information about the nature of the contracts to which it has applied the expedient. In addition, lessees must disclose the amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which they have applied the practical expedient.

37. Lessors that have provided rent concessions such as rent free periods to their lessees that have a material effect on the entity's financial results and financial position should explain how they have accounted for these rent concessions and how this has affected the reported results and financial position, if they did not already provide such disclosures in the last annual report.

38. At the time of writing, the IASB had issued an exposure draft proposing to extend the application of the practical expedient to lease payments originally due on or before 30 June 2022, subject to the same conditions and disclosures being made. For further guidance please refer to our practical guide *IFRS 16 COVID-19 Related Rent Concessions Amendment*.

CA303(1)(c)

Directors' declaration

In the directors' opinion:

CA303(4)(d)

(a) the financial statements and notes set out on pages 11 to 44 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements², and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date and

CA303(4)(c)

(b) there are reasonable grounds to believe that VALUE ACCOUNTS Holdings Limited will be able to pay its debts as and when they become due and payable.³

CA303(5)(a)

This declaration is made in accordance with a resolution of the directors.⁴

CA303(5)(c)

M K Hollingworth
Director⁴

CA303(5)(b)

Sydney
29 August 2021^{4,5}

Directors' declaration

Format of the directors' declaration

1. The directors' declaration illustrated above is included by way of example. Other formats can be used as long as they comply with all relevant requirements.

Reference to other mandatory professional reporting requirements

2. Reference to other mandatory professional reporting requirements is not required, but is recommended.

Solvency declaration

3. In Regulatory Guide 22 ASIC provides guidance to directors and auditors of companies in relation to the solvency declaration previously required in annual reports by the former CA 301(5), and now required in half-year reports by CA 303(4)(c). As there is no substantive change to the requirements for the solvency declaration, the guidance in the guide is still relevant. It discusses the obligations on directors in making the declaration, and the implications for auditors, under the following headings:

- (a) debts to be taken into account by directors in making the solvency statement
- (b) matters to be considered by directors
- (c) qualified statements by directors, and
- (d) implications for auditors.

Dating and signing of declaration

4. The directors' declaration shall be made in accordance with a resolution of the directors, specify the day on which it was made and be signed by a director.
5. There is no specific deadline for signing the directors' declaration, but it will need to be signed within 2 months after the end of the half-year to meet the ASX lodgement deadline for the half-year report if the entity is a listed entity other than a mining exploration entity. The ASIC lodgement deadline is 75 days after the end of the half-year.

Interim reports not required by the *Corporations Act 2001*

6. There is no legal or other requirement for a directors' declaration to be included in an interim report unless the report is a half-year report for a disclosing entity prepared under Part 2M.3 of the *Corporations Act 2001*. However, we recommend the inclusion of a declaration by the directors in other interim reports prepared under AASB 134 covering the matters in the directors' declaration above (other than compliance with the *Corporations Regulations 2001*).

ASIC-RG22

CA303(5)(a)-(c)

CA320
ASX(4.2B)

Independent auditor's review report to the members of VALUE ACCOUNTS Holdings Limited¹⁻⁶

The review or audit report (as applicable) will be provided by the entity's auditor upon completion of the review or audit of the financial report. As the wording of the report may differ in certain aspects from firm to firm, we have not included an illustrative report in this publication.

Independent auditor's review or audit report

Audit or review report

1. The half-year financial report of a disclosing entity prepared under Part 2M.3 of the *Corporations Act 2001* must be audited or reviewed by the auditor. The requirements for auditors in conducting a review of half-year financial statements of disclosing entities are set out in ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Compliance with auditing standards is mandatory for all audits and reviews carried out under the *Corporations Act 2001* and for all other audits and reviews carried out by members of the Accounting Bodies.

Corporations Act 2001 requirements

2. The audit or review report must include any statements or disclosures required by auditing standards.
3. If the financial report includes additional information under CA 303(3)(c) (information included to give a true and fair view of financial position and performance), the audit or review report must include a statement of the auditor's opinion on whether the inclusion of that additional information was necessary to give the true and fair view required by CA 305.

Review reports

4. An auditor who reviews the financial report for a half-year must report to members on whether the auditor became aware of any matter in the course of the review that makes the auditor believe that the financial report does not comply with Division 2 of Part 2M.3 of the *Corporations Act 2001*. The review report must describe any such matter and say why that matter makes the auditor believe that the financial report does not comply with Division 2.

Audit reports

5. Where the financial report for a half-year has been audited rather than reviewed and the auditor is of the opinion that the financial report does not comply with an accounting standard, the audit report must, to the extent it is practicable to do so, quantify the effect of the non-compliance. If it is not practicable to quantify the effect fully, the report must say why.
6. The audit report must describe (on an exception basis):
- (a) any defect or irregularity in the financial report
 - (b) any deficiency, failure or shortcoming in respect of the following matters:
 - (i) whether the auditor has been given all information, explanation and assistance necessary for the conduct of the audit
 - (ii) whether the entity has kept financial records sufficient to enable a financial report to be prepared and audited
 - (iii) whether the entity has kept other records and registers as required by the *Corporations Act 2001*.
7. Please refer to the commentary on the audit report in our *VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2020* publication for further information.

CA302(b),307,309

CA309(5A)

CA309(5B)

CA309(4),(5)

CA309(2)

CA309(3)

Australian requirements for interim reports

Accounting standard on interim reporting

AASB134(Aus1.1)

1. AASB 134 applies to each disclosing entity required to prepare half-year financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* as well as other entities that prepare interim financial reports that are, or are held out to be, general purpose financial statements.

Non-statutory interim reports

2. Where a non-statutory interim financial report is prepared (ie one that is not required under the *Corporations Act 2001*), we recommend that the report be renamed as 'Interim financial report for the quarter/half-year/nine months ended.....'.

Single and parent entity interim financial reports

AASB134(14)

3. An interim financial report must be prepared on a consolidated basis if the entity's most recent annual financial statements were consolidated statements. Single entity interim financial reports will be presented for entities that are not parent entities. AASB 134 neither requires nor prohibits the inclusion of the parent's separate financial statements in the entity's interim financial report.

ASIC10/654
CA303(2)

4. In contrast, interim reports prepared under the *Corporations Act 2001* should not include separate financial statements for the parent entity if the entity is required to prepare consolidated financial statements. However, if an entity wishes to include both consolidated and separate parent entity financial statements in the interim report, it can do so using the relief provided by ASIC class order 10/654.

Corporations Act 2001 requirements for half-year financial reports of disclosing entities

CA292(1),302,
323D(5)

5. The *Corporations Act 2001* requires a disclosing entity to prepare financial reports twice each year, once in respect of the first six months (plus or minus seven days) of a financial year (the half-year) and once in respect of the financial year. A half-year report is not required if the entity is not a disclosing entity when lodgement is due. For a newly incorporated or registered entity, the first half-year is defined as the period of six months from the date of incorporation or registration. This will not be six months before the entity's year end where, for example, its first financial year is not a twelve month period or it is specifically permitted to have a financial year shorter or longer than twelve months to synchronise its year end with that of a new parent entity.

ASIC2016/190

6. ASIC has given relief from the requirement to prepare and lodge a financial report for a half-year where this is the entity's first financial year and the full financial year will only be eight months or less.

CA304,305
CA303(3)

7. *The Corporations Act 2001* requires the half-year financial report to comply with accounting standards and any further requirements in the *Corporations Regulations 2001*, and to give a true and fair view of the financial position and performance of the disclosing entity. CA 303(3)(c) requires the notes to the financial statements to disclose any information not otherwise required by accounting standards or the *Corporations Regulations 2001* that is necessary to give a true and fair view.

CA303(2)

8. The financial report for a half-year that is prepared under Part 2M.3 (Division 2) of the *Corporations Act 2001* consists of:
 - (a) financial statements required by accounting standards
 - (b) notes to the financial statements containing the disclosures required by the regulations and accounting standards and any other information necessary to give a true and fair view
 - (c) directors' declaration

CA320
ASX(4.2B)

9. Disclosing entities shall lodge their half-year reports with ASIC within 75 days of the end of the half-year. There is no specific requirement for half-year reports to be sent to the disclosing entity's members. Listed entities (other than mining exploration entities) shall lodge the half-year report with the ASX within two months of the end of the half-year. For further information see paragraphs 11 – 12 below.

10. A body is a disclosing entity if it has issued ED (short for 'enhanced disclosure') securities. For further information about disclosing entities see [paragraph 44](#) of Appendix A in *VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2020* publication.

Australian requirements for interim reports

Entities listed on the Australian Stock Exchange (ASX)

11. A listed entity shall give the ASX the following information or documents:

- (a) if the entity is established in Australia, a copy of the documents a disclosing entity shall lodge with ASIC under CA 320 (ie the financial report prepared under AASB 134, including the directors' declaration and a directors' report for the half-year and the audit or review report)
- (b) if the entity is not established in Australia, the accounts, information or documents prepared under the law of its home jurisdiction which are equivalent to those that a disclosing entity shall lodge with ASIC under CA 320, and any other information or documents that would be required under CA 320 - see paragraph 12 below. The accounts shall be audited or subject to review. The audit or review report shall be given to the ASX with the accounts
- (c) unless the entity is a mining exploration entity, the information set out in Appendix 4D (half-year report) of the ASX Listing Rules. A responsible entity shall give the information to the ASX with any necessary adaptation. The additional disclosures required by Appendix 4D are not covered in this illustrative interim financial report.

12. The information referred to in paragraph 11 above shall be given to the ASX immediately all of it becomes available, and no later than it lodges any accounts with ASIC or the regulatory bodies in the jurisdiction in which it is established. The information shall be lodged no later than:

- (a) for an entity which is not a mining exploration entity - two months after the end of the accounting period
- (b) for an entity which is a mining or oil and gas exploration entity - 75 days after the end of the accounting period.

ASX(4.2A)
ASX(4.2A.1)

ASX(4.2A.2)

ASX(4.2A.3)

ASX(4.2B)

Appendix: Abbreviations

Abbreviations used in this publication are set out below:

AAS	Australian Accounting Standards issued jointly by CPA Australia and The Institute of Chartered Accountants in Australia
AASB	Australian Accounting Standards Board
AASB (Number)	Accounting Standards issued by the AASB
AASB (Number)R	Revised accounting standard – not yet operative
AASB-I (Number)	Interpretations issued by the AASB
ABN	Australian Business Number
ACN	Australian Company Number
ACNC (Number)	<i>Australian Charities and Not-for-profits Commission Act 2012</i>
ADI	Authorised Deposit-taking Institution
AFSL	Australian Financial Services Licence
AGM	Annual General Meeting
AGS	Auditing Guidance Statements
APES	Standards issued by the Accounting Professional & Ethical Standards Board (APESB)
APS	Miscellaneous Professional Statements
ASA	Auditing Standards issued by the AUASB under the <i>Corporations Act 2001</i>
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASIC CP	ASIC Consultation Paper
ASIC IR	ASIC Information Releases
ASIC RG	ASIC Regulatory Guide
ASIC (Number)	ASIC Class Orders and Legislative Instruments (since 2015)
ASX	ASX Limited, trading as Australian Securities Exchange
ASX (Number)	ASX Listing Rules
AUASB	Auditing and Assurance Standards Board
bps	basis points
CA	<i>Corporations Act 2001</i>
CAANZ	Chartered Accountants in Australia and New Zealand
CGC (Number)	ASX Corporate Governance Council - Principles of Good Corporate Governance and Best Practice Recommendations
CGS	Corporate Governance Statement
CGPR	(ASX) Corporate Governance Best Practice Recommendations
CGU	Cash-Generating Unit
CODM	Chief operating decision maker
CPA	CPA Australia
CR	<i>Corporations Regulations 2001</i>
DP	Discussion Papers
ED	Accounting Exposure Drafts
ED securities	Enhanced Disclosure securities
ESMA	European Securities and Markets Authority

o

FRC	Financial Reporting Council
FRS	Financial Reporting Standard (UK)
FV	Fair value
FVLCOD	Fair value less cost of disposal
FVOCI	(Financial assets/liabilities at) fair value through other comprehensive income
FVPL	(Financial assets/liabilities at) fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
GGS	General Government Sectors
GPFS	General Purpose Financial Statements
GS	Guidance Statements issued by the AUASB
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBORs	Interbank offered rates
IFRIC	Interpretations issued by the IFRS Interpretations Committee of the IASB
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicator
LTI	Long-term Incentive
MEC group	Multiple Entry Consolidated group
MIS	Managed Investment Scheme
NFP	Not-for-Profit
NCI	Non-controlling interest
OCI	Other comprehensive income
PSASB	Public Sector Accounting Standards Board (former)
RDR	Reduced Disclosure Regime
SAC	Statements of Accounting Concepts
STI	Short-term Incentive
TSR	Total shareholder return
UIG	Urgent Issues Group
UIG (Number)	UIG Interpretations

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Notes

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