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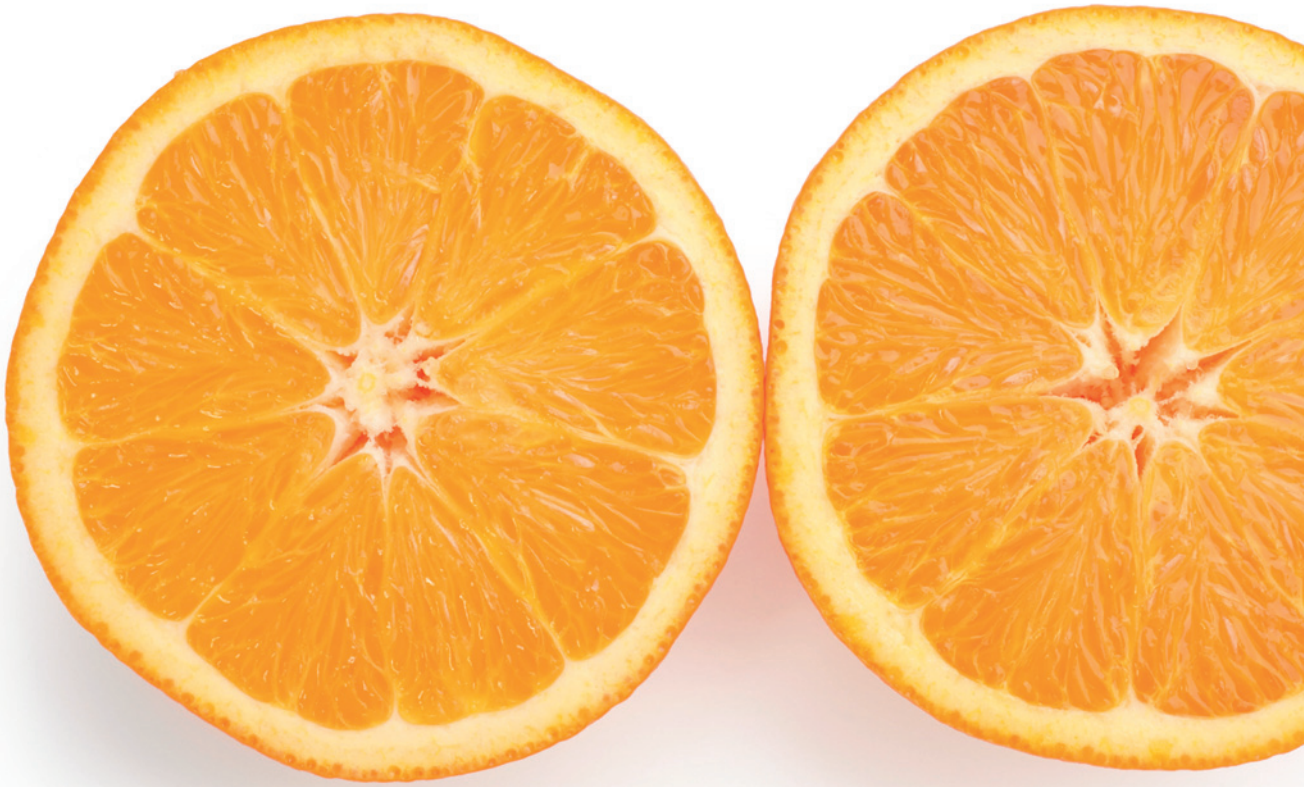
Surveying half-yearly financial reporting



Contents

1. Executive summary

Imagine a race in which all the entrants finish within the qualifying time but it is not clear that all jumped correctly all the hurdles in the race.

That sporting analogy illustrates the results of this year's Deloitte survey of half-yearly financial reports (or interim statements as they were once fondly known). All the companies surveyed met the new requirement to publish within two months of the interim date. But no company clearly complied with all the reporting requirements. That said, given that the new regime, stemming from the EU Transparency Directive, now imposes over fifty requirements, compared to the previous dozen or so, the majority of companies produced good reports that complied in most areas.

In summary:

- 88% of companies correctly disseminated their half-yearly financial reports in accordance with the Disclosure and Transparency Rules (DTR);
- 81% included all the information required by the DTR for a responsibility statement and a further 9% provided all the information except for the name and function of the person signing;
- 34% of companies correctly stated all the information required by company law for non-statutory accounts. A further 45% of companies gave all the information required, except for a specific reference to whether or not an emphasis of matter paragraph had been included in their last annual audit report;
- although only 3% of companies clearly complied with all the requirements of IAS 34, for a further 58% of companies it was not possible to assess with certainty whether compliance with all the requirements of IAS 34 had been achieved. Thus, the actual level of compliance with IAS 34 is likely to be higher;
- 10% of companies clearly complied with the DTR requirements for the interim management report. For a further 27% of companies, it was not possible to say whether compliance had been achieved as no explicit statement regarding related party transactions was given; and
- only one company failed to comply across all five of the above areas.

But these are undoubtedly better halves in terms of content and speed of production compared with those produced just 14 years ago. The 1995 survey showed 45% of the companies took two to three months, and 18% more than three months, to produce their interim statements. Now the average is 49 days. Content was measured in number of words as typically these 1995 statements were produced on a folded A4 card. Now the average length is 21 pages.

The above companies surveyed exclude investment trusts. As with other recent Deloitte surveys, this group is considered separately. The results are discussed in section 7 of this publication.

For 2009, at least two areas will require attention. The first will be considering the adequacy of disclosures around risks, uncertainties, liquidity and going concern. Current economic conditions will demand this consideration and no doubt investors will wish to be updated. The second area will be determining how some new or amended accounting standards, of which there are a few, should be handled.

2009 will certainly not be the same as last year.

All the companies surveyed met the new requirement to publish within two months of the interim date. But no company clearly complied with all the reporting requirements.

2. The half-yearly financial reporting requirements

This section summarises the regulatory requirements for half-yearly financial reports of UK listed companies. These requirements stem from section 4.2 of the Disclosure and Transparency Rules (DTR) contained within the rule book of the Financial Services Authority (FSA) and have applied for accounting periods commencing on or after 20 January 2007. There have been no significant changes to these rules since their implementation. However the UK Listing Authority (UKLA) has periodically issued additional guidance to clarify the requirements of the DTR.

The DTR apply in full for companies with ordinary shares listed on the main market. A summary of their application to other companies is included below.

Companies Act 2006
The implementation of the Companies Act 2006 has limited bearing on half-yearly financial reports as only annual reports are governed by the terms of the Act.

One area of change in the future will be in respect of references to statutory financial information (typically the full year comparative figures for a half-yearly financial report). Currently, section 240 of Companies Act 1985 requires certain disclosures to be made in respect of any statutory information published. The requirements of Companies Act 2006 are similar but will require reference to the terms of that Act.

The current understanding of this requirement is that the references to company law should be to the Act under which the previous annual report was prepared, not to the Act applicable for the current financial year. For example, a half-yearly financial report for the six months ending 30 June 2009 would make reference to the Companies Act 1985 as that Act governed the annual report for the year ending 31 December 2008.

An example of the required disclosure is included in the illustrative half-yearly financial report in Appendix 1.

A half-yearly financial report should cover the first six months of the financial year. It should contain, as a minimum, a condensed set of financial statements, an interim management report (IMR) and a responsibility statement, each of which is discussed in further detail below.

Timing of half-yearly reporting and dissemination of information

The half-yearly financial report must be published within two calendar months of the end of the six-month period and disseminated in unedited full text (including the auditors' review report where applicable) via an RIS.[1] The UKLA clarified this requirement in March 2008, noting that inclusion of required information on a company's website but not in an RIS announcement is not considered to fulfil the requirements of the DTR.[2]

Condensed set of financial statements

UK companies preparing consolidated or single company financial statements under IFRS should prepare their half-yearly condensed set of financial statements in accordance with IAS 34 'Interim Financial Reporting'.[3] An illustrative half-yearly financial report in accordance with IAS 34 and the DTR is included in Appendix 1 and a disclosure checklist containing all the requirements in Appendix 2 of this publication.

Condensed half-yearly financial statements should normally be based on accounting policies and presentation that are consistent with those in the latest published annual financial statements. Where the accounting policies and presentation are to be changed in the subsequent annual financial statements, the new accounting policies and presentation should be followed in the half-yearly financial statements. Such changes, and the reason for these, must be disclosed in the condensed half-yearly financial statements.

If the condensed set of financial statements has been audited or reviewed in line with Auditing Practices Board (APB) guidance, the audit report or review report must, under the DTR, be included in the half-yearly financial report in full. If no audit or review has been performed, the condensed set of financial statements should include a statement to this effect.

1 RIS = Regulated Information Service

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3 Companies may choose to prepare full financial statements in accordance with IFRS. However, this is not common UK practice

Changes to half-yearly financial reporting in 2009

A number of new or revised accounting standards are effective for companies reporting under IFRS on periods beginning on or after 1 January 2009. Two of these standards are likely to impact the condensed financial statements of the majority of companies.

IAS 1 "Presentation of Financial Statements" (revised 2007)

The revised version of IAS 1 requires the presentation of a full Statement of Changes in Equity (SOCIE) as a primary statement in both annual and (by consequential amendment to IAS 34) half-yearly reports. In contrast, a company presenting a Statement of Recognised Income and Expense (SORIE) in accordance with the previous version of IAS 1 would not also have provided a SOCIE as a primary statement.

IAS 1 now gives some discretion over the presentation of the statements of financial performance, principally:

- whether to present a single statement of comprehensive income or an income statement together with a statement of comprehensive income;
- whether to show certain elements of comprehensive income as single items or to disaggregate gains/(losses) for the period from reclassification adjustments; and
- whether to show elements of comprehensive income net of tax, to show the tax effect of each item separately or to present a single amount in respect of the tax effect of other comprehensive income.

Any reclassifications or tax amounts aggregated on the face of the primary statements require full disclosure in the notes to a full set of financial statements. These notes are not required by IAS 34.

IFRS 8 "Operating Segments"

IFRS 8 replaces IAS 14 "Segmental Reporting" for periods beginning on or after 1 January 2009. Its requirements in respect of the identification of operating segments may lead to disclosure of segments different from those identified under IAS 14.

In addition, the adoption of IFRS 8 triggers a consequential amendment to IAS 34 requiring additional segmental analysis in condensed financial statements.

A company applying IFRS 8 in its annual financial statements must disclose the following in its condensed financial statements:

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

The impact of these new standards is covered in the Illustrative half-yearly financial report in Appendix 1.

Interim management report

The IMR is the narrative report which includes, as a minimum:

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

Principal risks and uncertainties in half-yearly financial reports

The UKLA gave further guidance in March 2008[4] on the extent of disclosure of principal risks and uncertainties expected to be included in half-yearly financial reports.

In particular, where those risks are deemed to be consistent with those disclosed in the previous annual report, it is acceptable for a company to:

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

Where risks and uncertainties have changed since the annual report, a full description of new principal risks and uncertainties should be given.

The following information on related party transactions should be disclosed in the IMR:

- related party transactions that have taken place in the first six months of the financial year which had a material effect on the financial position or performance of the company/group; and
- any changes in the related party transactions described in the latest annual report which could have a material effect on the financial position or performance of the company/group in the first six months of the financial year.

There is, perhaps, a lack of clarity around the latter requirement. Indeed, there may be few instances of a change in a previously reported related party transaction which would not in itself be a transaction (and therefore already be disclosed under the former requirement). An example of such a situation may be sales made to a related party in the previous financial year where the absence of these in the current period has had a material impact on the group's financial performance.

Given this apparent ambiguity, it may be advisable for companies either to give comparative information from the last annual reports for any material related party transactions or to state explicitly that no such changes have occurred.

In respect of related parties, single companies must also disclose as a minimum:

- any transactions entered into with related parties by the company;
- the amount of such transactions;
- the nature of the related party relationship; and
- other information about the transactions necessary for an understanding of the financial position of the issuer;

if those related party transactions are material and if they have not been carried out under normal market conditions, i.e. at arm's length, the information disclosed may be aggregated according to the nature of the transactions, unless separate disclosure is necessary for an understanding of the financial position of the company.

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Responsibility statement

All companies must provide a responsibility statement in their half-yearly financial report. Such a statement must be made by the persons responsible within the company (usually the board of directors). The responsibility statement should include the name and function of any person making a statement. One or more people are expected physically to sign the responsibility statement and sign on behalf of the board of directors. Each company may decide who is considered responsible within the company.

Each person making a responsibility statement must confirm that to the best of his or her knowledge:

- the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company or the undertakings included in the consolidation as a whole;
- the interim management report includes a fair review of the information required (i.e. an indication of important events and their impact and description of principal risks and uncertainties for the remaining six months of the financial year); and
- the interim management report includes a fair review of the information required on related party transactions.

"True and fair" in half-yearly financial reports

The requirement to confirm that the condensed set of financial statements gives a true and fair view will be satisfied if the responsibility statement includes a confirmation that the condensed financial statements have been prepared in accordance with:

- IAS 34; or
- for UK companies not using IFRS, the ASB Statement 'Half-yearly financial reports'[5]; or
- for all other companies not using IFRS, a national accounting standard relating to interim reporting.

In all cases, the above applies provided the person making the statement has reasonable grounds to be satisfied that the condensed set of financial statements, prepared in accordance with such a standard, is not misleading.

Half-yearly financial reports under UK GAAP

UK single companies which continue to report under UK GAAP should follow the revised ASB Statement 'Half-yearly financial reports'. The DTR[6] requirements for non-IAS 34 condensed financial statements are set out below:

Minimum content of non-IAS 34 condensed financial statements

The condensed set of financial statements should include at least a condensed balance sheet, a condensed profit and loss account and explanatory notes on these condensed financial statements.

The condensed balance sheet and the condensed profit and loss account should:

- be prepared using the same principles for recognition and measurement as in the annual financial report; and
- show each of the headings and subtotals included in the company's most recent annual financial statements. Additional line items should be included if their omission would result in giving a misleading view.

The half-yearly financial information contained in the condensed financial statements must include comparatives as follows:

- the comparative balance sheet as at the immediate preceding financial year end; and
- the comparative profit and loss account for the comparable period in the preceding financial year.[7]

Although not explicitly required by the DTR, the condensed financial statements should also include a statement of total recognised gains and losses and a cash flow statement with their respective comparatives to comply with the ASB Statement.

The explanatory notes in the condensed financial statements should contain sufficient information to enable a user to compare the condensed half-yearly financial statements with the annual financial statements. Also, sufficient information and explanations should be included to aid the understanding of any material changes in amounts and any developments in the half-year.

5 As revised and issued by the ASB in July 2007

6 Included at DTR 4.2.5R

7 The DTR delay the requirement for comparatives in the condensed profit and loss account by two years to periods beginning on or after 20 January 2009. However, in practice this exemption could not be taken by UK companies as comparatives are required by the ASB Statement, compliance with which is required to give a true and fair view in the half-yearly financial report

Summary of application

The DTR 4.2 requirements outlined above apply in full to companies with shares listed on a regulated market. Other companies may also be required to follow these requirements. A summary of the application of DTR 4.2 is provided in the table below.

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Application of DTR 4.2 'Half-yearly financial reports'		
Type of company	**Does DTR 4.2 apply?**	**Other comments**
Ordinary shares listed on main market	✓	Required for companies with either a primary or a secondary listing.
Preference shares listed on main market	✓	
Shares admitted to trading on Alternative Investment Market (AIM)	x	AIM rules require a half-yearly financial report to be published within three months. It must include at least a balance sheet, an income statement, a cash flow statement and comparatives for the corresponding period in the preceding financial year. Accounting policies should be consistent with those at the year end. Application of IAS 34 is not mandatory.
Retail debt[8] listed on main market	✓	Requirements around related parties in the IMR do not apply. Delayed until 2015 for debt securities admitted to the official list before 1 January 2005.
Retail debt listed on Professional Securities Market (PSM)[9]	x	
Wholesale[10] debt listed on main market	Exempt per DTR 4.4.2	
Wholesale debt listed on PSM	x	
Listed convertible securities	Exempt per DTR 4.4.5	
Listed depositary receipts	Exempt per DTR 4.4.7	

8 Debt with a denomination per unit of less than €50,000 (or an equivalent amount)

9 The PSM is a non-regulated market for listed debt of any denomination. It is listed for the purpose of the Listing Rules

10 Debt with a denomination per unit of at least €50,000 (or an equivalent amount)

3. The survey's objectives and basis

The main objective of this survey was to consider how practices in half-yearly financial reporting have developed following implementation of the DTR and in particular:

- what information companies provide in their half-yearly financial reports;
- how promptly companies are reporting compared to the requirements of the DTR;
- what is the form and location of the required responsibility statement;
- how companies are meeting the requirements of IAS 34 'Interim Financial Reporting'; and
- how consistent the content of half-yearly financial reports is to other announcements made during a company's financial year.

The survey was conducted by obtaining the half-yearly financial reports, published in 2008, of 130 fully listed companies. As the requirements of the DTR applied for periods beginning on or after 20 January 2007, all half-yearly financial reports published in 2008 were subject to these requirements.

The sample comprised 30 investment trusts (companies classified by the London Stock Exchange as being in the industries of equity or non-equity investment instruments) and 100 other companies, split equally across the top 350 companies by market capitalisation at 30 September 2008, those in the smallest 350 by market capitalisation and those that fall between those categories (the 'middle' group).

11 of the investment trusts producing non-consolidated condensed financial statements chose to continue to report under UK GAAP. The other 19 trusts and all the other companies reported under IFRS.

The sample is, as far as possible, consistent with that used in the recent Deloitte surveys of year end reporting, "Write from the start" and "Right to the end" and of interim management statements, "First IMpressionS". As a result of takeovers, delistings and movements between the market capitalisation strata over the recent months, the sample could not be identical. Two replacement investment trusts and six replacement other companies were selected at random from the necessary populations.

As in those recent surveys, information for investment trusts is presented separately due to those companies' specialised nature and the particular needs of their investors.

To provide meaningful comparisons over time, where comparative information is given, it is for the 2007 half-yearly financial reports of the companies in the 2008 sample.

The survey was conducted by obtaining the half-yearly financial reports, published in 2008, of 130 fully listed companies.

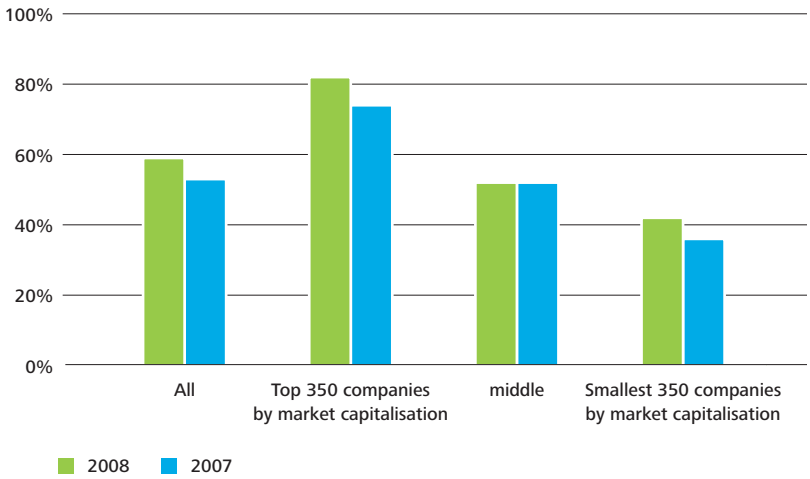
4. Survey results – The mechanics of reporting*

This section looks for the 100 companies surveyed, at the mechanics of reporting, such as how information is disseminated, auditor involvement, speed of reporting and the requirement of the DTR for a responsibility statement.

Dissemination of the half-yearly financial report
The DTR require that the half-yearly financial report should be disseminated in full unedited text via a RIS. 88% of companies surveyed complied with this requirement. Of the companies that did not comply:

- one provided a quarterly report (which was somewhat surprising as a very comprehensive half-yearly financial report was provided on that company's website);
- one issued only the address of a website where the report could be found; and
- ten issued abridged reports, with the full half-yearly financial report on the companies' websites.

Figure 1. How does auditor involvement compare to last year?



The form and content of the abridged reports varied. One company rearranged the content of the report, while others omitted items which were included in the full reports available on their websites. Notably, eight of the abridged reports issued did not include the auditors' review report which was on the website and four companies failed to include a responsibility statement in their issued report.

This suggests that some companies may still have some misunderstanding of what is required to be disseminated via a RIS (see section 2 of this publication for details of the requirements).

Auditor involvement
Although there is no requirement for auditor involvement in half-yearly financial reporting, 59% of the companies surveyed chose to have a formal review performed by their auditors. This represents an increase on the prior year, where the auditors of 53% of the companies surveyed performed an independent review. An additional eight companies, who did not have auditor involvement in the prior year, published an auditors' review report in the current year and two companies who had reviews in the prior year did not publish review reports in the current year.

Not surprisingly, the level of auditor involvement was the highest within the top 350 companies, where 82% (2007: 74%) of those surveyed had published an auditors' review report. Figure 1 left, shows how auditor involvement compares to last year by market capitalisation.

* This section analyses the findings for all companies other than investment trusts

Modified auditors' review reports

Three of the companies surveyed included auditors' review reports which were modified to include an emphasis of matter paragraph highlighting going concern uncertainties.

All three of these companies had uncertainties surrounding the availability of future funding. For two of these companies this was due to existing banking facilities being due for repayment in the immediate future. The most recent full year audit reports for these two companies were similarly modified to include an emphasis of matter paragraph, which was correctly referred to in the half-yearly financial reports in accordance with section 240 of the Companies Act 1985. An example of this follows:

> The comparative figures for the financial year ended 30 September 2007 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985. The auditor's report included a reference in respect of the existence of a material uncertainty which may cast significant doubt on the Company's and Group's ability to continue as a going concern. The auditors drew attention to this matter by way of emphasis without qualifying their report.
> *Jessops plc 'Interim Results'*

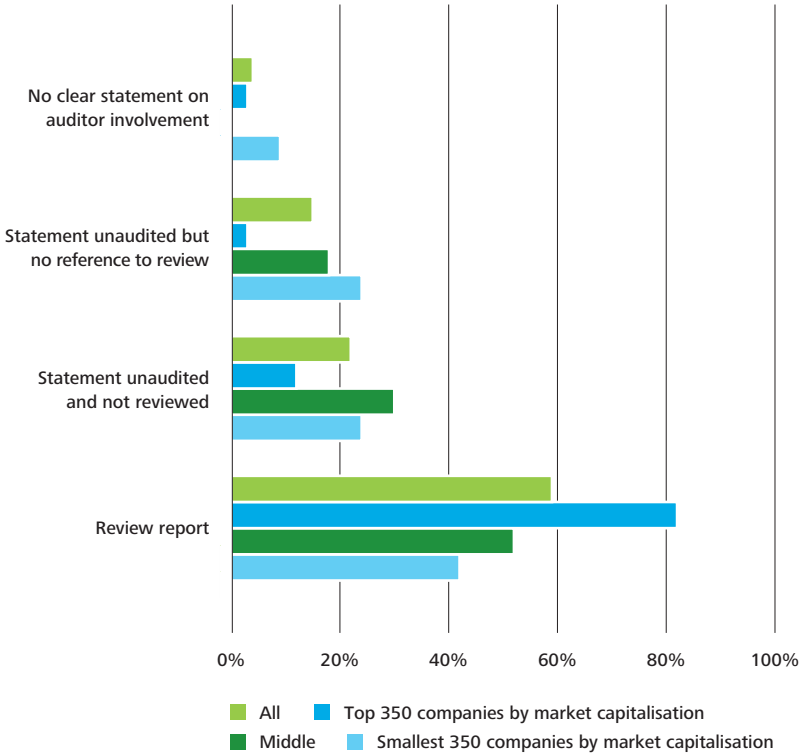
The survey identified two further companies (without a review report at the half-year) which, as at their preceding year-end, had emphasis of matter paragraphs included in their audit reports. Both of these companies failed to disclose this modification to the full year audit report in their half-yearly financial reports. As highlighted by the Financial Reporting Review Panel (FRRP) in its Annual Review published in October 2008, many companies seem unaware of the of the Companies Act requirement to make this disclosure. In light of the current economic environment, it is likely that more modified audit reports will be issued in the forthcoming annual reporting season and companies should ensure that they are complying with the relevant Companies Act disclosure requirements for their half-yearly financial reports in this respect.

Figure 2 right, shows how companies disclosed auditor involvement in their half-yearly financial reports.

The DTR require an explicit statement if the half-yearly financial report has been neither audited nor reviewed. An example of the wording used by Chloride Group PLC follows:

> The results for the six months ended 30 September 2008 are neither audited nor reviewed by the Company's auditors.
> *Chloride Group PLC 'Interim Results'*

Figure 2. How is auditor involvement disclosed?



As Figure 2 shows, 22% of the companies surveyed stated that their reports had neither been audited nor reviewed. 15% of companies included a statement that the half-yearly results were unaudited but did not state whether a review or any other procedures had been performed by the company's auditors.

The remaining 4% of companies made no reference to auditor involvement other than labelling columns in the financial statements as unaudited. As these companies did not clearly state that their half-yearly financial reports had not been reviewed, they did not comply with the DTR requirements.

Figure 3. How quickly are half-yearly financial results announced compared to last year?

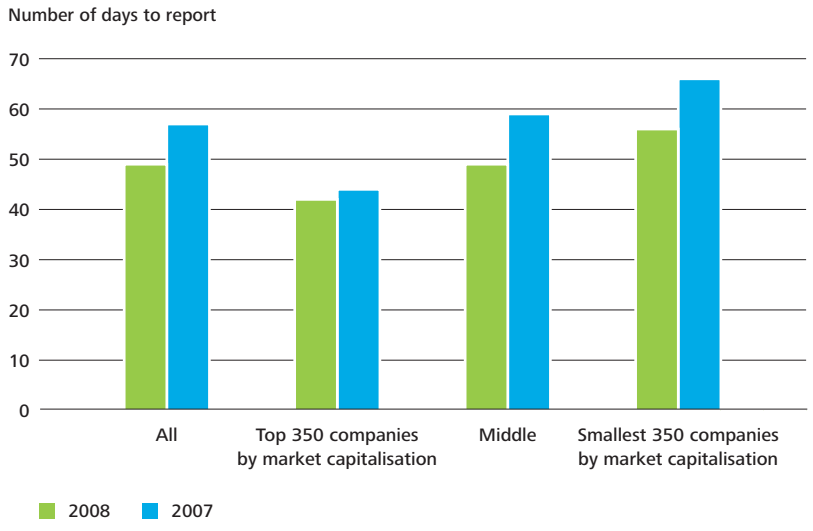
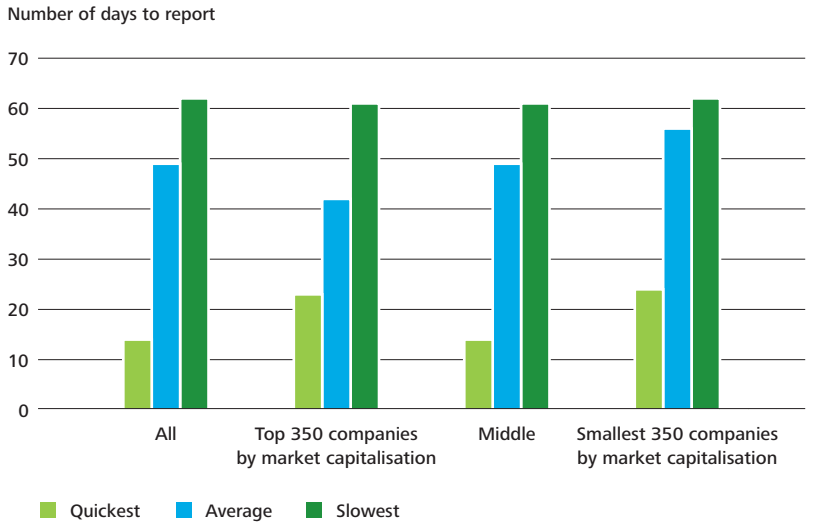


Figure 4. How quickly are half-yearly results announced and what is the range?



Basis of preparation – going concern assumption

There is no DTR requirement at the half-year for companies to state whether the going concern assumption remains appropriate for the foreseeable future, nor is there explicit guidance in IAS 34 in respect of going concern. However, it is made clear in IAS1[11] that certain requirements of that standard (including those in respect of going concern) apply equally to reports prepared under IAS 34. On this basis, a similar assessment of going concern, covering the same length of time (i.e. 12 months from the date of approval of the condensed financial statements), should be made in preparing a half-yearly financial report as is made in respect of the annual report. This consideration and disclosures arising from this assessment are likely to become more important in the current economic environment.

11 IAS 1.4 states that paragraphs 15-35 of that standard apply to financial statements prepared under IAS 34. This covers the IAS 1 requirements in respect of going concern which are included at IAS 1.25-26

Of the 100 companies surveyed:

- 93 companies made no comment on going concern;
- three companies stated that their half-yearly financial reports had been prepared on the going concern basis and gave no further discussion; and
- four companies stated that their half-yearly financial reports had been prepared on the going concern basis and gave detailed discussion about why this was appropriate.

Perhaps unsurprisingly, the four companies providing detailed discussion about going concern did so to explain the uncertainties that existed which may lead to significant doubt about the appropriateness of the going concern assumption. In all cases, the uncertainties existed due to liquidity issues, either because existing loans were due for repayment, further working capital funding was required, or loan covenants had been breached.

However, there was no reference to going concern by two companies which reported uncertainties about the going concern assumption in their previous annual reports. Both of these companies had modified audit reports at the full year which included emphasis of matter paragraphs drawing attention to these uncertainties. It was therefore unclear from the half-yearly financial reports whether these uncertainties still existed or had been resolved.

Time to report

The average length of time taken to report was 49 days, compared with 57 days in 2007. As expected, those companies in the top 350 group were the quickest to report, taking an average of 42 days (2007: 44 days). Figure 3 left, shows the average time to report compared to last year by market capitalisation. Figure 4 left, shows the average time to report and the range by market capitalisation.

It was pleasing to note that all companies in the sample met the two month reporting deadline specified by the DTR, particularly as this was the first half-yearly financial report produced under the DTR for 63% of the companies (previously, the Listing Rules allowed 90 days to report half-yearly results). Introduction of this shorter deadline will account for much of the acceleration in reporting timetables seen in the current year.

Length of report

The average length of the half-yearly financial reports surveyed was 21 pages, compared to 16 pages for the same companies last year. Unsurprisingly, the longest report, at 260 pages, was produced by a financial institution in the top 350 group. Figure 5 right, shows the average length of reports surveyed and the range.

The length of reports produced by the three banks within the sample (all within the top 350 group) ranged from 58 to 260 pages. Excluding banks from the sample the average number of pages increased from 16 pages in 2007 to 17 pages in 2008.

Figure 6 below right shows the average number of pages of the individual sections of the half-yearly financial reports.

Responsibility statement

The DTR require that each company includes a responsibility statement within their half-yearly financial report. 7% of companies surveyed did not comply with this requirement and a further 4% did not include the responsibility statement in the half-yearly financial report published via a RIS. None of those companies failing to include a responsibility statement were in the top 350 companies by market capitalisation category.

The responsibility statement must be made by the 'persons responsible within the issuer' and should include the name and function of any person making the statement. The persons responsible would usually be the board of directors of the company. Just under half (45%) of the responsibility statements surveyed were jointly attributed to the chief executive and the finance director. 2% of responsibility statements were not attributed to any specific persons within the company and as noted above 7% of companies failed to include any responsibility statement. Figure 7 overleaf, shows which persons within the companies made the statement.

It was encouraging to see that 87% of the responsibility statements surveyed fully complied with the requirements of the DTR. 10% failed to include the name and function of the responsible person making the statement on behalf of the board, whilst errors noted in the remaining 3% of responsibility statements included omitting the reference to the disclosures of related party transactions required to be included in the interim management report.

There is no specific requirement as to where to present the responsibility statement within the half-yearly financial report. Just over half of companies surveyed included their responsibility statements at the end of their half-yearly financial report. Those responsibility statements presented within the notes to the condensed financial statements tended not to include the required sign-off by a responsible person and hence they did not comply with the DTR. Figure 8 overleaf, shows where the responsibility statement was positioned within the half-yearly financial report.

Figure 5. How many pages does an average half-yearly financial report contain, and what is the range?

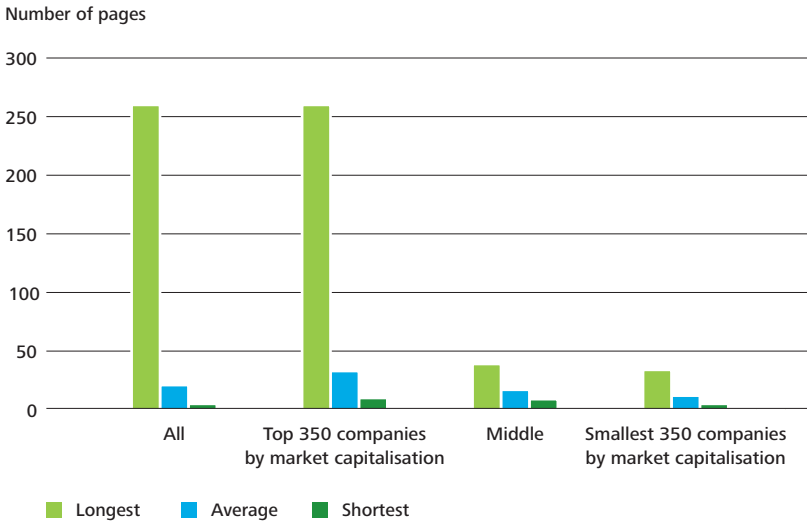
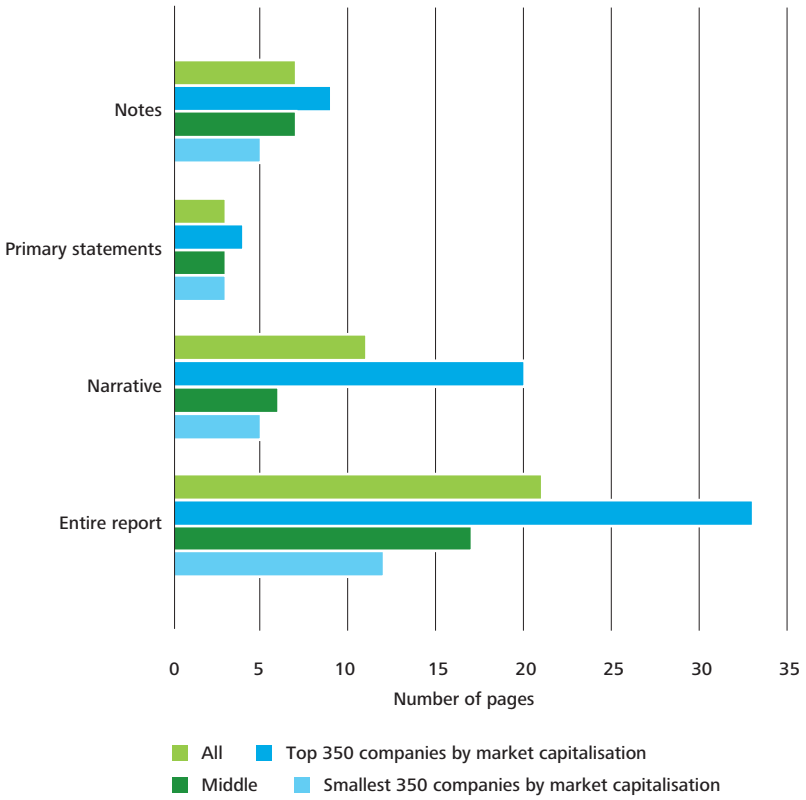


Figure 6. How long are the sections of the average half-yearly financial report?



An example of a responsibility statement that meets the requirements of the DTR follows:

Responsibility statement
The directors confirm that to the best of their knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

b) the management report includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) the management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the board
David Newlands
Chairman

Dominic Taylor
Chief Executive

PayPoint plc 'Half yearly financial report for the 26 weeks ended 28 September 2008'

References to statutory financial information
The Companies Acts 1985 requires that where extracts from statutory financial statements are published, a statement under section 240 of the 1985 Act is given, (the same statement is also required under section 435 of the Companies Act 2006 when referring to financial years beginning on or after 6 April 2008).

Although all but one company made an attempt at the required statement, only 34% included all the necessary information required by the Companies Act 1985. The majority of companies which did not give all the required information failed to note whether or not the audit report on the full year financial statements contained an emphasis of matter paragraph.

Example statements under section 240 Companies Act 1985 and section 435 Companies Act 2006 are given in the illustrative half-yearly financial report in Appendix 1.

Figure 7. Who makes the responsibility statement?

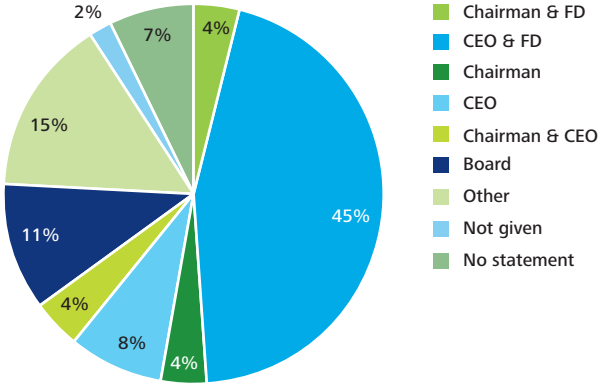
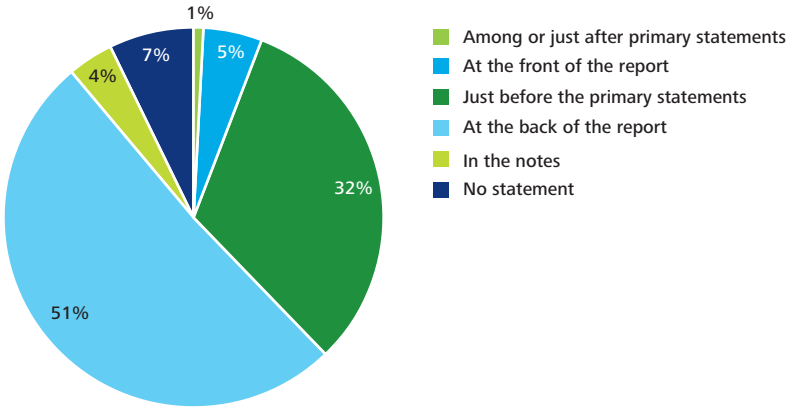


Figure 8. Where is the responsibility statement positioned in the half-yearly financial report?



5. Survey results – The interim management report*

This section looks more closely at how companies are dealing with the requirements of the DTR in respect of the interim management report (IMR).

Signatory of the IMR

The DTR require that the half-yearly financial report includes an IMR although it does not require there to be a formal signatory. In line with the surveys conducted in 2006 and 2007, the majority of IMRs surveyed were attributed to the Chairman or CEO, either specifically or through comments in the narrative. Figure 9 right, shows the signatory of the IMR for the 100 companies surveyed.

Content of the IMR

The DTR require that the IMR covers the following:

- an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- details of any related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the company during that period, along with any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the company in the first six months of the current financial year.

The following sections discuss the level of compliance with these requirements.

Important events and transactions

All of the companies surveyed gave an indication of the important events and transactions that had occurred during the six month period, with 83% also giving detail of the financial impact of the events and transactions.

Figure 9. Who is the signatory of the IMR?

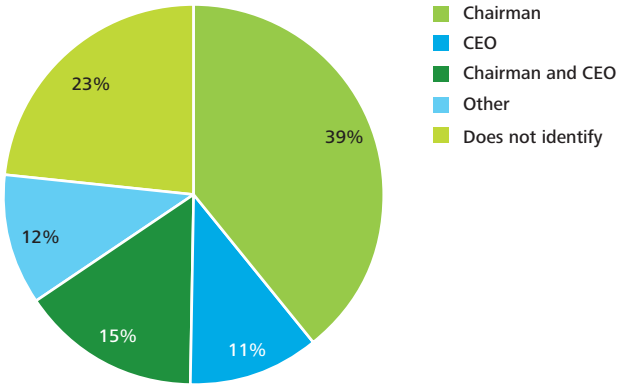
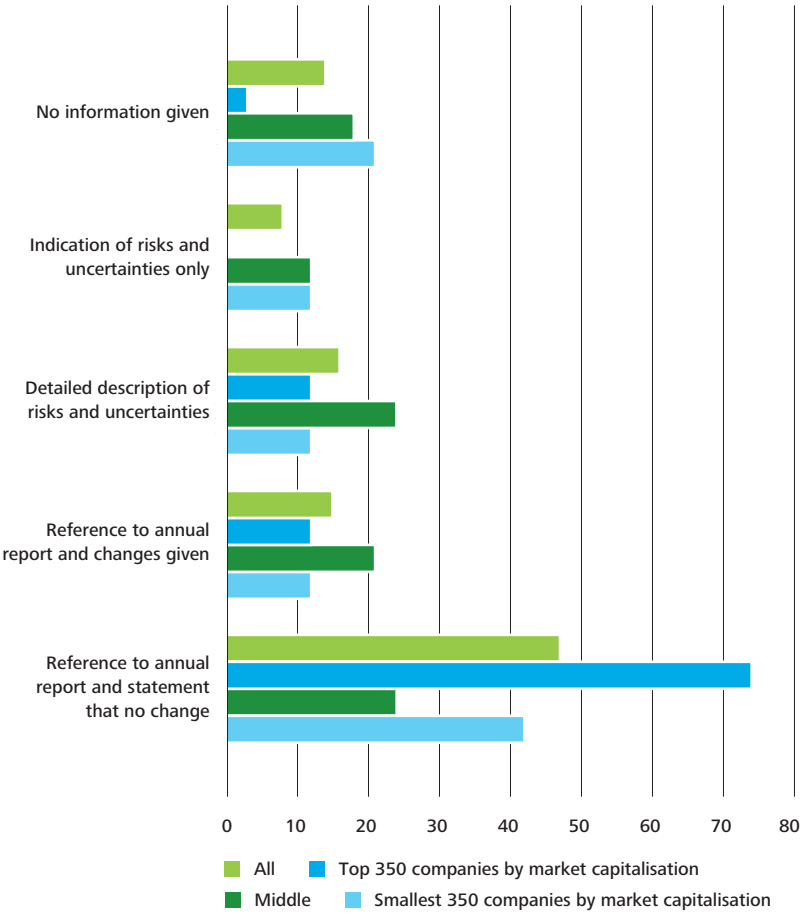


Figure 10. What information is presented on principal risk and uncertainties?



* This section analyses the findings for all companies other than investment trusts

Principal risks and uncertainties
Despite being a requirement of the DTR, 14% of companies surveyed did not include any comments on the principal risks and uncertainties faced by the company for the remaining six months of the year.

The majority of the 86 companies which gave information on principal risks and uncertainties disclosed this information within the IMR as required by the DTR. However, 15 companies chose to disclose this information elsewhere – either in the notes to the condensed financial statements or at the end of the report.

Figure 10 on the previous page, shows the information presented on principal risks and uncertainties for the 100 companies surveyed.

Guidance issued in List! in March 2008 confirms that if the risks and uncertainties detailed in the annual report remain valid for the purpose of the IMR at the half-year, a company can comply with the requirements of the DTR, if the half-yearly financial report includes:

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

62% of companies cross-referred to the principal risks and uncertainties detailed in their annual report. However, only 25 of these companies also provided a summary of those risks and uncertainties in their half-yearly financial reports and therefore complied with the requirements of the DTR.

The level of detail given by companies in summarising principal risks and uncertainties varied significantly. Many companies chose simply to list the risks and uncertainties faced, an example of which follows:

> The principal risks and uncertainties faced by the Group have not changed from 2007. In summary these risks include maintaining sufficient tissue supply, financial and liquidity risk, reliance on key customers, competition, potential for government regulation, foreign exchange risk, reliance on key personnel, and risks associated with handling tissue. A more detailed explanation of these risks can be found on pages 23 to 24 of the 2007 Annual Report and Financial Statements.
> *Asterand plc 'Interim Results for the Period Ended 30 June 2008'*

Risks and uncertainties disclosures that included a more detailed summary proved more useful given the current economic turbulence. Two examples follow:

> **Principal risks**
> Each division considers strategic, operational and financial risks and identifies actions to mitigate those risks.
>
> These risk profiles are reviewed by the Board and updated at least annually. The principal risks and uncertainties for the remaining six months of the financial year are discussed below. Further details of the Group's risk profile analysis can be found in the Annual Report for the year ended 30 November 2007.
>
> The Group's strategy is to serve the needs of a range of specialist filtration markets, such that it is not dependent upon any one market. No single market represents more than 20% of revenues. However, three key markets: aluminium filtration; aviation filtration; and foundry products contribute more than 10% of the Group's revenue. The order book for aviation filtration is long enough to give some comfort that revenues to this market in the second half of the financial year will remain steady. Order books for aluminium filtration and foundry products are shorter and although they are currently at healthy levels, there can be no certainty that revenue from these key markets will continue at the current level.
>
> Prices for raw materials can be volatile and are affected by the cyclical movement in commodity prices such as gas, oil, alumina, silicon carbide and stainless steel. The Group's strategy is to pass raw material cost increases through to customers. Its ability to do so is, to some extent, dependent on the timing of sales contracts and prevailing market conditions.
> *Porvair plc 'Interim results for the six months ended 31 May 2008'*

Statement of principal risks and uncertainties
We have an established risk management and corporate governance framework for identifying, evaluating and managing significant risks faced by MITIE. We recognise that risks and uncertainties offer the potential for both upside and downside changes within our business and therefore employ internal and external specialists to manage and assess our risk profile, and regularly review our system of internal control to ensure that risks are appropriately identified and addressed.

We recognise the impact that current economic conditions may have on MITIE, our markets and our clients and are actively managing the resultant upside and downside risks that these present.

Our principal risks and uncertainties for the second six months of the financial year remain the same as detailed on pages 46 and 47 in MITIE's 2008 Annual Report, a copy of which is available on our website at www.mitie.co.uk. We have summarised and updated the risks as appropriate below:

Health, safety and environment – The range of activities that we undertake carries with it a broad spectrum of health, safety and environmental risks with the potential to impact a number of stakeholder groups including our employees, the public and our clients. The health and safety of our employees and supply chain at work is of the utmost importance for the Group.

New business – As our business develops, we will increasingly tender for larger and more complex contracts creating new or larger scale risks as well as the opportunity for enhanced returns. We are conscious of the risk profile, including credit risk and the management of subcontractors, which attaches to the new work we undertake and assess this as part of our contract acceptance and day-to-day management activities.

Loss of major contracts – MITIE has a number of major contracts which although not individually material by value to the Group are important in supporting our future growth. We adopt a key account management strategy for these contracts which includes, where appropriate, Director level client relationships, and we monitor closely key client relations, helping to reduce the risk of losing any of these contracts. We have an active policy of monitoring and managing our exposure to our major clients.

Reputational risk – MITIE operates in business sectors that present the risk of reputational damage through operational failings.

MITIE addresses this risk through the use of robust and well established operational procedures to ensure compliance with regulatory and legal requirements and with contractual obligations.

Liquidity and credit risk – Maintaining sufficient liquidity is essential for ensuring that we can meet our strategic targets and manage our day-to-day commitments. We have low gearing, with net debt at 30 September 2008 of £12.6m, strong conversion of operating profit to cash and access to longterm, committed banking facilities of £230m which are renewable in January 2012, and further overdraft facilities of £40m. At 30 September 2008, £245m of our combined committed banking and overdraft facilities were unutilised. In addition, we actively review our exposure to credit risk and counter party risk, and have sourced our committed facilities equally from HSBC, Barclays, Lloyds TSB and Royal Bank of Scotland.

Acquisitions – We continue to seek acquisitions that complement our existing business and acknowledge the risks surrounding the appropriate assessment and pricing of potential acquisitions and around the integration of any acquired business.

Infrastructure and systems – MITIE is dependent upon the successful implementation and ongoing operation of information technology infrastructure and related systems. MITIE's infrastructure is regularly reviewed by the Board to ensure it is appropriate to the operations performed and that it enables employees to deliver services to its clients successfully. In our Annual Report, we reported on our ongoing investment in a new SAP based finance and HR system that is being implemented in phases across MITIE to improve further our IT infrastructure and management information. We are pleased to report that the phased rollout of our new system began on time and on budget in August, with our facilities management business being the first part of MITIE to benefit from the improved functionality of this new integrated system.

Employee skills shortages – MITIE is a people business and our success relies on our ability to recruit and retain the best talent throughout the organisation.

Pensions – The responsible management of pension risk is critical for our business; for the maintenance of our balance sheet and for the successful bidding of new work. We manage our exposure to pension scheme liabilities through the use of specialist in-house and external advisers and through established procedures to ensure compliance with current regulations.
At 30 September 2008, we had a net pension scheme surplus in respect of our defined benefit pension obligations of £1.7m.
MITIE Group PLC 'Half-yearly financial report for the six months to 30 September 2008'

The average number of words used to provide disclosure on principal risks and uncertainties was around 500. However, this figure is significantly affected by the extensive risk reports provided by the financial institutions in the sample, whose disclosure in this area ran to several pages. As shown by Figure 11 below, the majority of companies surveyed disclosed less than 100 words on their principal risks and uncertainties. As expected, the longest narratives were provided by those companies in the top 350 group.

Related party transactions

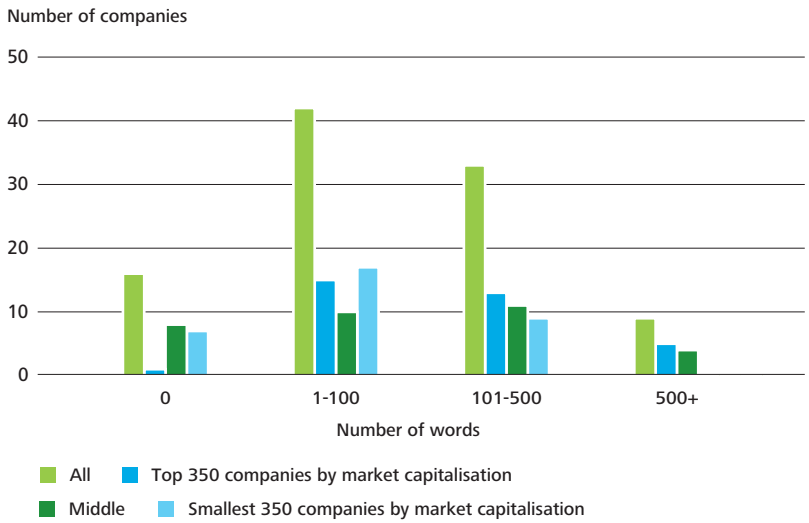
74 companies gave disclosure of related party transactions or stated that there were none during the period. Of these, the majority (81%) gave the disclosure within the notes to the condensed financial statements and not in the IMR.

Far fewer companies (27% in total) gave details of any material changes in related party transactions or confirmed that there was no change in those transactions disclosed in the annual report. Where no such disclosure was given, it was not clear whether there was no information to disclose or whether the directors were unclear about the requirement.

Overall level of compliance with IMR requirements

Only 10% of companies clearly provided all the information required in the IMR, albeit that some of these companies presented relevant information within the notes to the condensed financial statements, rather than the IMR itself. For a further 27% of companies, it was not clear whether compliance had been achieved as it was not obvious whether required related party information was omitted as it was not relevant or because it had been overlooked. The remaining 63% of companies did not provide all the information required for the IMR, typically because the commentary provided on principal risks and uncertainties was not sufficient to comply with the rules.

Figure 11. How many words were disclosed on principal risks and uncertainties?



Additional commentary

Current economic conditions

73% of companies surveyed provided some kind of commentary on current economic conditions, often in the outlook section of their IMRs. Comments were mostly high-level, as illustrated below:

> Trading has been satisfactory in the second half to date although there are signs that some customers may seek to defer expenditure in the current climate. The Board is mindful of the downturn in the economy and has incorporated this into its expectations for the full year.
> *Alexandra PLC 'Interim results for the six months ended 31 July 2008'*

22% of companies gave detailed information about the impact of the economic turmoil on their business. Banks, speciality financiers and insurers, and those involved with construction and real estate gave the most detail. One financial services company reported the following in its commentary:

> Events over the past six months in global economies and stock markets have moved beyond adverse conditions to extraordinary and historic and have resulted in the worst financial crisis since the Great Depression. Alan Greenspan, former Chairman of the US Federal Reserve, described the events as a once in a century occurrence. Their speed and impact on economies, stock markets, corporations and households have been of a pace and severity not seen for some 75 years.
> *City of London Group PLC 'Interim report and results for half year ended 30 September 2008'*

As economic conditions worsened throughout 2008 the number of companies providing commentary in this area increased. Interestingly, one retailer which reported in November 2008, made no comment on the state of the economy or the impact of economic uncertainty on their business. This was particularly surprising given the comments of another large retailer which reported in the same month: *"The economic environment has changed dramatically and we are now facing the most difficult retail conditions since the early 90s."*

Also surprising was the lack of reference to economic conditions by two companies with going concern uncertainties. These companies were in the process of re-negotiating bonds or had disclosed working capital issues, yet in commenting on the going concern uncertainties they made no reference to the current difficulties in the credit markets.

32% of companies specifically referred to the economic climate in their principal risks and uncertainties discussion. An example of such discussion follows:

> The current state of the global economy has been well documented and needs no further explanation. A significant downturn in capital projects, whether worldwide or specific to one or more of our key markets, would be expected to impact any business and Latchways is not necessarily immune to this. However, to date the Latchways business has not seen any significant impact. We have a number of 'early-warning' indicators in place such as lead generation data and direct contact with architects and customers. These are currently positive. We remain vigilant for any signs of a downturn in our business.
> *Latchways PLC 'Interim results for the six months ended 30 September 2008'*

Key performance indicators (KPIs)

The DTR have no specific requirement to disclose KPIs in the half-yearly financial report and although every company surveyed included some kind of performance indicators in their narrative reporting, only 14 referred to those indicators as 'key'. Notably, five companies (all within the top 350 group) included a full KPI table in their half-yearly financial reports.

Forward-looking statements

The majority of companies (97%) gave some kind of forward-looking information within their half-yearly financial report, often within an 'Outlook' section in the IMR. An example of such disclosure follows:

> We believe that the potential for further growth in both Treattarome™ and traditional citrus oil sales is still good, although the world shortage of lemons will have unpredictable effects on the Group's results over the next twelve to eighteen months.
> *Treatt PLC 'Interim results announcement six months ended 31 March 2008'*

Of those that provided forward-looking statements in their reports, 40% also included a disclaimer clarifying that forward-looking statements were made in good faith and should be treated with caution due to the inherent uncertainties which underlie such forward-looking information.

Despite being a requirement of the DTR, 14% of companies surveyed did not include any comments on the principal risks and uncertainties faced by the company for the remaining six months of the year.

6. Survey results – The condensed financial statements*

This section looks more closely at the condensed financial statements and whether companies are complying with requirements of IAS 34.

Compliance with IAS 34

At the half-year, listed companies are required to prepare financial statements in accordance with IAS 34. Under IAS 34, companies can prepare either condensed half-yearly financial statements or full financial statements in accordance with all IFRSs. 87% of the companies surveyed explicitly stated that their half-yearly financial statements were prepared in accordance with IAS 34. Of the remaining 13 companies, three did not state the basis of preparation and 10 claimed compliance with full IFRSs despite clearly producing condensed financial statements. IAS 1 states that compliance with IFRSs can only be claimed if a set of financial statements complies with all the requirements of IFRSs (including all disclosures required in an annual report), which is not the case for condensed financial statements prepared in accordance with IAS 34.
This discrepancy within the half-yearly financial reports surveyed highlights that there may still be some confusion over this among preparers of accounts. An illustrative example of disclosure which meets the requirements of IAS 34 is given in the illustrative half-yearly financial report in Appendix 1.

Primary statements

IAS 34 requires that, as a minimum, a half-yearly financial report should include condensed primary statements, including either a Statement of Changes in Equity (SOCIE) or a Statement of Recognised Income and Expense (SORIE). The choice at the half-year should be consistent with that in the annual report.

As shown by Figure 12 opposite, the majority of companies (70 in total) presented a SORIE as a primary statement. Of these 70 companies, 55 also published a reconciliation of equity in the notes to the half-yearly financial statements.

All companies surveyed included a cash flow statement as a primary statement in accordance with IAS 34, the majority (98%) using the indirect method of presentation. 43% of companies gave a full reconciliation of profits to operating cash flows on the face of the cash flow statement, 50% included this within the notes.

IAS 1 (revised 2007) is effective for periods beginning on or after 1 January 2009 and will require changes to the presentation of some primary statements in both annual and half-yearly financial reports. These changes are described in section 2 of this report and are illustrated in the illustrative half-yearly financial report in Appendix 1.

Comparatives

IAS 34 requires that comparatives are included/presented:

- for the comparable half-year period of the preceding financial year in the income statement, SORIE/SOCIE and cash flow statement; and
- for the end of the preceding financial year in the balance sheet.

The 100 companies surveyed gave the following comparative information:

- all companies included the required half-year comparatives for the income statement, cash flow statement and SORIE/SOCIE;
- 86 companies provided full year comparatives for all primary statements;
- 13 provided full year comparatives for the balance sheet only as required by IAS 34; and
- one company gave full year comparatives for all primary statements except the SOCIE.

Selected explanatory notes

IAS 34 anticipates that readers of half-yearly financial reports will have access to the most recent annual report of the company, and hence it requires only 'selected explanatory notes' in the half-yearly condensed financial statements. This survey looked at how companies complied with the disclosure requirements of IAS 34. The results are discussed below.

Accounting policies

A company should include a statement within its half-yearly financial report confirming that the same accounting policies and methods of computation were followed in those financial statements as in the most recent annual financial statements.

* This section analyses the findings for all companies other than investment trusts

If those policies or methods have changed, a description of the nature and effect of the change should be given.

The majority of companies surveyed (77%) included such a statement in their half-yearly financial report, stating that the accounting policies and methods of computation were the same as their annual report. Of the remaining 23 companies:

- 19 companies stated changes had been made and described the nature and effect of these. Generally, these referred to the adoption of new standards such as IFRS 8 or the application of an IFRIC interpretation;
- three companies gave a description of some or all of their accounting polices; and
- one company commented that: *'The accounting policies have been applied consistently throughout the Group for purposes of these consolidated interim financial statements,'* but failed to refer to the accounting policies used in the last annual report.

Segmental reporting

IAS 34 requires certain segmental information to be given in the half-yearly financial report. For those companies applying IAS 14, segment revenue and segment result for the primary reporting segment should be given. For companies adopting IFRS 8[12] additional disclosure is required. In most cases this will include:

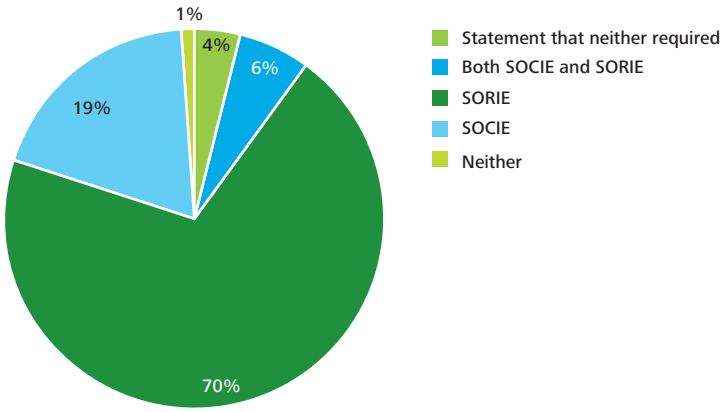
- segment revenue, including revenues from external customers and intersegment revenues;
- segment profit or loss;
- total segment assets, if there has been a material change from the annual financial statements;
- a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss; and
- a reconciliation of the sum of segment profits or losses to the entity's profit or loss before tax.

IFRS 8 reporters

In total, six companies surveyed (five from the top 350 category and one from the middle group) had adopted IFRS 8.

It was difficult to assess whether these companies had provided the additional information required by IAS 34 for operating segments as negative assurance is not required by the standard. For example, three companies made no mention of segment assets in their half-yearly financial reports.

Figure 12. Did companies present a SORIE or SOCIE or both?



It was not clear whether this was because there had not been any material change in the value of segment assets and hence no disclosure was required by IAS 34, or whether this was an omission in reporting. Similarly, IAS 34 requires inclusion of inter-segment revenues and revenues to external customers only if this information is presented to the chief operating decision maker. Three of the six companies did not provide this information but did not state a reason for omitting it. Hence it was not clear if they complied with the requirements.

IAS 14 reporters

Of the 94 companies that continued to follow IAS 14:

- 85 companies provided segment revenue and segment result for reportable segments or stated explicitly that there was only one segment and hence complied with IAS 34; and
- nine companies did not provide the required segmental information. This is an improvement in compliance from the 2007 survey where 23% of companies did not satisfy the requirements. Of these nine companies, three reported segment revenue only, while six reported no segmental information.

64% of companies applying IAS 14 included additional segmental disclosures beyond those required by IAS 34. Information given included reconciliations to group profit after tax, depreciation, amortisation and capital expenditure per segment, and segment assets and/or liabilities. 12 companies also provided some information relating to their secondary segment reporting basis.

Unusual items

IAS 34 requires companies to disclose information about items that affected the performance and position of the company that are unusual because of their nature, size or incidence. 78% of companies surveyed included comments about unusual items in their condensed financial statements. 12 of these companies referred to unusual items as 'exceptional'.

12 IFRS 8 is applicable for accounting periods beginning on or after 1 January 2009

Unusual items disclosed included restructuring costs, disposals and acquisitions of businesses, large profits or losses on the disposal of fixed assets and impairment charges.

Changes in composition of the entity
Companies are required to disclose the effect of changes in the composition of the entity during the period, including disposals, acquisitions and discontinued operations. 46% of companies surveyed specifically included this information or stated that there were no changes in composition.

Of the remaining 54 companies:

- 51 did not seem to have any changes in composition, although this was not specifically stated; and

- three companies gave no disclosure and yet the narrative report seemed to suggest changes in the composition of the entities. These companies appear to have failed to comply with the requirements of IAS 34 in this respect.

IAS 34 also requires disclosures in accordance with IFRS 3 'Business Combinations' for all business combinations either during the period or in the period after the balance sheet date but before the half-yearly financial statements are authorised. 31 companies were clearly involved in a business combination in the period. Of those, only 13 gave the appropriate disclosures as specified in IFRS 3. A further 13 companies gave most of the disclosures required but failed to include some of the narrative information required, such as the contribution of the newly acquired business to group profits. The remaining five companies gave insufficient information about the business combination.

Seasonality
IAS 34 requires companies to give explanatory comments about the seasonality or cyclicality of their operations. 27% of companies surveyed commented that their half-yearly results were affected by seasonality or cyclicality, either in the notes to the half-yearly financial statements or in the IMR.

One company commented that: *'A significant proportion of the Group's expected revenues arise from its CroFab rattlesnake antivenom treatment and is subject to seasonal fluctuations, with peak demand in the first six months of the Group's financial year caused by the hibernation patterns of such snakes.'*

A further 6% of companies included a comment that their business was unaffected by seasonality. The remaining 67% of companies made no reference to seasonality, which is perhaps surprising given that some of these companies operated in sectors such as retail, where a level of seasonality could be expected.

Earnings per share
92% of companies gave both basic and diluted earnings per share on the face of the income statement as required by IAS 34. Of the remaining eight companies, seven correctly disclosed basic earnings per share, but failed to give diluted earnings per share on the face of the income statement, and one gave no earnings per share measures.

Additionally, 46 companies surveyed presented alternative or adjusted earnings per share measures. Of these 46 companies:

- 35 gave the adjusted earnings per share figure in the notes to the half-yearly financial statements;

- 10 gave the disclosure on the face of the income statement and also in the notes; and

- one company gave the disclosure on the face of the income statement only. If this disclosure were repeated in the annual financial statements, it would not be in compliance with IAS 33 'Earnings per share' which requires that adjusted earnings per share disclosures are given in the notes to the financial statements.

Other areas of non-compliance with IAS 34
Areas of possible non-compliance with IAS 34 were identified as follows:

- 70% of companies made no comment about changes in contingent liabilities or contingent assets since the last balance sheet date. It is not clear whether this was because there were no changes to disclose or whether this was an omission from the report. 16% of companies included a statement that there had been no material changes in contingent liabilities and assets since the last balance sheet date and the remaining 14% of companies gave details of changes that had occurred.

- 68% of companies gave no information about events after the balance sheet date. It is unclear whether this was because there were no events significant enough to disclose or whether this was an oversight in preparing the half-yearly financial statements. The remaining 32% gave details of post-balance sheet events or stated that there were none.

- 44% of companies gave no specific disclosure of the issue, repurchase and repayment of equity securities and debt or a statement that there were no such transactions in the period. Again, it was not clear whether these companies had no such transactions or failed to comply with this requirement.

Although IAS 34 does not require companies to give negative assurance to the above disclosure requirements, it may be useful for users of financial reports to include this information. Many companies did this succinctly in one note. An example of this follows:

10 other matters

Seasonality
The Group's financial results have not historically been subject to significant seasonal trends.

Equity and borrowings
Issues and repurchases of Halma p.l.c.'s ordinary shares and drawdowns and repayments of borrowings are shown in the Consolidated cash flow statement.

Related party transactions
There were no significant changes in the nature and size of related party transactions for the period to those reported in the Annual report and accounts for the 52 weeks to 29 March 2008.

Events after the balance sheet date
On 24 November 2008 the Group acquired the Golden, Colorado business, assets and liabilities of Oerlikon Optics USA Inc for $6,025,000 (£3,990,000).

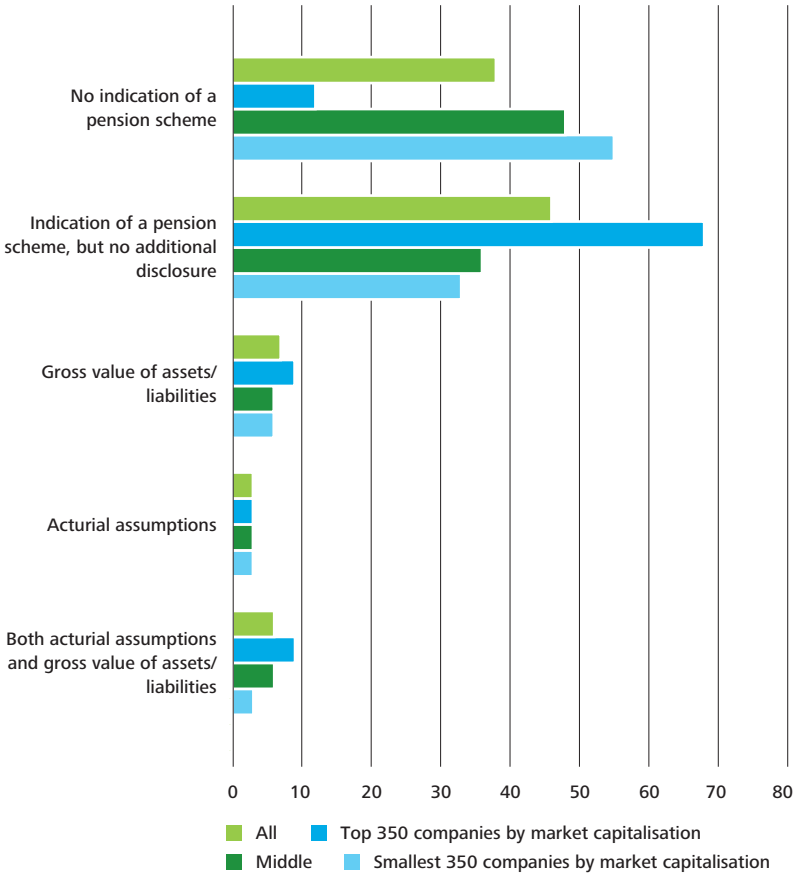
Halma p.l.c 'Half year report for the 26 weeks to 27 September 2008'

Additional information

Defined benefit pension schemes
There is no specific requirement in either IAS 34 or the DTR to give disclosures on defined benefit schemes. However, as pension balances are often significant, it will be necessary for many companies to give this information to comply with the disclosure requirements in IAS 34 about changes in estimates and material events. These disclosures are likely to be more relevant for shareholders given the current economic climate and resultant falls in asset values.

Analysis of the sample of 100 companies indicated that 62 had balances relating to defined benefit pension schemes. Figure 13 right, shows the type of information provided by companies about defined benefit pension schemes.

Figure 13. What pension scheme information was disclosed?



Analysis of the sample of 100 companies indicated that 62 had balances relating to defined benefit pension schemes.

As there is no specific requirement to give pension disclosure in IAS 34, it was difficult to assess whether scheme assets and liabilities were reassessed at the half-year. IAS 34 Appendix B9 states that "pension costs for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the previous financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events". It was difficult to assess how many companies complied with this requirement as only 16 companies gave additional note disclosure about their pension schemes.

In total eight companies clearly stated that their actuaries were involved at the half-year, with a further five companies giving detailed information about their schemes but not specifically stating whether actuaries had been involved. 24% of those companies with defined benefit schemes gave meaningful discussion of the movements and risks at the half-year. Given the current economic uncertainties and the impact of share-price turbulence on pension assets and of corporate bond yields on the discount rates applied to scheme liabilities, it is likely that more comprehensive disclosure surrounding pension schemes may be necessary in 2009.

In summary

Although no one company clearly complied with all the requirements for half-yearly financial reports, the majority of companies produced good reports that complied in most areas. This is encouraging as this was the first time of reporting under the DTR for 63% of companies surveyed.

As economic uncertainty continues, the importance of compliance with regulations and clarity in reporting increases. For many companies, more work will be required on their half-yearly financial reports.
In particular, companies should pay attention to the following areas:

- the section 240 statement, specifically the inclusion of a statement concerning whether or not the previous full year audit report contained an emphasis of matter paragraph;
- the adequacy of disclosure of principal risks and uncertainties in the IMR;
- the adequacy of disclosures for business combinations in the period in accordance with IAS 34; and
- the adequacy of any disclosures around going concern and liquidity risk.

7. Survey results – Investment trusts

This section analyses the findings for the 30 investment trusts included in the survey. Three of these trusts were registered in Guernsey and one in Jersey, and therefore were not subject to UK company law. Where these trusts have affected the results of the survey, this has been discussed in more detail below.

Mechanics of reporting

Dissemination of the half-yearly financial report

Similar issues in respect of the dissemination of the full text of the half-yearly financial report were noted for investment trusts as for other companies. Eight of the 30 trusts submitted only abridged versions of their half-yearly financial reports, with three trusts not including the auditors' review report and another three excluding some or all notes to the financial statements. One trust excluded detail of the signatory to the responsibility statement and another excluded the responsibility statement.

Several of the trusts releasing abridged reports also excluded non-statutory information such as portfolio listings.

Auditor involvement

Most trusts did not involve their auditors when issuing their half-yearly financial reports. 43% clearly stated that the auditors had not audited or reviewed their reports and a further 40% did not appear to have engaged the auditors, although they omitted to state this explicitly. Several trusts made it clear that the condensed financial statements had not been audited, but failed to state that there had been no review.

Only 17% of the trusts engaged their auditors to undertake a review of their half-yearly condensed financial statements. In the previous year, the same number of trusts had engaged their auditors to review their half-yearly condensed financial statements, although one trust this year ceased to obtain an auditor's review report, whilst another commenced this practice.

None of the investment trusts presented modified review reports.

Current economic conditions

All but two of the trusts surveyed gave some discussion of the impact of the current economic climate on their business. 43% of the trusts gave detailed discussion, mainly surrounding the impact of the volatility of markets and the fall in investee share prices.

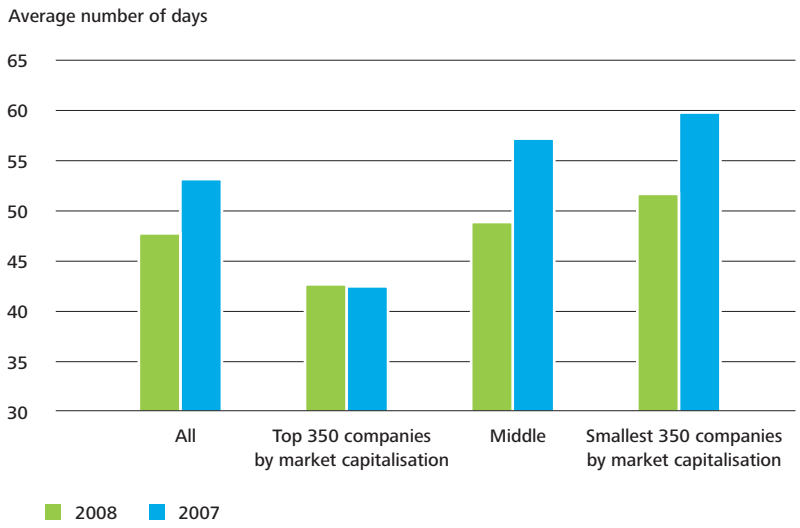
Time to report

As shown in Figure 14 below, the average length of time taken by the trusts to approve their half-yearly financial reports fell from 53 days in 2007 to 48 days in 2008.

As expected, the largest trusts reported more quickly than the middle group, which in turn reported more quickly than the smallest trusts. The middle group and smallest trusts showed the greatest improvement, each reporting on average eight days more quickly than in the previous year.

Again, it was pleasing to see that no trust failed to meet the two month deadline imposed by the DTR in 2008. 20 of the trusts surveyed were preparing a half-yearly report under the DTR for the first time and nine of these needed to accelerate their reporting to comply with the DTR two month deadline. A further trust reported under the DTR in 2007 when it did not meet the two month deadline, but reported within 59 days in 2008.

Figure 14. How quickly were the half-yearly financial reports approved?



Length of report

As shown in Figure 15 below, the length of the half-yearly financial reports ranged from four pages up to 41 pages.

The length of half-yearly financial reports showed little correlation with the size of the trust. This consistency in length is perhaps to be expected given the nature of the trusts' operations and their similarities regardless of size.

The average length overall rose from nine pages in 2007 to 11 pages in 2008. The increased disclosure requirements for the 20 trusts applying the DTR for the first time may have driven the overall increase in length.

Figure 15. How many pages does an average half-yearly financial report contain and what is the range?

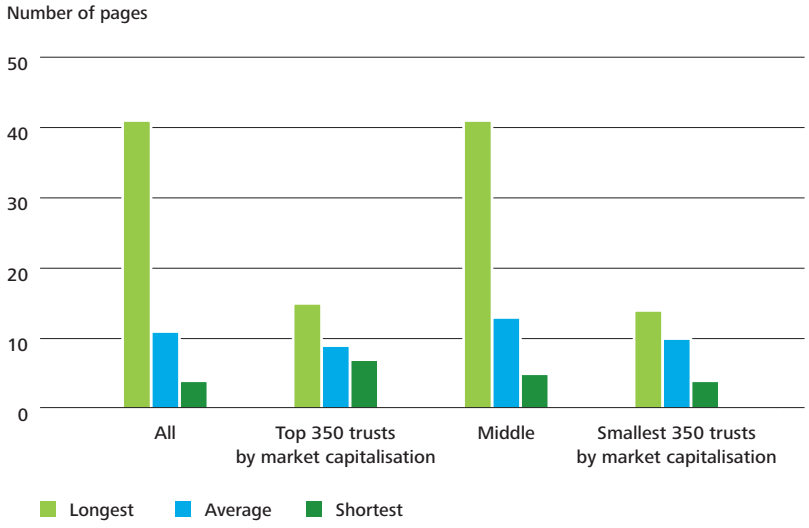
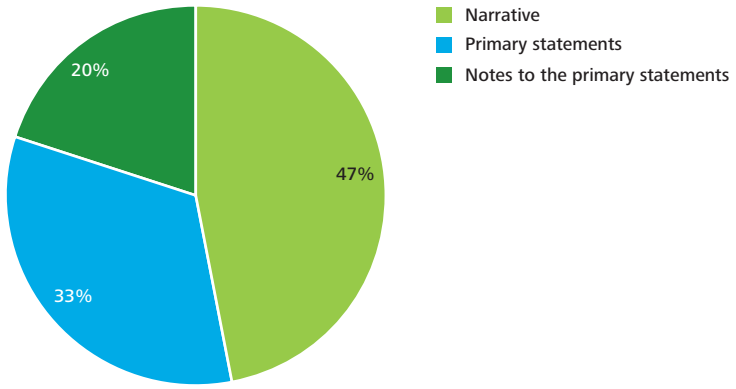


Figure 16. What is the balance of narrative and financial reporting in the half-yearly financial report?



As shown in Figure 16, on average 47% of the information provided via the RIS was narrative in nature, the primary statements made up 33% and the remaining 20% were notes to the condensed financial statements. The lowest proportion of a half-yearly financial report taken up by narrative was 25% and the greatest was 71%. Those reports with larger proportions of narrative tended to include more detail around the trust's investment portfolio.

Responsibility statement

The DTR require all responsible persons, typically directors, to include a responsibility statement. 13% of trusts failed to include such a statement. The other 87% of trusts all included correctly worded responsibility statements.

The responsible persons must also state that to the best of their knowledge the condensed set of financial statements have been prepared in accordance with either IAS 34 (for IFRS reporters) or the ASB statement on half-yearly financial reports (for UK GAAP reporters). Whilst most trusts included such a statement, three trusts instead stated simply that their financial statements gave a true and fair view without referring to either IAS 34 or the ASB statement.

Two of the largest trusts stated in their responsibility statement that their financial statements had been prepared in accordance with the ASB's statement, when in fact they had been prepared in accordance with IAS 34.

The responsibility statement was signed by a variety of persons on behalf of the board as illustrated by Figure 17 opposite. 64% of responsibility statements were signed by the chairman, 12% by a director, 8% by multiple persons, 4% by the company secretary and 12% did not identify a signatory.

The responsibility statement was located in a variety of places within the half-yearly financial report. 58% of the trusts included it immediately before the primary statements and 19% of trusts included it elsewhere in the front-half of their report. The remaining 23% of responsibility statements were located in or amongst the primary statements, in the notes to the condensed financial statements or elsewhere in the back-half of the report.

As required by the DTR, all responsibility statements claimed that the IMR included disclosures on related party transactions, a fair review of important events in the period and their impact on the financial statements plus a description of the principal risks and uncertainties for the remaining six months of the year. However, these disclosures were not always provided as discussed below.

References to statutory financial information

As with the companies surveyed, although all trusts (except those registered in the Channel Islands) attempted to give a statement in compliance with section 240 of the Companies Act 1985, the majority of trusts (83%) failed to give all the disclosure required. An illustrative example of a section 240 statement, which is applicable to both trusts and companies, is included in the illustrative half-yearly report in Appendix 1.

Interim Management Reports

Discussion on performance

Management's commentary on the trust's performance was typically provided by the chairman and the fund managers. 33% of trusts had a commentary solely by the chairman, 43% had commentaries provided by both the chairman and the fund manager and 17% either had commentaries provided solely by the fund manager or involved other directors. The remaining 7% did not identify the authors of their commentary.

All 30 trusts included a meaningful review of their business for the first six months of the year. 25 described in a reasonable amount of detail important events within the context of the general economy or the sector in which they invested. A further three trusts made some very high level comments in this respect. The remaining two trusts failed to comment on the economy at all, one of which was in the smallest 350 by market capitalisation group and the other was in the middle group.

Whilst all the trusts included some measures indicative of their performance in their IMR, none of them explicitly referred to "key performance indicators".

Principal risks and uncertainties

As shown in Figure 18 above, 37% of trusts either did not include any information around their principal risks and uncertainties for the remaining six months of the year or simply suggested that the commercial comments made in the outlook part of their IMR fulfilled this requirement. As described in the Deloitte publication "Write from the start" the risks typically disclosed in the annual reports include not only market risks, but also regulatory risks, controls risks and liquidity risks. Consequently, these trusts are unlikely to be seen to have complied with the DTR in this respect.

Figure 17. Who signs the responsibility statement?

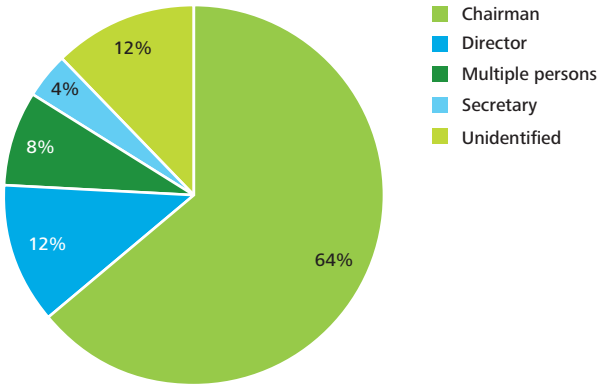
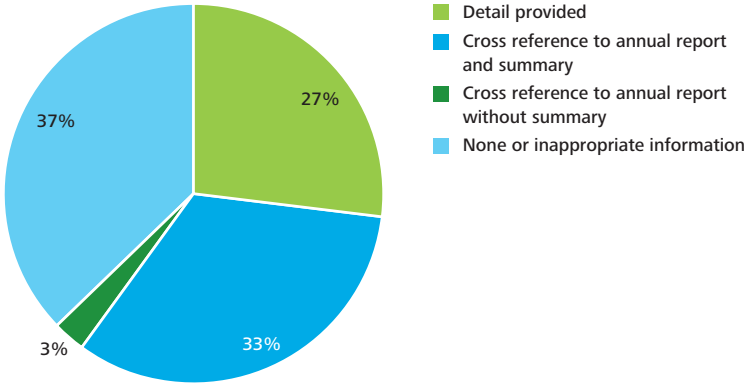


Figure 18. How were the principal risks and uncertainties disclosed?



27% of the trusts described their principal risks and uncertainties in sufficient detail. 33% of trusts cross-referenced to their annual report and whilst indicating that there had been no changes still provided a summary of what those risks were. This approach was suggested in the FSA's publication "List!" in March 2008 and referred to in the Association of Investment Companies' guidance on the DTR, issued in September 2008. Only one trust cross-referenced to its annual report without providing a summary of the risks. Those trusts that provided details of their risks used on average 500 words, whilst those providing summaries on average used 100 words.

The principal risks and uncertainties disclosures were located in a variety of places within the half-yearly financial report, although under the DTR this should be included in the IMR.

In the current economic climate information around trusts' cashflows, their borrowing arrangements and their liquidity is likely to be of significant interest to stakeholders. However, only 53% of the trusts provided any such information in their IMR. Additionally, only 20% of trusts provided any kind of a formal cautionary statement around forward looking information included in their report.

Transactions with related parties

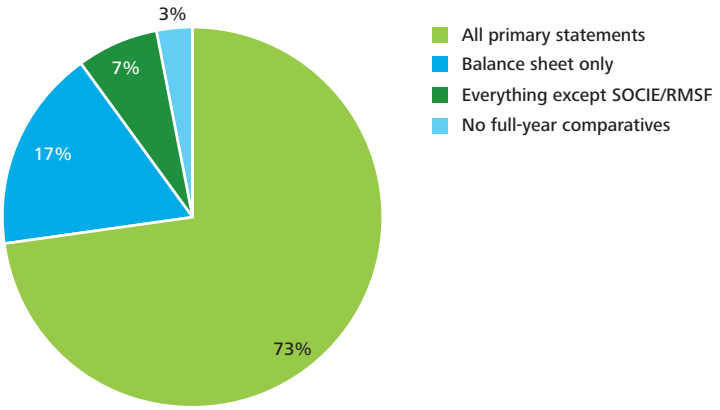
47% of trusts did not provide any information on related parties in their half-yearly financial report and 20% gave the disclosures in the notes to the condensed financial statements without cross-referring to them in the IMR. The remaining 33% either provided the information in the IMR, cross-referred to disclosures in the notes to the condensed financial statements or clearly stated that there had been no such transactions in the period.

Disclosure of any changes in related party transactions described in the last annual report that could have a material effect in the first six months is required by the DTR. 3% of trusts stated in their IMR that there were no such changes and 7% aimed to fulfill this requirement by disclosing in their IMR related party transactions in the current period and comparatives from the previous year's annual report. Another 7% complied by cross-referencing to similar information in the notes to the condensed financial statements. 13% made disclosures in the notes to the condensed financial statements without a cross-reference from the IMR and the remaining 70% did not provide any information in this area.

Overall compliance

Only four trusts clearly complied with all of the DTR's rules around the IMR. One of these trusts was in the top 350 companies by market capitalisation, one was in the middle group and two were in the smallest 350 companies by market capitalisation.

Figure 19. Which primary statements had full-year comparitives?



The condensed financial statements

The DTR only require inclusion of a condensed set of financial statements in the half-yearly report and 23% of trusts presented a balance sheet or income statement that was clearly described as "condensed".

All the trusts reporting under IFRS presented a statement of changes in equity as a primary statement and all but one trust reporting under UK GAAP presented a reconciliation of movements in shareholders' funds.

As shown by Figure 19 below, the majority of trusts (73%) provided full year comparatives for all their primary statements. A small number (17%) gave only the previous year-end's balance sheet, as permitted by IAS 34 and the ASB's statement on half-yearly financial reports. Only one trust did not provide any full year comparatives.

90% of the trusts presented their income statement analysed between revenue and capital items. The other 10% consisted of a VCT and two of the trusts registered in Guernsey.

Only 17% of trusts stated the dividends for the period beneath their income statement, with most trusts either giving disclosure in the notes to the financial statements or showing it simply as a movement in equity. 20% of the trusts did not comment on dividends anywhere in their half-yearly financial statements. Regarding EPS, only one trust, which was registered in Guernsey, did not present a return or earnings per share figure at the bottom of its income statement.

Notes to the condensed financial statements

Accounting policies

Four of the 11 IFRS reporters incorrectly stated that their financial statements had been prepared in accordance with IFRSs instead of just IAS 34. The other seven trusts reporting under IFRS gave the correct disclosure.

24 trusts stated that the accounting policies used for their condensed financial statements were the same as those in their previous annual reports, one provided detail of its policies instead of a cross-reference and the other five trusts failed to disclose any information on the accounting policies applied.

Other disclosures

The nature and amount of any items that are unusual because of their size, nature or incidence should be disclosed under both IFRS and UK GAAP. 77% of the trusts did not disclose any such items during the period. For the other 23%, typical disclosures included the recovery of VAT and significant changes in borrowing arrangements. 47% of trusts discussed issuances, repurchases or repayments of debt or equity securities, as required by IAS 34.

In terms of the disclosure of dividends paid (aggregate or per share) during the period, 53% of trusts gave both aggregate and per share amounts somewhere within their half-yearly financial report, 23% gave an aggregate amount only, 7% clearly stated that no dividends were paid and the remaining 17% did not provide any information.

It was disappointing to note that none of the trusts met the requirement to provide a description of changes in contingent liabilities and assets since the last reporting period. A small number of trusts disclosed whether they had any contingent assets or liabilities, but none of them explicitly confirmed whether there had been any changes.

Post balance sheet events were disclosed by only 17% of the trusts. Events included significant changes in the investment portfolio and transactions with shareholders such as share repurchases.

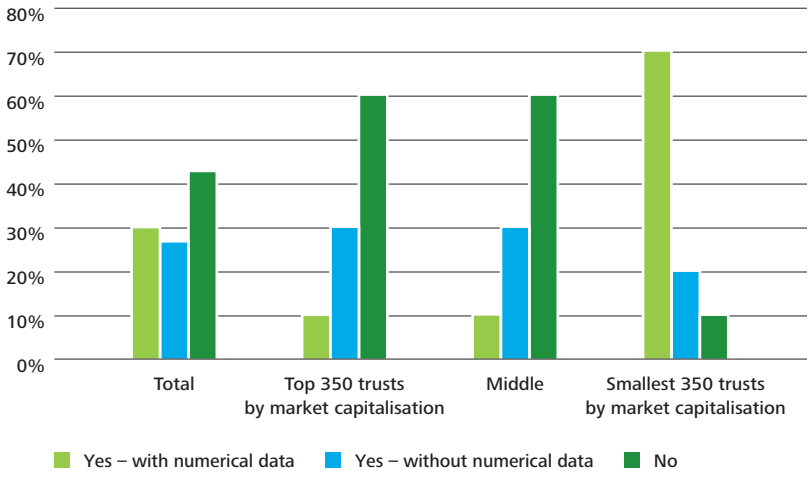
Information on the investment portfolio

The nature of investment trusts' businesses means that the concept of segmental reporting is rather different to that for corporate companies. Only two trusts provided a note to the financial statements described as a segmental analysis. These trusts stated that they had only one class of business and their analysis was by geographical location of the investments. One of the trusts provided the disclosures or segment revenue and result required by IAS 34, whilst the other simply presented a high level analysis of investments' value by location.

The investment policy for many trusts may mean that only one type of income will be received, such as dividends on equities, or that income will be received only from one geographical area. With this in mind, it is not surprising that some trusts did not disclose any form of segmental analysis.

From a balance sheet perspective, the type of investments held at the period end was clearly given by 47% of the trusts and the geographical analysis of those investments was provided by 57%.

Figure 20. Was information on any individual investments' performance given?



Notably more of the trusts in the largest 350 companies by market capitalisation provided this type of segmental information than those in the smallest 350 companies by market capitalisation. Regardless however of the trust's size, portfolio listings of some kind (for example, discussion on all investments, the ten largest holdings or new investments in the period) were given in the majority (73%) of half-yearly financial reports. Whilst 70% of the smaller trusts provided a complete listing, only 20% of the larger trusts did so, with 50% instead giving only a list of their larger investments. The portfolio listings were more commonly presented before the condensed financial statements than at the end of the half-yearly financial report or in the notes.

Interestingly, as shown by Figure 20 above, smaller trusts more often provided information on selected individual investments' performance than the larger trusts. 70% of the trusts in the smallest group gave numerical data on one or more individual investments' performance and a further 20% gave information without numerical data. This compares to 10% and 30% respectively for the large trusts.

The nature of investment trusts' businesses means that the concept of segmental reporting is rather different to that for corporate companies. Only two trusts provided a note to the financial statements described as a segmental analysis.

8. Survey results – Consistency of reporting

A half-yearly financial report acts as an update on a company's performance and position from the last annual report and should give an indication of the key factors likely to impact its performance for the remainder of the financial year. As such, a half-yearly financial report is not required to give the level of detail needed for an annual report but would be expected to be consistent with the annual report (and, indeed, with other information released to shareholders) or to make clear where consistency is not appropriate.

To assess the extent of consistency of reporting throughout the financial year, a selection of companies within the main sample was made (three investment trusts and nine other companies chosen equally from each market capitalisation stratum) and the consistency of each half-yearly financial report with the companies' previous annual reports, interim management statements (IMS) and any other announcements during the first half of the financial year was assessed using the following questions:

- Was the outlook statement in the previous annual report consistent with actual results in the half-yearly financial report and, if not, were any comments made in this respect?
- Did the half-yearly financial report refer to any post balance sheet event disclosed in the annual report?
- Was information in the half-yearly financial report consistent with the company's previous IMS and any other announcements made to the stock exchange?
- Was information on principal risks and uncertainties and key performance indicators consistent with the annual report?
- Was the presentation of the company's primary financial statements consistent with that adopted in the annual report?

Consistency with outlook statement and post balance sheet events

Encouragingly, few examples of inconsistency between the outlook statement and post balance sheet events in the annual report and subsequent narrative in the half-yearly financial report were noted.

One company in the smallest 350 group referred to a number of significant planned operational developments (major account wins and a planned property sale) in the outlook section of its annual report but it did not comment on these in the subsequent half-yearly financial report.

Of the two companies which disclosed a post balance sheet event in their annual reports, only one referred to this event in the interim management report.

No inconsistencies were noted in reporting by the investment trusts selected, although the outlook sections of their annual reports largely consisted of generic statements about uncertainty in the equity markets rather than entity-specific commentary.

Consistency with previous IMS and other stock exchange announcements

All companies provided information in their half-yearly financial reports that was consistent with their IMS released during the first half of the financial year. One company's IMS stated that trading was in line with expectations, yet their half-yearly financial report announced record sales, profits and cash flows. Whilst not strictly inconsistent the two statements could give readers rather different impressions depending on how expectations had previously been set.

Eight of the nine companies selected made other announcements during the first half of the financial year, either in the form of a trading update or specifically announcing acquisitions or major contract wins. Only one of these events (the extension of a framework agreement with a customer) was not referred to explicitly in the subsequent half-yearly financial report.

No inconsistencies were noted between the IMS and half-yearly financial reports of the investment trusts and none of the trusts selected made any other announcements except for generic portfolio and net asset value updates.

Consistency of principal risks and uncertainties

As noted in the survey, the quality of principal risks and uncertainties disclosures in half-yearly financial reports was varied.

Three companies had simply cross-referenced their discussion on principal risks and uncertainties in the half-yearly financial report to the previous annual report, without providing any information on them. A further two companies did not comment on principal risks and uncertainties at all.

Three other companies presented an abridged list of the risks given in their annual report and provided a cross-reference for further information in this area, although none of these stated that only an abridged list had been given. The remaining one company listed the same risks given in their annual report.

Two of the trusts included items in their discussion on principal risks and uncertainties that were not in their previous annual report, despite statements that the risks were unchanged from the annual report. The other trust gave no detailed information on the risks beyond a cross-reference to its annual report.

Consistency of key performance indicators

Two of the companies in the smallest 350 group did not explicitly refer to key performance indicators in their annual reports.

The number of KPIs referred to in the annual reports of the other seven companies ranged from three to thirteen, with an average of eight. Two of these companies referred to each of their year-end KPIs in their IMR, with the remaining five referring to only some of them. As a result the number of KPIs in the half-yearly financial reports of these seven companies ranged from three to nine, with the average number falling to five.

Typically, companies retained financial KPIs in their half-yearly financial reports but dispensed with some or all of their non-financial KPIs. This may indicate that some companies consider non-financial KPIs to be of lesser interest to shareholders or that gathering of information for non-financial KPIs may only take place at year-end.

The trust selected from the top 350 group referred to seven KPIs in its annual report but only four were mentioned in its IMR. The other two trusts referred to only one KPI in their annual reports and to the same KPI at the half-year.

Consistency of presentation of financial statements

Encouragingly, the presentation of primary statements in the half-yearly financial report was consistent with the annual report in most cases.

Two of the companies in the smallest 350 group and the investment trust from the top 350 group excluded line items shown on the face of the income statement, balance sheet and/or cash flow statement in the annual report from the half-yearly financial report.

One company switched from a columnar format for showing exceptional items in the annual report to a boxed presentation in the half-yearly condensed financial statements. It was not clear whether this represented a planned change to presentation going forward or simply an attempt to save space in the half-yearly report.

Encouragingly, few examples of inconsistency between the outlook statement and post balance sheet events in the annual report and subsequent narrative in the half-yearly financial report were noted.

Appendix 1

Illustrative half-yearly financial report

This illustrative half-yearly financial report has been developed to provide an example of the typical disclosures which will be required of a UK listed company with subsidiaries and associates. This illustrative half-yearly financial report for the six months to 30 June 2009 is prepared in accordance with IAS 34 and the FSA Disclosure and Transparency Rules. The illustrative half-yearly financial report does not contain a complete set of financial statements and presumes the group has elected to present a condensed set of financial statements, which is typical of a current UK half-yearly financial report.

The illustrative half-yearly financial report contains an example of an interim management report in compliance with the Disclosure and Transparency Rules. The illustrative interim management report was developed to provide good examples of typical disclosures.

The condensed set of financial statements are based on standards in issue as at 31 December 2008 which are expected to be effective for years beginning on or after 1 January 2009. In particular, the segmental analysis within the illustrative half-yearly financial report demonstrates IFRS 8 'Operating Segments' which is effective for periods beginning on or after 1 January 2009. Companies preparing reports for earlier periods and continuing to apply IAS 14 'Segment Reporting' should refer to the earlier Deloitte publication, 'Half a Story'.[13]

The revised version of IAS 1 'Presentation of Financial Statements'[14] , also effective for periods beginning on or after 1 January 2009, suggests but does not require the use of alternative titles for primary statements (for example, referring to a Statement of Financial Position rather than a Balance Sheet). This illustrative half-yearly financial report assumes that the majority of UK companies will retain the familiar titles, at least in the short term, but clearly practice is yet to emerge in this respect.

The requirements of the revised version of IAS 1 applicable to half-yearly financial reports and the choices companies will need to make in respect of presentation of financial statements are discussed in Section 2 of this publication "The half-yearly reporting requirements".

This illustrative half-yearly financial report shows only one possible presentation and does not illustrate notes required only in a full set of financial statements.

There may be changes to standards which become effective in 2009 which differ from those expected at the time of preparation of this illustrative report. In addition, the interpretation of IFRSs will continue to evolve over time.

The wording used in this half-yearly financial report is purely illustrative and in practice will need to be modified to reflect the circumstances of a group and its business. Similarly, the structure of the illustrative half-yearly financial report will not necessarily be appropriate for all companies. In places, the illustrative half-yearly financial report provides examples of possible disclosure. It may therefore contain internal inconsistencies.

13 Available via the Deloitte website at www.deloitte.co.uk/audit

14 IAS 1 (revised September 2007) is effective for periods beginning on or after 1 January 2009. Accordingly, all references in these appendices are to that version of the standard

Delto plc

Half-yearly financial report 2009

Contents

Responsibility statement

DTR 4.2.10 (3) + (4) We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

DTR 4.2.11 By order of the Board[15],

	[Signature]	[Signature]
	Chief Executive Officer	Chief Financial Officer
DTR 4.2.10 (2)	[Name of signatory]	[Name of signatory]
	[Date]	[Date]

15 Based on FSA roundtable discussions, only one person has physically to sign the responsibility statement in accordance with the DTR, on behalf of those responsible, i.e. the Board of Directors. However, it is for each entity to decide who and how many of those responsible should sign the responsibility statement. In the above illustrative responsibility statement, both the signatures of the CEO and the CFO are given

Delto plc

Interim management report

To the members of Delto plc

Cautionary statement

This Interim Management Report ("IMR") has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This interim management report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Delto plc and its subsidiary undertakings when viewed as a whole.

Operations

Delto plc manufactures innovative, high quality products for the [ ], [ ] and [ ] industries. These products are used by our customers in a variety of systems which perform functions such as [ ] and [ ]. Our product portfolio includes lines such as the product [ ] range and the product [ ] range and our key brands include [ ], [ ] and [ ]. We are a global player in our market and we are in the top five players in [no.] of the [no.] countries in which we operate. The group operates in three main geographical markets: Europe, the Americas and Asia Pacific. We distribute our products via our cross-border sales offices and also through distributor agents in some markets.

Whilst not immune to the current economic downturn in evidence across the countries in which we operate, our sales performance has been resilient due to the breadth of our operations and strong end user markets, particularly in the [ ] and [ ] industries.

In Europe, our biggest single market in both revenue and profit terms, the economic environment over the past six months has remained relatively stable, with sales decreasing by only _% in the first six months. The Americas economy weakened more severely during the first six months however the Asia Pacific market remained relatively buoyant driven largely by continued growth in China and India (albeit, growth at a lower rate than previously observed).

Long-term strategy and business objectives

In our most recent annual report, we reported Delto's objective to grow our market share in the key [ ] and [ ] industries and create real shareholder value, and outlined the key elements to our strategy for achieving our objectives.

In the first six months of the current financial year, we have made significant progress on the three key elements of our strategy. We have gained market share in [no.] of our [no.] markets. We have invested £_million (six months ended 30 June 2008: £_million) in our core products and have launched a number of new products during the period, including product [ ] and product [ ]. Further new products are nearing completion and are due to be launched over the next 12 months. We also acquired [name of company] in China to grow our market strength and have restructured this part of the business following the acquisition to consolidate our positions in this market. As part of this restructuring, we have disposed of [name of company].

Against a backdrop of continuing economic uncertainty, we would consider this to be a creditable performance and would particularly like to thank our employees for their continued hard work and commitment to achieving our objectives.

Key performance indicators

As set out in our most recent annual report, we monitor our performance implementing our strategy with reference to clear targets set for six key performance indicators ("KPIs"). These KPIs are applied on a Group wide basis. Performance in the six months ended 30 June 2009 and the targets are set out in the table below, together with the prior year performance data. The source of data and calculation methods used are consistent with those disclosed in the 2008 annual report.

Interim management report (continued)

Six months ended 30 June	2009	2008	Target
Financial KPIs			
Revenue	x	x	x
Gross margin	x%	x%	*x%*
Return on capital employed	x%	x%	*x%*
Non-financial KPIs			
Market share	x%	x%	*x%**
Unit sales of Product B	x	x	x
Lost time injury frequency rate (injuries per 1m hours worked)	x	x	x

* Target is to achieve this share by 2010.

The results in the table show that we met our targets for two of our six KPIs. The directors believe that, having achieved a market share of x per cent in 2009, the Group is still well placed to achieve the 2010 target for market share.

Given the challenging economic environment in which the Group is currently operating, the directors consider the performance against revenue, gross margin and unit sales targets to be robust.

Whilst other performance measures may be discussed in this IMR, it is the above six measures that the directors utilise and apply as the Group's KPIs.

DTR 4.2.7 (1) **Results for the six months ended 30 June 2009**

A summary of the key financial results is set out in the table below.

Key financials						
	Revenue		**Gross margin**		**Underlying operating profit***	
Six months ended 30 June	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	£'000	**£'000**	**%**	**%**	**£'000**	**£'000**
By business						
[Segment A]						
[Segment B]						
[Segment C]						
[Segment D]						
[Other]						
[Discontinued**]						
Group total						

* Underlying operating profit is profit before interest, tax and one-off items and is reconciled to the financial information as follows:

** [Operation W] has been disposed of during the period and has been presented as discontinued operations in the financial information.

Interim management report (continued)

Six months ended 30 June	2009 £'000	2008 £'000
Operating profit per financial information		
Write-down of inventories		
Goodwill impairment		
Underlying operating profit		

Revenue

Total Group revenue was down _% on the six months ended 30 June 2008 at £_million with declines experienced in Europe (_%) and Americas (_%) partially offset by growth of _% in Asia Pacific. Excluding the net impact of foreign currency effects (£+_million), acquisitions (£_million) and disposals (£-_million), revenue on a like-for-like basis was down by _% at £_million.

Given the current economic conditions, revenue performance was robust. The Group sees market share as a key performance indicator as it allows us to assess how the Group is performing in relation to its competitors. During the current period, we achieved a market share of _% which was up from _% at the previous year end.

During the period, we have launched a number of new products, including product [ ] and product [ ]. Those new products contributed revenue of £_million, representing _% during the period.

In our last annual report, we anticipated the replacement of product [ ] with its updated version during the first quarter of the current financial year. However, as reported to you in our Interim Management Statement, published on [date], the replacement of product [ ] globally was delayed when the regulator [ ] imposed further testing requirements on the new version. This impacted our [ ] business with sales of this line down _% from the same period in 2008 to £_million. The launch of the replacement product is now expected to occur in the fourth quarter of the current financial year.

Gross margin and underlying operating profit

The comparable unit sales decline during the six month period was compounded by price pressures so that overall, the gross margin declined to _% (2008: _%) with gross profit of £_million.

Group operating profit for the six months ended 30 June 2009 was £_million, _% below the comparative period in the previous financial year (£_million).

Applying a constant currency basis, activity [ ] and activity [ ] experienced decreases in profit of _% and _% respectively.

The decline in activity [ ] was partially offset by the acquisition of [name of company] towards the end of the previous financial year, which had an immediate effect on our market share.

Dividend and dividend policy

In line with the Group's dividend policy, the Board has approved an interim dividend of _pence (2008: _pence) on [date after 30 June 2009], which will be paid on [date] to those shareholders on the register at [date].

Financial position

Net assets increased by _% to £_ million (31 December 2008: £_ million). The main movements in the balance sheet items were property, plant and equipment (relating mainly to the investment in our manufacturing facilities of £_ million), intangible assets (goodwill and new intangible assets totalling £_ million arising from acquisitions during the first six months) and the change in net debt.

The Group has net debt of £_million (31 December 2008: £_million). During the half year, additional loans of £_million were drawn down.

Interim management report (continued)

Despite the well publicised recent problems in world capital markets and resultant pressure on UK corporate lending, the Group continues to have at its disposal sufficient undrawn, committed borrowing facilities at competitive rates for the medium term and therefore still deems this to be an effective means of raising finance. As a result, the acquisition of company [name of company] has been partly funded by debt financing.

Cash flow

Net cash inflow from operating activities for the six months ended 30 June 2009 was £_million, £_million below the comparative period in 2008. Lower trading profit for the Group was partially offset by lower cash outflows in support of our ongoing restructuring programme.

Retirement benefits

The retirement benefit liability relating to the Group's UK Pension Scheme at 30 June 2009 was £_million, an increase of £_million from 31 December 2008. This increase reflects a fall in the market value of the scheme's assets caused by the general fall in equity prices experienced in the period.

We have undertaken a review of our retirement benefit arrangements and are in discussions with the scheme's trustees to find the most cost efficient means of protecting our employees' accrued and future benefits.

Post balance sheet events

On [date] the premises of [name of subsidiary] were seriously damaged by fire. Insurance claims have been made but the cost of refurbishment is currently expected to exceed these by £_million.

DTR 4.2.8 (1a+b)

Related party transactions

Related party transactions are disclosed in note 22 to the condensed set of financial statements.
There have been no material changes in the related party transactions described in the last annual report.

DTR 4.2.7 (2)
List! Issue No. 18 March 2008

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2008. A detailed explanation of the risks summarised below can be found on pages [ ] to [ ] of the annual report which is available at [website address].

Competitor risk

The Group operates in a highly competitive market with significant product innovations. We are subject to the threat of our competitors launching new products in our markets and to price pressures on existing products.

Commercial relationships

The Group benefits from close commercial relationships with a number of key customers and suppliers. Damage to or loss of any of these relationships could have a direct and detrimental effect on the Group's results.

Manufacturing

The Group's manufacturing facilities could be disrupted for reasons beyond the Group's control such as fire, work force actions or other issues.

Interim management report (continued)

Foreign exchange

The Group has significant operations outside the UK and as such is exposed to movements in exchange rates.

Liquidity risk

The principal terms of the Group's committed debt facilities and the directors' view on the sufficiency of those facilities are described in note 12 and note 2 respectively to the condensed financial statements.

Future outlook

While the external commercial environment is expected to remain difficult in the rest of 2009, we have good momentum across Europe and Asia Pacific and we believe that we have now taken the necessary actions, and put in place processes, to implement the required restructuring of activity [ ].

We expect continued price pressure from our competitors in the more developed markets. This will push gross margins downwards, a trend that is likely to continue. We anticipate that, despite our efficient manufacturing process, our margins in Europe in the remaining six months of the financial year will decline. We expect steady sales levels in unit terms for the remainder of the financial year.

[Address of registered office]

By order of the Board,

	[Signature][16]	[Signature]
	Chief Executive Officer	Chief Financial Officer
DTR 4.2.2 (2)	[Name of signatory]	[Name of signatory]
	[Date[17]]	[Date]

16 Physical signature is included as an illustration of the document formally approved by the directors, but is not required to be reproduced in the disseminated text

17 The interim financial report must be made public as soon as possible, but no later than two months after the end of the six-month period. (DTR 4.2.2(2))

Independent Review Report to Delto plc

DTR 4.2.9 We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 22. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting,' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

[Signature]
Deloitte LLP
Chartered Accountants and Statutory Auditors
[Date] [City, United Kingdom]

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Delto plc

Condensed consolidated income statement
Six months ended 30 June 2009

IAS 34.8			Six months ended 30 June		Year ended 31 December
			2009	2008	2008[18]
			£'000	£'000	£'000
IAS 34.10		Note	(Unaudited)	(Unaudited)	(Audited)
	Continuing operations				
IAS 1.82	Revenue	3			
	Cost of sales				
	Gross profit				
	Other operating income				
	Distribution costs				
	Administrative expenses				
	Other operating expenses				
IAS 1.82	Share of results of associates				
IAS 1.98	Restructuring costs	6			
	Operating profit				
	Investment revenue				
	Other gains and losses				
IAS 1.82	Finance costs				
	Profit before tax				
IAS 1.82	Tax	7			
	Profit for the period from continuing operations				
	Discontinued operations				
IAS 1.82	Loss for the period from discontinued operations	8			
IAS 1.82	**Profit for the period**				
IAS 1.83	Attributable to:				
	Equity holders of the parent				
	Minority interest				
IAS 33.66	Earnings per share				
	From continuing operations				
	Basic	10			
	Diluted	10			
IAS 34.11A	From continuing and discontinued operations				
	Basic	10			
	Diluted	10			

18 Although not required by IAS 34, the comparative figures for the preceding year end and the related notes have been included on a voluntary basis

Condensed consolidated statement of comprehensive income
Six months ended 30 June 2009

IAS 34.8 IAS 34.10 IAS 1.83-4 IAS 1.91	Six months ended 30 June		Six months ended 30 June		Year ended 31 December[19]	
	2009	2009	2008	2008	2008	2008
	£'000	£'000	£'000	£'000	£'000	£'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Profit for the period						
Gains/(losses) on property revaluation						
Available-for-sale financial assets:						
Gains/(losses) arising during the period						
Less: reclassification adjustments for gains/(losses) included in profit						
Gains/(losses) on a hedge of a net investment taken to equity						
Cash flow hedges:						
Gains/(losses) arising during the period						
Less: reclassification adjustments for gains/(losses) included in profit						
Exchange differences on translation of foreign operations						
Actuarial gains/(losses) on defined benefit pension schemes						
Other comprehensive income						
Tax relating to components of other comprehensive income						
Other comprehensive income for the period						
Total comprehensive income for the period						
Attributable to:						
Equity holders of the parent						
Minority interest						

19 Although not required by IAS 34, the comparative figures for the preceding year end and the related notes have been included on a voluntary basis

Delto plc

Condensed consolidated statement of changes in equity
Six months ended 30 June 2009

IAS 34.8
IAS 1.106-110

	Equity attributable to equity holders of the parent									
	Share Capital £'000	Share Premium Account £'000	Revaluation Reserve £'000	Own Shares £'000	Equity Reserve £'000	Hedging and Retranslation Reserve £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
Balance at 1 January 2009										
Profit for the period*										
Available-for-sale financial assets*										
Gains/(losses) on a hedge of a net investment taken to equity*										
Cash flow hedges*										
Exchange differences on translation of foreign operations*										
Actuarial gains/(losses) on defined benefit pension schemes*										
Tax relating to components of other comprehensive income*										
Total comprehensive income for the period										
Issue of share capital										
Dividends										
Own shares acquired in the period										
Credit to equity for equity-settled share based payments										
Deferred tax on share-based payment transactions										
Balance at 30 June 2009 (Unaudited)										

*The above illustrates a very strict reading of IAS 1.106, which states that each item of other comprehensive income must be shown in the statement of changes in equity. However, the illustrative SOCIE appended to IAS 1 does not include this level of detail on the face of the statement.

While the above SOCIE illustrates the strict reading, it is hoped that the apparent conflict in the revised IAS 1 will be resolved in the first half of 2009 so that companies may safely follow the treatment illustrated in the IAS 1 Implementation Guidance and avoid duplication of lines between the SOCIE and the statement of comprehensive income.

Condensed consolidated statement of changes in equity (continued)
Six months ended 30 June 2009

IAS 34.8
IAS 1.106-110

	Equity attributable to equity holders of the parent									
	Share Capital £'000	Share Premium Account £'000	Revaluation Reserve £'000	Own Shares £'000	Equity Reserve £'000	Hedging and Retranslation Reserve £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
Balance at 1 January 2008										
Profit for the period										
Available-for-sale financial assets										
Gains/(losses) on a hedge of a net investment taken to equity										
Cash flow hedges										
Exchange differences on translation of foreign operations										
Actuarial gains/(losses) on defined benefit pension schemes										
Tax relating to components of other comprehensive income										
Total comprehensive income for the period										
Issue of share capital										
Dividends										
Own shares acquired in the period										
Credit to equity for equity-settled share based payment										
Deferred tax on share-based payment transactions										
Balance at 30 June 2008 (Unaudited)										

Condensed consolidated statement of changes in equity (continued)
Six months ended 30 June 2009

IAS 34.8
IAS 1.106-110

	Equity attributable to equity holders of the parent									
	Share Capital £'000	Share Premium Account £'000	Revaluation Reserve £'000	Own Shares £'000	Equity Reserve £'000	Hedging and Retranslation Reserve £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
Balance at 1 January 2008										
Profit for the period										
Available-for-sale financial assets										
Gains/(losses) on a hedge of a net investment taken to equity										
Cash flow hedges										
Exchange differences on translation of foreign operations										
Actuarial gains/(losses) on defined benefit pension schemes										
Tax relating to components of other comprehensive income										
Total comprehensive income for the period										
Issue of share capital										
Dividends										
Own shares acquired in the period										
Credit to equity for equity-settled share based payments										
Deferred tax on share-based payment transactions										
Balance at 31 December 2008 (Audited)										

Condensed consolidated balance sheet
As at 30 June 2009

IAS 34.8		Note	30 June 2009 £'000 (Unaudited)	30 June 2008[20] £'000 (Unaudited)	31 December 2008[21] £'000 (Audited)
	Non-current assets				
	Goodwill				
IAS 1.54	Other intangible assets				
IAS 1.54	Property, plant and equipment	11			
IAS 1.54	Investment property				
IAS 1.54	Interests in associates				
	Investments				
	Finance lease receivables				
IAS 1.56	Deferred tax asset				
	Derivative financial instruments				
	Current assets				
IAS 1.54	Inventories				
	Investments				
	Finance lease receivables				
IAS 1.54	Trade and other receivables				
IAS 1.54	Cash and cash equivalents	17			
	Derivative financial instruments				
IAS 1.54	Assets classified as held for sale	15			
	Total assets				
	Current liabilities				
IAS 1.54	Trade and other payables				
IAS 1.54	Current tax liabilities				
	Obligations under finance leases				
	Borrowings	12			
IAS 1.54	Provisions				
	Derivative financial instruments				
	Deferred revenue				
IAS 1.54	Liabilities directly associated with assets classified as held for sale	15			
	Net current assets				

20 Although not required by IAS 34, the comparative amounts at 30 June 2008 and the related notes have been included on a voluntary basis

21 IAS 34 (20(a)) requires the balance sheet to include comparatives as of the end of the preceding financial year

Delto plc

Condensed consolidated balance sheet (continued)
As at 30 June 2009

		Note	30 June 2009 £'000 (Unaudited)	30 June 2008[22] £'000 (Unaudited)	31 December 2008[23] £'000 (Audited)
	Non-current liabilities				
	Borrowings	12			
	Convertible loan notes				
	Retirement benefit obligations	20			
IAS 1.56	Deferred tax liabilities				
IAS 1.54	Long-term provisions				
	Deferred revenue				
	Obligations under finance leases				
	Liability for share based payments				
	Total liabilities				
	Net assets				
	Equity				
	Share capital	13			
	Share premium account				
	Revaluation reserve				
	Own shares				
	Equity reserve				
	Hedging and translation reserve				
	Retained earnings				
IAS 1.56	**Equity attributable to equity holders of the parent**				
IAS 1.56	**Minority interest**				
	Total equity				

22 Although not required by IAS 34, the comparative amounts at 30 June 2008 and the related notes have been included on a voluntary basis

23 IAS 34 (20(a)) requires the balance sheet to include comparatives as of the end of the preceding financial year

Condensed consolidated cash flow statement
Six months ended 30 June 2009

			Six months ended 30 June		Year ended 31 December
			2009	2008	2008[24]
			£'000	£'000	£'000
IAS 34.10		Note	(Unaudited)	(Unaudited)	(Audited)
IAS 7.10	**Net cash from operating activities**	17			
IAS 7.10	**Investing activities**				
	Interest received				
	Dividends received from associates				
	Dividends received from trading investments				
	Proceeds on disposal of trading investments				
	Proceeds on disposal of available-for-sale investments				
IAS 7.39	Disposal of subsidiary	14			
	Proceeds on disposal of property, plant and equipment				
	Purchases of property, plant and equipment				
	Acquisition of investment in an associate				
	Purchases of trading investments				
	Purchases of patents and trademarks				
	Expenditure on product development				
IAS 7.39	Acquisition of subsidiary	16			
	Net cash (used in)/from investing activities				
IAS 7.10	**Financing activities**				
	Dividends paid				
	Repayments of borrowings				
	Repayments of obligations under finance leases				
	Proceeds on issue of convertible loan notes				
	Proceeds on issue of shares				
	New bank loans raised				
	Increase/(decrease) in bank overdrafts				
	Net cash (used in)/from financing activities				
	Net increase/(decrease) in cash and cash equivalents				
	Cash and cash equivalents at beginning of period				
IAS 7.28	Effect of foreign exchange rate changes				
	Cash and cash equivalents at end of period				

24 Although not required by IAS 34, the comparative figures for the preceding year end and the related notes have been included on a voluntary basis

Delto plc

Notes to the condensed set of financial statements
Six months ended 30 June 2009

1. General information

The information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies.
The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

CA 2006 *[Section 435 of Companies Act 2006 replaces Section 240 of Companies Act 1985 when referring to periods beginning on or after 6 April 2008. The statutory information referred to in this example is for a period beginning on 1 January 2008 and therefore references to the 1985 Act remain appropriate. In subsequent years, the references to sections 240 and to 237(2) or (3) of the Companies Act 1985 will be replaced by references to sections 435 and 498(2) or (3) respectively of the Companies Act 2006.]*

IAS 34.15 *[IAS 34 presumes that a user of a half-yearly financial report will also have access to its most recent annual report. Therefore it is generally not necessary to reproduce notes already reported in the most recent annual report. Instead, the notes to the half-yearly financial report should include sufficient information and explanations of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual report.]*

2. Accounting policies

DTR 4.2.4 (1) and IAS 34.19 The annual financial statements of Delto plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Basis of preparation

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the interim management report on pages 33 to 37. The interim management report also includes a summary of the Group's financial position, its cash flows and borrowing facilities.

As highlighted in note 12 to the condensed financial statements, the Group's principal committed financing facilities are not due for renewal within the next two years.

The Group has long-term contracts with a number of customers and suppliers across different geographic areas and industries. The current economic conditions create uncertainty particularly over the level of demand for the Group's products and the cost of the Group's raw materials because of fluctuations in the exchange rate between sterling and the Euro and US Dollar.

The directors believe the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly condensed financial statements.

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

2. Accounting policies (continued)

DTR 4.2.6 and IAS 34.16(a)

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except for as described below.

Changes in accounting policy

In the current financial year, the Group has adopted International Financial Reporting Standard 8 "Operating Segments" and International Accounting Standard 1 "Presentation of Financial Statements" (revised 2007).

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 "Segment Reporting") required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, the segmental information required by IAS 34 which is included in note 3 below is presented in accordance with IFRS 8. The comparatives have been restated accordingly.

IAS 1(revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

[Details of any other changes]

IAS 34 (revised). 16(g)

3. Business segments

Products and services from which reportable segments derive their revenues

In prior years, segment information reported externally was analysed on the basis of activities undertaken by each of the Group's operating divisions. However, information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is more specifically focused on the category of customer for each type of activity.
The principal categories of customer are direct sales to major customers, wholesalers and internet sales. The Group's reportable segments under IFRS 8 are therefore as follows:

[Segment A]	– [Activity A, direct sale customers]
[Segment B]	– [Activity A, wholesale customers]
[Segment C]	– [Activity B, internet customers]
[Segment D]	– [Activity C, wholesale customers]
Other	

Other operations include *[identify other operations and their sources of revenue if any]*.

The group was also previously involved in [Operation W] which was reported as part of Activity A under IAS 14. That operation was discontinued with effect from [date] (see note 8). For IFRS 8 purposes this operation is included in [Segment B].

Information regarding the Group's operating segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

3. Business segments (continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in the six months ended 30 June 2009:

Six months ended 30 June 2009	[Segment A] £'000	[Segment B] £'000	[Segment C] £'000	[Segment D] £'000	Other £'000	Discon-tinued operations £'000	Eliminations £'000	Consolidated £'000
Revenue								
External sales						( )		
Inter-segment sales						( )	( )	
Total revenue						( )	( )	
Inter-segment sales are charged at prevailing market prices.								
Result								
Segment result						( )	( )	
Central administration costs								
Share of profits of associates								
Operating profit								
Gain on disposal of operation								
Investment revenues								
Finance costs								
Profit before tax								
Tax								
Profit for the period from discontinued operations [in Segment B]								
Profit after tax and discontinued operations								

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

3. Business segments (continued)

The following is an analysis of the Group's revenue and results by reportable segment in the six months ended 30 June 2008:

Six months ended 30 June 2008	[Segment A] £'000	[Segment B] £'000	[Segment C] £'000	[Segment D] £'000	Other £'000	Discon-tinued operations £'000	Eliminations £'000	Consolidated £'000
Revenue								
External sales						( )		
Inter-segment sales						( )	( )	
Total revenue						( )	( )	
Inter-segment sales are charged at prevailing market prices.								
Result								
Segment result						( )	( )	
Central administration costs								
Share of profits of associates								
Operating profit								
Gain on disposal of operation								
Investment revenues								
Finance costs								
Profit before tax								
Tax								
Profit for the period from discontinued operations [in Segment B]								
Profit after tax and discontinued operations								

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

3. Business segments (continued)

The following is an analysis of the Group's revenue and results by reportable segment in the year ended 31 December 2008:

Year ended 31 December 2008	[Segment A] £'000	[Segment B] £'000	[Segment C] £'000	[Segment D] £'000	Other £'000	Discon-tinued operations £'000	Eliminations £'000	Consolidated £'000
Revenue								
External sales						( )		
Inter-segment sales						( )	( )	
Total revenue						( )	( )	
Inter-segment sales are charged at prevailing market prices.								
Result								
Segment result						( )	( )	
Central administration costs								
Share of profits of associates								
Operating profit								
Gain on disposal of operation								
Investment revenues								
Finance costs								
Profit before tax								
Tax								
Profit for the period from discontinued operations [in Segment B]								
Profit after tax and discontinued operations								

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

3. Business segments (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies which are described in the Group's latest annual financial statements. Segment result represents the profit earned by each segment without allocation of the share of profits of associates, central administration costs including directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance.

Segment assets	**30 June 2009 £'000**	**30 June 2008 £'000**	**31 December 2008 £'000**
Segment A			
Segment B			
Segment C			
Segment D			
Other			
Total segment assets			
Unallocated assets			
Consolidated total assets			

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of investments in associates, other financial assets (except for trade and other receivables) and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

IAS 34.16(b)

4. Seasonality of [Product X] sales

Sales for [Product X], which forms part of the Group's [Activity B] division, are more heavily weighted towards the second half of the calendar year, with approximately 70% of annual sales for [Product X] occurring from July until December. Sales for [Product X] during the period have increased slightly by _% compared to the corresponding period in the prior year, and total annual sales are expected to be in line with the Group's forecasts.

IAS 34.16(c)
IAS 34.17(a)

5. Write-down of inventories

During the current period, exceptional write-downs of inventories of £_million have been charged to profit or loss in respect of [Product Y]. The write-down reduces the carrying amount of [Product Y] inventories to their net realisable value.

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

IAS 34.16(c)

6. Restructuring costs

In [month] 2009, the Group disposed of [name of company] (see note 14). Certain of the non-core assets of the [Segment B] division were retained by the Group. In addition, the [ ] operations of the [Segment C] division were segregated from the manufacturing operations and retained by the Group. The assets retained were scrapped and an impairment loss recognised in respect of their previous carrying amount. To the extent that workers could not be redeployed, termination terms were agreed.

	Six months ended 30 June		Year ended
	2009	2008	31 December 2008
	£'000	£'000	£'000
Impairment loss recognised in respect of assets			
Redundancy costs			

IAS 34.16(d)

7. Tax

Tax for the six month period is charged at _% (six months ended 30 June 2008: _%; year ended 31 December 2008: _%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

IAS 34.16(i)

8. Discontinued operations

On [date] 2009, the Group entered into a sale agreement to dispose of [name of company], which carried out all of the Group's [Operation W] operations. The disposal was made to generate cash flow for the expansion of the Group's other businesses. The disposal was completed on [date] 2009, on which date control of [name of company] passed to the acquirer.

The results of the discontinued operations which have been included in the consolidated income statement, were as follows:

	Period ended	Six months ended	Year ended
	[date] 2009	30 June 2008	31 December 2008
	£'000	£'000	£'000
Revenue			
Expenses			
Profit before tax			
Attributable tax expense			
Profit on disposal of discontinued operations			
Attributable tax expense			
Net loss attributable to discontinued operations			

During the period, [name of company] contributed £_million (six months ended 30 June 2008: £_million; year ended 31 December 2008: £_million) to the Group's net operating cash flows, paid £_million (six months ended 30 June 2008: £_million; year ended 31 December 2008: £_million) in respect of investing activities and paid £_million (six months ended 30 June 2008: £_million; year ended 31 December 2008: £_million) in respect of financing activities.

A profit of £_million arose on the disposal of [name of company], being the proceeds of disposal less the carrying amount of the subsidiary's net assets and attributable goodwill.

The effect of discontinued operations on segment results is disclosed in note 3.

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

9. Dividends

IAS 34.16(f)

	Six months ended 30 June		Year ended
	2009	2008	31 December 2008
	£'000	£'000	£'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2008 of _p (2007: _p) per share			
Interim dividend for the year ended 31 December 2008			
Proposed interim dividend for the year ended 31 December 2009 of _p (2008: _p) per share			
Proposed final dividend for the year ended 31 December 2008 of _p per share			

The proposed interim dividend of _p per share was approved by the Board on [date after 30 June 2009] and has not been included as a liability as at 30 June 2009.

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

10. Earnings per share

From continuing and discontinued operations

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

	Six months ended 30 June		Year ended
	2009	2008	31 December 2008
Earnings	£'000	£'000	£'000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent			
Effect of dilutive potential ordinary shares:			
Interest on convertible loan notes (net of tax)			
Earnings for the purposes of diluted earnings per share			

	Six months ended 30 June		Year ended
	2009	2008	31 December 2008
Number of shares	No.	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share			
Effect of dilutive potential ordinary shares:			
Share options			
Convertible loan notes			
Weighted average number of ordinary shares for the purposes of diluted earnings per share			

The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the capitalisation issue in 2009.

From continuing operations

	Six months ended 30 June		Year ended
	2009	2008	31 December 2008
Earnings	£'000	£'000	£'000
Net profit attributable to equity holders of the parent			
Adjustments to exclude loss for the period from discontinued operations			
Earnings from continuing operations for the purpose of basic earnings per share excluding discontinued operations			
Effect of dilutive potential ordinary shares:			
Interest on convertible loan notes (net of tax)			
Earnings from continuing operations for the purpose of diluted earnings per share excluding discontinued operations			

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

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

IAS 34.16(c) **11. Property, plant and equipment**

IAS 34.17(d) During the period, the Group spent approximately £_million on the final stage of construction of its new office premises and on additions to the manufacturing plant in [ ] to upgrade its manufacturing capabilities.

The Group also disposed of certain machinery and tools with carrying amounts of £_million for proceeds of £_million.

IAS 34.16(e) **12. Bank overdrafts and loans**

Additional loans of £_million were drawn down under the Group's existing loan facility partly to fund the acquisition of [name of company].

Repayments of other bank loans amounting to £_million were made during the period, in line with previously disclosed repayment terms.

As previously disclosed, the Group's principal debt facilities (totalling £_million) are provided by a syndicate of banks and expire between 2012 and 2015.

IAS 34.16(e) **13. Share capital**

Share capital as at 30 June 2009 amounted to £_million. During the period, the Group issued _ shares as part of a capitalisation issue to its shareholders. The capitalisation issue increased the number of shares in issue from _ to _ without a corresponding change in resources.

IAS 34.16(i) **14. Disposal of subsidiary**

As referred to in note 8, on [date] 2009 the Group disposed of its interest in [name of subsidiary].

The net assets of [name of subsidiary] at the date of disposal, at 30 June 2008 and at 31 December 2008 were as follows:

	[Date] 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
Property, plant and equipment			
Inventories			
Trade receivables			
Cash and cash equivalents			
Retirement benefit obligation			
Deferred tax liability			
Current tax liability			
Trade payables			
Bank overdraft			
Attributable goodwill			
Gain on disposal			
Total consideration			
Satisfied by:			
Cash			
Deferred consideration			

The deferred consideration will be settled in cash by the purchaser on or before [date].

The impact of [name of subsidiary] on the Group's results in the current and prior periods is disclosed in note 8.

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

IAS 34.16(i)

15. Assets held for sale

On [date] the board resolved to dispose of the Group's [ ] operations and negotiations with several interested parties have subsequently taken place. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the balance sheet. The operations are included in [Activity C] in the segmental analysis in note 3. The proceeds of disposal are expected substantially to exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	30 June 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
Goodwill			
Property, plant and equipment			
Inventories			
Trade and other receivables			
Cash and cash equivalents			
Total assets classified as held for sale			
Trade and other payables			
Tax liabilities			
Bank overdrafts and loans			
Total liabilities associated with assets classified as held for sale			
Net assets of disposal group			

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

IAS 34.16(i)

16. Acquisition of subsidiary

On [date], the Group acquired 100 per cent of the issued share capital of [name of company] for cash consideration of £_million. [Name of company] is the parent company of a group of companies involved in [Activity C]. This transaction has been accounted for using the purchase method of accounting.

	Book value £'000	Fair value £'000
Net assets acquired		
Property, plant and equipment		
Deferred tax assets		
Inventories		
Trade and other receivables		
Cash and cash equivalents		
Trade and other payables		
Current tax liabilities		
Bank loans		
Deferred tax liabilities		
Contingent liabilities		
[Specify other classes as necessary]		
Goodwill		
Total consideration		
Satisfied by:		
Cash		
Directly attributable costs		
[Describe other consideration]		
Net cash outflow arising on acquisition		
Cash consideration		
Cash and cash equivalents acquired		

The goodwill arising on the acquisition of [name of company] is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

[Name of company] contributed £_million revenue and £_million to the Group's profit before tax for the period between the date of acquisition and 30 June 2009.

If the acquisition of [name of company] had been completed on the first day of the current period, Group revenues for the period would have been £_million and Group profit attributable to equity holders of the parent would have been £_million.

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

17. Notes to the cash flow statement

	Six months ended 30 June		Year ended
	2009	2008	31 December 2008
	£'000	£'000	£'000
Profit for the year			
Adjustments for:			
Share of profit of associates			
Investment revenues			
Other gains and losses			
Finance costs			
Income tax expense			
Gain on disposal of discontinued operations			
Depreciation of property, plant and equipment			
Impairment loss on fixtures and equipment			
Amortisation of intangible assets			
Impairment of goodwill			
Share-based payment expense			
(Increase)/decrease in fair value of investment property			
Gain on disposal of property, plant and equipment			
Increase/(decrease) in provisions			
Operating cash flows before movements in working capital			
Decrease/(increase) in inventories			
Decrease/(increase) in receivables			
Increase/(decrease) in payables			
Cash generated by operations			
Income taxes paid			
Interest paid			
Net cash from operating activities			

Additions to fixtures and equipment during the period amounting to £_million were financed by new finance leases. Additions of £_million in the six months ended 30 June 2009 were acquired on deferred payment terms, and were settled in the current period.

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

IAS 34.16(j)

18. Contingent liabilities

During the reporting period, a customer of the Group instigated proceedings against it for alleged defects in an electronic product which, it is claimed, were the cause of a major fire in the customer's premises on [date]. Total losses to the customer have been estimated at £_million and this amount is being claimed from the Group.

The Group's lawyers have advised that they do not consider that the suit has merit, and they have recommended that it be contested. No provision has been made in the condensed set of financial statements as the Group's management do not consider that there is any probable loss.

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

IAS 34.16(c)

19. Share-based payments

On [date] 2009, the Group re-priced certain of its outstanding share options. The strike price was reduced from [ ] to the then current market price of [ ]. The incremental fair value of £_ will be expensed over the remaining vesting period of two years. The Group used the inputs as previously published to measure the fair value of the share options immediately before and after the re-pricing.

IAS 34.16(d)

20. Retirement benefit schemes

Defined benefit schemes

The defined benefit obligation as at 30 June 2009 is calculated on a year-to-date basis, using the latest actuarial valuation as at 31 December 2008. There have not been any significant fluctuations or one-time events since that time that would require adjustment to the actuarial assumptions made at 31 December 2008.

The defined benefit plan assets have been updated to reflect their market value as at the 30 June 2009. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the Statement of Comprehensive Income in accordance with the Group's accounting policy.

IAS 34.16(h)

21. Events after the balance sheet date

On [date] the premises of [name of subsidiary] were seriously damaged by fire. Insurance claims have been put in hand but the cost of refurbishment is currently expected to exceed these by £_million.

Notes to the condensed set of financial statements (continued)
Six months ended 30 June 2009

IAS 34.17(j)

22. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates are disclosed below.

Trading transactions

During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

Six months ended 30 June	Sales of goods 2009 '000	Purchase of goods 2009 '000	Amounts owed by related parties 2009 '000	Amounts owed to related parties 2009 '000
X Holdings				
Associates				

Six months ended 30 June	Sales of goods 2008 '000	Purchase of goods 2008 '000	Amounts owed by related parties 2008 '000	Amounts owed to related parties 2008 '000
X Holdings				
Associates				

Year ended 31 December	Sales of goods 2008 '000	Purchase of goods 2008 '000	Amounts owed by related parties 2008 '000	Amounts owed to related parties 2008 '000
X Holdings				
Associates				

X Holdings is a related party of the Group because [give reason].

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

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Appendix 2

Half-yearly financial report disclosure checklist

This checklist contains the disclosure and reporting requirements for half-yearly financial reports for listed companies reporting under IFRS for periods beginning on or after 1 January 2009. Consistent with the illustrative half-yearly financial report in Appendix 1, it notes the disclosures required by the Disclosure and Transparency Rules (DTR) for half-yearly financial reports and those required by IAS 34 "Interim Financial Reporting" (as revised for the adoption of IAS 1 "Presentation of Financial Statements" (revised 2007) and IFRS 8 "Operating Segments" both of which are effective for periods beginning on or after 1 January 2009). The checklist focuses on content and the mechanics of reporting. It does not discuss the basis of preparation or measurement.

The DTR requirements for half-yearly financial reports apply to all UK entities, which have shares or retail debt[25] securities admitted to trading on a regulated market[26]. Some exemptions are available in section DTR 4.4 and those relating to half-yearly financial reports are included in section 1 of this checklist.

		Reference	Yes/No/N/a
1	**Exemptions from rules on half-yearly financial reports**		
1.1	Public sector issuers	DTR 4.4.1	
	The rules on half-yearly financial reports (DTR 4.2) do not apply to a state, a regional or local authority of a state, a public international body of which at least one EEA State is a member, the ECB and EEA States' national central banks.		
1.2	Debt issuers	DTR 4.4.2	
	The rules on half-yearly financial reports (DTR 4.2) do not apply to an issuer that issues exclusively debt securities admitted to trading the denomination per unit of which is at least €50,000 (or an equivalent amount).		
	The rules on half-yearly financial reports (DTR 4.2) do not apply to a credit institution whose shares are not admitted to trading and which has, in a continuous or repeated manner, only issued debt securities provided that:	DTR 4.4.3	
	(a) the total nominal amount of all such debt securities remains below €100,000,000; and		
	(b) the credit institution has not published a prospectus in accordance with the Prospectus Directive.		
	The rules on half-yearly financial reports do not apply to an issuer already existing on 31 December 2003 which exclusively issue debt securities unconditionally and irrevocably guaranteed by the issuer's Home Member State or by a regional or local authority of that state, on a regulated market.	DTR 4.4.4	
	The rules on half-yearly financial reports do not apply to an issuer of debt securities which were admitted to the official list before 1 January 2005 until 2015.	DTR TP 1	
1.3	Issuers of convertible securities	DTR 4.4.5	
	The rules on half-yearly financial reports (DTR 4.2) do not apply to an issuer of transferable securities convertible into shares.		
1.4	Issuers of depository receipts	DTR 4.4.7	
	The rules on half-yearly financial reports (DTR 4.2) do not apply to an issuer of depository receipts.		

25 Retail debt is defined as debt with a denomination per unit of less than €50,000 (or an equivalent amount)

26 Regulated markets include the LSE main market, but exclude exchange regulated markets such as AIM and the Professional Securities Market

		Reference	Yes/No/N/a
1.5	Non-EEA States – Equivalence An issuer whose registered office is a non-EEA state whose relevant laws are considered equivalent by the FSA is exempted from the rules on half-yearly financial reports (DTR 4.2).	DTR 4.4.8	
2	**Mechanics of reporting**		
2.1	An entity must make public a half-yearly financial report covering the first six months of the financial year.	DTR 4.2.2(1)	
2.2	The half-yearly financial report must be made public as soon as possible, but no later than two months, after the end of the period to which the report relates.	DTR 4.2.2(2)	
2.3	The half-yearly financial report must remain available to the public for at least five years.	DTR 4.2.2(3)	
2.4	The half-yearly financial report must include: (a) a condensed set of financial statements (see sections 3 and 4 below); (b) an interim management report (see section 5 below); and (c) responsibility statements (see section 6 below).	DTR 4.2.3	
2.5	The required content of the half-yearly financial report must be communicated to the media in unedited full text.	DTR 6.3.5(1)	
2.6	The announcement relating to the publication of the half-yearly report must include an indication of which website the document is available.	DTR 6.3.5(2)	
3	**Condensed set of financial statements**	DTR 4.2.3(1)	
3.1	**If the entity is required to prepare consolidated accounts**, the condensed set of financial statements must be prepared in accordance with IAS 34 (see section 4 below).	DTR 4.2.4(1)	
3.2	**If the entity is not required to prepare consolidated accounts**, the condensed set of financial statements must contain, as a minimum the following: (a) a condensed balance sheet; (b) a condensed profit and loss account; and (c) explanatory notes on these accounts.	DTR 4.2.4(2)	
	The same principles for recognising and measuring as when preparing annual financial statements must be followed in preparing the condensed balance sheet and the condensed profit and loss account.	DTR 4.2.5(2)	
	The balance sheet and the profit and loss account must show each of the headings and subtotals included in the most recent annual financial statements of the entity.	DTR 4.2.5(3)	
	Additional line items must be included if, as a result of their omission, the half-yearly financial statements would give a misleading view of the assets, liabilities, financial position and profit or loss of the entity.	DTR 4.2.5(3)	
	Comparative information must be presented as follows: (a) comparative balance sheet as at the end of the immediate preceding financial year; and (b) from two years after 20 January 2007, comparative profit and loss account for the comparable period for the preceding financial year.[27]	DTR 4.2.5(4)	

27 In practice, this two year exemption could not be taken by UK companies as comparatives are required by IAS 34 and the ASB Statement, compliance with which is required to give a true and fair view in the half-yearly financial report as per DTR 4.2.10

		Reference	Yes/No/N/a
	Explanatory notes must include the following: (a) sufficient information to ensure the comparability of the condensed half-yearly financial statements with the annual financial statements; and (b) sufficient information and explanations to ensure a user's proper understanding of any material changes in amounts and of any developments in the half-year period concerned, which are reflected in the balance sheet and the profit and loss account.	DTR 4.2.5(5)	
3.3	The accounting policies and presentation applied to half-yearly figures must be consistent with those applied in the latest published annual accounts, except where the accounting policies and presentation are to be changed in the subsequent annual financial statements.	DTR 4.2.6	
	Where the accounting policies and presentation are to be changed in the subsequent annual financial statements, the new accounting policies and presentation should be followed in the condensed half-yearly financial statements. The changes and the reasons for the changes should be disclosed.	DTR 4.2.6(1)	
3.4	If the half-yearly financial report has been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information', the audit report or review report must be reproduced in full.	DTR 4.2.9(1)	
	If the half-yearly financial report has not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information', the entity must make a statement to this effect in its report.	DTR 4.2.9(2)	
4	**IAS 34 'Interim financial reporting'** **Entities which report under IFRS should prepare their condensed half-yearly financial statements in accordance with IAS 34.** **The requirements below are those that apply to condensed half-yearly financial statements. Should an entity choose to produce a complete set of half-yearly financial statements, all requirements of IFRSs apply in the same way as for annual financial statements, including the disclosure requirements.**	DTR 4.2.4(1)	
4.1	An interim report should include, at a minimum, the following components: (a) a condensed statement of financial position; (b) a condensed statement of comprehensive income, presented as either: (i) a condensed single statement; or (ii) a condensed separate income statement and a condensed statement of comprehensive income; (c) a condensed statement of changes in equity; (d) a condensed statement of cash flows; and (e) selected explanatory notes.	IAS 34.8	
	Use of the revised terminology for primary statements suggested by IAS1 is not mandatory, and it is likely that, at least in the short term, many UK companies will retain the more familiar terms 'balance sheet' and 'cash flow statement'.		
4.2	A half-yearly financial report should be prepared on a consolidated basis if the entity's most recent annual financial statements were consolidated statements.	IAS 34.14	

		Reference	Yes/No/N/a
	Condensed statement of financial position		
4.3	At a minimum, each of the headings and subtotals included in the entity's most recent annual financial statements should be included in the condensed statement of financial position.	IAS 34.10	
	Additional line items or notes should be included if their omission would make the condensed half-yearly financial statements misleading.	IAS 34.10	
4.4	The nature and amount of items affecting assets, liabilities and equity that are unusual because of their nature, size or incidence should be disclosed.	IAS 34.16(c)	
4.5	A statement of financial position should be presented as at the end of the current interim period.	IAS 34.20(a)	
	A comparative statement of financial position should be given as at the end of the preceding financial year.	IAS 34.20(a)	
	Entities whose business is highly seasonal are encouraged (but not required) to report financial information for the twelve months ending on the interim reporting date, and comparative information for the prior twelve month period.	IAS 34.21	
	Condensed statement of comprehensive income		
4.6	At a minimum, each of the headings and subtotals included in the entity's most recent annual financial statements should be included in the statement of comprehensive income.	IAS 34.10	
	Additional line items or notes should be included if their omission would make the condensed half-yearly financial statements misleading.	IAS 34.10	
4.7	The nature and amount of items affecting net income that are unusual because of their nature, size or incidence should be disclosed.	IAS 34.16(c)	
4.8	In the statement that presents the components of profit or loss for an interim period, an entity shall present basic and diluted earnings per share.	IAS 34.11	
	If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 (as revised in 2007), it presents basic and diluted earnings per share in that separate statement.	IAS 34.11A	
4.9	Statements of comprehensive income should be presented for the current interim period and cumulatively for the current financial year to date.	IAS 34.20(b)	
	Comparative statements of comprehensive income should be given for the comparable interim periods (current and year-to-date) of the preceding financial year.	IAS 34.20(b)	
	Entities whose business is highly seasonal are encouraged (but not required) to report financial information for the twelve months ending on the interim reporting date, and comparative information for the prior twelve month period, in addition to the information required by IAS 34.20(b).	IAS 34.21	
4.10	Items of income and expense should be measured and recognised on a basis consistent with that used in the preparation of the annual financial statements (the year-to-date method).	IAS 34.28	
	Condensed statement of changes in equity		
4.11	At a minimum, each of the headings and subtotals included in the entity's most recent annual financial statements should be included in the condensed statement of changes in equity.	IAS 34.10	
	Additional line items or notes should be included if their omission would make the condensed half-yearly financial statements misleading.	IAS 34.10	
4.12	The nature and amount of items affecting equity that are unusual because of their nature, size or incidence should be disclosed.	IAS 34.16(c)	

		Reference	Yes/No/N/a
4.13	A statement showing changes in equity should be presented cumulatively for the current financial year to date.	IAS 34.20(c)	
	A comparative statement should be given for the comparable year-to-date period of the preceding financial year.	IAS 34.20(c)	
	Entities whose business is highly seasonal are encouraged (but not required) to report financial information for the twelve months ending on the interim reporting date, and comparative information for the prior twelve month period.	IAS 34.21	
4.14	Changes in equity should be measured and recognised on a basis consistent with that used in the preparation of the annual financial statements (the year-to-date method).	IAS 34.28	
	Condensed statement of cash flows		
4.15	At a minimum, each of the headings and subtotals included in the entity's most recent annual financial statements should be included in the condensed statement of cash flows.	IAS 34.10	
	Additional line items or notes should be included if their omission would make the condensed half-yearly financial statements misleading.	IAS 34.10	
4.16	The nature and amount of items affecting cash flows that are unusual because of their nature, size or incidence should be disclosed.	IAS 34.16(c)	
4.17	A statement of cash flows should be presented cumulatively for the current financial year to date.	IAS 34.20(d)	
	A comparative statement should be given for the comparable year-to-date period in the preceding financial year.	IAS 34.20(d)	
	Entities whose business is highly seasonal are encouraged (but not required) to report financial information for the twelve months ending on the interim reporting date, and comparative information for the prior twelve month period.	IAS 34.21	
	Selected explanatory and other notes		
4.18	The interim report is intended to provide an update on the latest complete set of annual financial statements. Accordingly it focuses on new activities, events, transactions and circumstances that are significant to an understanding of the changes in financial position and performance of the entity.	IAS 34.6 IAS 34.15	
4.19	The information in the notes should normally be reported on a financial year-to-date basis.	IAS 34.16	
	If an entity reports on a quarterly basis, any events or transactions that are material to an understanding of the current interim period shall also be disclosed.		
4.20	A statement should be included that the same accounting policies and methods of computation are followed in the interim financial statements as in the most recent annual financial statements. If those policies or methods have been changed, a description of the nature and effect of the change should be included.	IAS 34.16(a)	
	Interim reports should be prepared using the same accounting policies and principles for recognising assets, liabilities, income and expense as applied in the latest published annual accounts, except where the accounting policies and principles are to be changed in the subsequent annual financial statements.	IAS 34.28 IAS 34.29	
	A change in accounting policy, other than one for which the transition is specified by a new Standard or Interpretation, shall be reflected by restating the financial statements of prior interim periods of the current financial year and the comparable interim periods of any prior financial years included.	IAS 34.43(a)	
4.21	Where full year comparatives are provided, a statement is required to satisfy section 240 of the Companies Act 1985 regarding the publication of non-statutory accounts, stating:	CA85 s240 CA85 s237	
	(a) that the accounts are not the entity's statutory accounts;		
	(b) whether statutory accounts, dealing with the financial year with which the non-statutory accounts purport to deal, have been delivered to the Registrar of Companies;		

		Reference	Yes/No/N/a
	(c) whether the auditors have made a report under section 235 the entity's statutory accounts for any such financial year; and (d) whether this audit report was qualified or unqualified, or included a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report or contained a statement under section 237(2) or 237(3) of Companies Act 1985 (i.e. the accounting records or returns were inadequate, or the accounts do not agree with records or returns, or there has been a failure to obtain necessary information and explanations).		
	The references to Companies Act 1985 remain valid when the previous year's annual report was prepared under the requirements of that Act. In subsequent years, these references will be replaced by sections 435, 498(2) and (3) of Companies Act 2006.	CA2006 s435 CA2006 s498	
	For example: The information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.		
4.22	Explanatory comments about the seasonality or cyclicality of the interim operations should be given.	IAS 34.16(b)	
4.23	The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year should be disclosed. Additionally, changes in estimates of amounts reported in prior financial years should be disclosed, if those changes have a material effect in the current interim period.	IAS 34.16(d)	
4.24	Information about issuances, repurchases and repayments of debt and equity securities should be given.	IAS 34.16(e)	
4.25	Dividends paid (aggregate or per share) should be disclosed separately for ordinary shares and other shares.	IAS 34.16(f)	
4.26	If the entity is required to comply with IFRS 8 *Operating Segments* in its annual financial statements the following segment information should be disclosed: (i) revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker; (ii) intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker; (iii) a measure of segment profit or loss; (iv) total assets for which there has been a material change from the amount disclosed in the last annual financial statements; (v) a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss; and (vi) a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.	IAS 34.16(g)	
	If an entity changes the structure of its internal organisation in a manner that causes the composition of its reportable segments to change, the corresponding information for earlier interim periods shall be restated, unless the information is not available and the cost to develop it would be excessive.	IFRS 8.29	

		Reference	Yes/No/N/a
	Following a change in the composition of its reportable segments, an entity shall:	IFRS 8.29	
	• disclose whether it has restated the corresponding items of segment information for earlier interim periods; and		
	• if segment information for earlier periods is not restated, disclose in the year in which the change occurs segment information for the current period on both the old basis and the new basis of segmentation.	IFRS 8.30	
4.27	Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period should be disclosed.	IAS 34.16(h)	
4.28	The effect of changes in the composition of the entity during the interim period should be disclosed, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinued operations.	IAS 34.16(i)	
	In the case of business combinations, the disclosures required by IFRS 3 should be given as follows:		
	An acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that were effected:	IFRS 3.66	
	(a) during the period; and		
	(b) after the balance sheet date but before the financial statements are authorised for issue.		
	Note: Paragraphs 67 to 71 of IFRS 3, as below, specify the minimum disclosures to satisfy the requirement in IFRS 3.66.		
	The entity shall disclose the following information for each business combination that was effected during the period (or in aggregate for business combinations effected during the reporting period that are individually immaterial):	IFRS 3.68	
	(a) the names and descriptions of the combining entities or businesses;	IFRS 3.67(a)	
	(b) the acquisition date;	IFRS 3.67(b)	
	(c) the percentage of voting equity instruments acquired;	IFRS 3.67(c)	
	(d) the cost of the combination and a description of the components of that cost, including any costs directly attributable to the combination.	IFRS 3.67(d)	
	When equity instruments are issued or issuable as part of the cost, the following shall also be disclosed:		
	(i) the number of equity instruments issued or issuable;		
	(ii) the fair value of those instruments and the basis for determining that fair value;		
	(iii) if a published price does not exist for the instruments at the date of exchange, the significant assumptions used to determine fair value shall be disclosed;		
	(iv) if a published price exists at the date of exchange but was not used as the basis for determining the cost of the combination, the entity shall disclose:		
	• that fact;		
	• the reasons the published price was not used;		
	• the method and significant assumptions used to attribute a value to the equity instruments; and		
	• the aggregate amount of the difference between the value attributed to, and the published price of, the equity instruments;		

	Reference	Yes/No/N/a
(e) details of any operations the entity has decided to dispose of as a result of the combination;	IFRS 3.67(e)	
(f) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities; and:	IFRS 3.67(f)	
(i) the carrying amounts of each of those classes, determined in accordance with IFRSs, immediately before the combination, unless disclosure would be impracticable;		
(ii) if such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case;		
(g) the amount recognised in profit or loss relating to any excess of the entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost; and the line item in the income statement in which the excess is recognised;	IFRS 3.67(g)	
(h) a description of the factors that contributed to a cost that results in the recognition of goodwill, including:	IFRS 3.67(h)	
(i) a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably; or	IFRS 3.67(i)	
(ii) a description of the nature of the amount recognised in profit or loss relating to any excess of the entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost;		
(i) the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period, unless disclosure would be impracticable. If such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.		
If the initial accounting for a business combination that was effected during the period was determined only provisionally, the entity shall disclose that fact together with an explanation of why this is the case.	IFRS 3.69	
Where practicable, the entity shall disclose:	IFRS 3.70	
(a) the revenue of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of that period;		
(b) the profit or loss of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period.		
If disclosure of this information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.		
Where practicable, the entity shall disclose the information required by IFRS 3.67 (see above) for each business combination effected after the balance sheet date but before the financial statements are authorised for issue.	IFRS 3.71	
If disclosure of any of that information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.		
The entity shall disclose information that enables users of its financial statements to evaluate the financial effects of gains, losses, error corrections and other adjustments recognised in the current period that relate to business combinations that were effected in the current or in previous periods.	IFRS 3.72	

		Reference	Yes/No/N/a
	Note: IFRS 3.73, as below, specifies the minimum disclosures to satisfy the requirement in IFRS 3.72.		
	The acquirer shall disclose the following information:		
	(a) the amount and an explanation of any gain or loss recognised in the current period that:	IFRS 3.73(a)	
	(i) relates to the identifiable assets acquired or liabilities or contingent liabilities assumed in a business combination that was effected in the current or a previous period; and		
	(ii) is of such size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance;		
	(b) if the initial accounting for a business combination that was effected in the immediately preceding period was determined only provisionally at the end of that period, the amounts and explanations of the adjustments to the provisional values recognised during the current period.	IFRS 3.73(b)	
	(c) the information about error corrections required to be disclosed by IAS 8 for any of the acquiree's identifiable assets, liabilities or contingent liabilities, or changes in the values assigned to those items, that the entity recognises during the current period in accordance with paragraphs 63 and 64.	IFRS 3.73(c)	
4.29	Changes in contingent liabilities or contingent assets since the last annual balance sheet date should be disclosed.	IAS 34.16(j)	
4.30	The compliance with IAS 34 should be stated.	IAS 34.19	
5	**Interim management report**	DTR 4.2.3(2)	
5.1	The interim management report must include at a minimum:	DTR 4.2.7	
	(a) an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements; and		
	(b) a description of the principal risks and uncertainties for the remaining six months of the financial year.		
	Where the principal risks and uncertainties faced at the time of the last annual report remain valid for the purposes of the Interim Management Report, the FSA has indicated that it is acceptable to:	List! Issue No. 18 March 2008	
	• state that the principal risks and uncertainties have not changed;		
	• provide a summary of those principal risks and uncertainties; and		
	• include a cross-reference to where a detailed explanation of the principal risks and uncertainties can be found in the annual report.		
	If the risk and uncertainties have changed since the annual report, the entity should describe the new principal risks and uncertainties in the interim management report.		
5.2	**If the entity has listed shares**, the following information must be disclosed in the interim management report, at a minimum:	DTR 4.2.8(1)	
	(a) related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the group during the period; and		
	(b) any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the group in the first six months of the current financial year.		

		Reference	Yes/No/N/a
5.3	**If the entity has listed shares but is not required to prepare consolidated accounts**, it must disclose, at a minimum, any transactions which have been entered into with related parties by the entity, if such transactions are material and have not been concluded under normal market conditions. Information to be disclosed includes the amount of such transactions, the nature of the related party relationship and other information about the transactions necessary for an understanding of the financial position of the entity.	DTR 4.2.8(2)	
	Information about such related party transactions may be aggregated according to their nature except where separate information is necessary for an understanding of the effects of related party transactions on the financial position of the entity.	DTR 4.2.8(3)	
6	**Responsibility statements**	DTR 4.2.3(3)	
6.1	Responsibility statements must be made by the persons responsible within the entity.	DTR 4.2.10(1)	
6.2	The name and function of any person who makes a responsibility statement must be clearly indicated in the responsibility statement.	DTR 4.2.10(2)	
6.3	For each person making a responsibility statement, the statement must confirm that to the best of his or her knowledge: (a) the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R; (b) the interim management report includes a fair review of the information required by DTR 4.2.7R; and (c) if the entity has listed shares, the interim management report includes a fair review of the information required by DTR 4.2.8R.	DTR 4.2.10(3)	
6.4	A person making a responsibility statement will satisfy the requirement in 6.3(a) above to confirm that the condensed set of financial statements gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer (or the undertakings included in the consolidation as a whole) by including a statement that the condensed set of financial statements have been prepared in accordance with: (a) IAS 34; or (b) for UK issuers not using IFRS, pronouncements on interim reporting issued by the Accounting Standards Board; or (c) for all other issuers not using IFRS, a national accounting standard relating to interim reporting, provided always that a person making such a statement has reasonable grounds to be satisfied that the condensed set of financial statements prepared in accordance with such a standard is not misleading.	DTR 4.2.10(4)	

How can we help?

Deloitte would be pleased to advise on specific application of the principles set out in this publication. Professional advice should be obtained as this general advice cannot be relied upon to cover specific situations; application will depend on the particular circumstances involved. If you would like further, more detailed information or advice, or would like to meet with us to discuss your half-yearly reporting issues, please contact your local Deloitte partner or:

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Please also refer to the Corporate Governance section of our website www.deloitte.co.uk

Acronyms explained

AIC	Association of Investment Companies
AIM	Alternative Investment Market
APB	Auditing Practices Board
ASB	Accounting Standards Board
DTR	Disclosure and Transparency Rules
EPS	Earnings per share
FRRP	Financial Reporting Review Panel
FSA	Financial Services Authority
GAAP	Generally Accepted Accounting Practice
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	Title of interpretations developed by the International Financial Reporting Interpretations Committee of the IASB
IFRS	International Financial Reporting Standard
IMR	Interim Management Review
IMS	Interim Management Statement
KPI	Key Performance Indicator
LSE	London Stock Exchange
PSM	Professional Securities Market
RIS	Regulated Information Service
RMSF	Reconciliation of movements in shareholders' funds
SOCIE	Statement of changes in equity
SORIE	Statement of recognised income and expense
UKLA	UK Listing Authority

Notes

Notes

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