



# IFRS Example Consolidated Financial Statements 2017

with guidance notes



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### Important Disclaimer:

This document has been developed as an information resource. It is intended as a guide only and the application of its contents to specific situations will depend on the particular circumstances involved. While every care is taken in its presentation, personnel who use this document to assist in evaluating compliance with International Financial Reporting Standards should have sufficient training and experience to do so. No person should act specifically on the basis of the material contained herein without considering and taking professional advice.

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# Introduction

## IFRS Example Consolidated Financial Statements 2017

The preparation of financial statements in accordance with International Financial Reporting Standards ('IFRS') is challenging. Each year, new Standards and amendments are published by the International Accounting Standards Board ('IASB') with the potential to significantly impact the presentation of a complete set of financial statements.

The member firms of Grant Thornton International Ltd ('GTIL') have extensive expertise in the application of IFRS. GTIL, through its IFRS Team, develops general guidance that supports its member firms' commitment to high quality, consistent application of IFRS and is therefore pleased to share these insights by publishing 'IFRS Example Consolidated Financial Statements 2017' ('Example Financial Statements').

The Example Financial Statements are based on the activities and results of Illustrative Corporation and its subsidiaries ('the Group') – a fictional consulting, service and retail entity that has been preparing IFRS financial statements for several years. The form and content of IFRS financial statements depend on the activities and transactions of each reporting entity. Our objective in preparing the Example Financial Statements is to illustrate one possible approach to financial reporting by an entity engaging in transactions that are typical across a range of non-specialist sectors. However, as with any example, this illustration does not envisage every possible transaction and therefore cannot be regarded as comprehensive. Management is responsible for the fair presentation of financial statements and therefore may find other approaches more appropriate for its specific circumstances.

The Example Financial Statements have been updated to reflect changes in IFRS that are effective for the year ending 31 December 2017. Further, they reflect Illustrative Corporation's decision to early adopt IFRS 15 'Revenue from Contracts with Customers' and 'Clarifications to IFRS 15'. No account has been taken of any new developments after **31 October 2017**.

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### Using the Example Financial Statements

The Appendices illustrate an alternative presentation of the statement of profit or loss and the statement of comprehensive income and contain an overview of effective dates of new Standards.

For guidance on the Standards and Interpretations applied, reference is made to IFRS sources throughout the Example Financial Statements on the left hand side of each page.

The Example Financial Statements do not address any jurisdictional or regulatory requirements in areas such as management commentary, remuneration reporting or audit reporting. They also do not take into account any specific economic situations around the world. However, companies in the UK and Europe in particular should consider the impact of the UK's decision in June 2016 to leave the European Union.

Most importantly, the Example Financial Statements are not to be used as a disclosure checklist as facts and circumstances vary between entities and each entity should assess individually which information to disclose in their financial statements.

### Grant Thornton International Ltd

December 2017

**‘Most importantly, the Example Financial Statements are not to be used as a disclosure checklist as facts and circumstances vary between entities and each entity should assess individually which information to disclose in their financial statements.’**

# IFRS Example Consolidated Financial Statements

Illustrative Corporation Group  
31 December 2017



# Consolidated statement of financial position

(expressed in thousands of Euroland currency units, except per share amounts)

| IAS 1.51(c)<br>IAS 1.51(d-e) | Notes   | 31 Dec<br>2017 | 31 Dec<br>2016 | 1 Jan<br>2016  |
|------------------------------|---|----------------|----------------|----------------|
| <b>Assets</b>                |   |                |                |                |
| <b>Non-current</b>           |   |                |                |                |
| IAS 1.60<br>IAS 1.66-67      |   |                |                |                |
| IAS 1.55                     | Goodwill  | 10             | 5,041          | 3,537          |
| IAS 1.54(c)                  | Other intangible assets                                       | 11             | 17,424         | 13,841         |
| IAS 1.54(a)                  | Property, plant and equipment                                 | 12             | 22,199         | 20,397         |
| IAS 1.54(e)                  | Investments accounted for using the equity method             | 7              | 860            | 467            |
| IAS 1.54(b)                  | Investment property   | 14             | 12,662         | 12,277         |
| IAS 1.55                     | Other long-term assets  | 8              | 163            | 160            |
| IAS 1.54(c)                  | Other long-term financial assets                              | 15.1           | 3,765          | 3,880          |
| IAS 1.54(o)<br>IAS 1.56      | Deferred tax assets   | 16             | -              | 905            |
|                              | <b>Non-current assets</b>                                     |                | <b>62,114</b>  | <b>55,464</b>  |
| <b>Current</b>               |   |                |                |                |
| IAS 1.60<br>IAS 1.66         |   |                |                |                |
| IFRS 5.38<br>IAS 1.54(j)     | Assets included in disposal group classified as held for sale | 20             | 103            | 3,908          |
| IAS 1.54(g)                  | Inventories   | 17             | 18,298         | 17,226         |
| IAS 1.55                     | Prepayments and other short-term assets                       | 8              | 406            | 422            |
| IAS 1.54(h)                  | Trade and other receivables                                   | 18             | 33,059         | 24,824         |
| IAS 1.54(d)<br>IAS 1.55      | Derivative financial instruments                              | 15.5           | 582            | 212            |
| IAS 1.54(d)                  | Other short-term financial assets                             | 15.1           | 655            | 649            |
| IAS 1.54(i)                  | Cash and cash equivalents                                     | 19             | 34,729         | 11,197         |
|                              | <b>Current assets</b>   |                | <b>87,832</b>  | <b>58,438</b>  |
| IAS 1.55                     | <b>Total assets</b>   |                | <b>149,946</b> | <b>113,902</b> |
|                              |   |                |                | <b>100,427</b> |

## Guidance note:

The Example Financial Statements use the terminology in IAS 1 'Presentation of Financial Statements'. However an entity may use other titles (eg 'balance sheet' instead of 'statement of financial position') for the statements identified in IAS 1 (IAS 1.10).

IAS 1.38A requires an entity to present, at a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two statements of cash flows, two statements of changes in equity, and related notes. These statements and related notes should be prepared for the current period and prior period.

In addition, IAS 1.10(f) and IAS 1.40A require an entity to present a third statement of financial position as at the beginning of the preceding period if:

- it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in the financial statements and
- the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

An entity can also elect to include additional comparative information (such as a third statement of financial position) as long as that information is prepared in accordance with IFRS (IAS 1.38C). When the additional comparative information includes one or more of the statements identified in IAS 1.10, an entity must also present related note information.

In contrast, IAS 1.40C states that an entity that is required to present a third statement of financial position at the beginning of the preceding period does not need to present related notes for that statement.

In the current year, Illustrative Corporation Group has elected to include an opening statement of financial position, although not required to do so under IAS 1.40A. Accordingly, the Example Financial Statements also include the related notes as of 1 January 2016.

The statement of financial position reflects the separate classification of current and non-current assets and liabilities. When presentation based on liquidity is reliable and more relevant, the entity instead presents assets and liabilities in order of liquidity (IAS 1.60). Regardless of which method is used, the entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled within and after more than twelve months (IAS 1.61).

# Consolidated statement of financial position

(expressed in thousands of Euroland currency units, except per share amounts)

| IAS 1.51(c)<br>IAS 1.51(d-e)                        | Notes  | 31 Dec<br>2017 | 31 Dec<br>2016 | 1 Jan<br>2016  |                |
|---|--|----------------|----------------|----------------|----------------|
| <b>Equity and liabilities</b>                       |  |                |                |                |                |
| <b>Equity</b>                                       |  |                |                |                |                |
| <b>Equity attributable to owners of the parent:</b> |  |                |                |                |                |
| IAS 1.54(r)   | Share capital  | 21             | 13,770         | 12,000         | 12,000         |
| IAS 1.78(e)   | Share premium  | 21             | 19,645         | 3,050          | 3,050          |
| IAS 1.78(e)   | Other components of equity   | 21             | 2,381          | (716)          | 2,505          |
| IAS 1.54(r)   | Retained earnings  |                | 50,631         | 37,820         | 25,428         |
|   | <b>Equity attributable to owners of the parent</b>                 |                | <b>86,427</b>  | <b>52,154</b>  | <b>42,983</b>  |
| IAS 1.54(q)   | Non-controlling interest   |                | 713            | 592            | 476            |
| IAS 1.55  | <b>Total equity</b>  |                | <b>87,140</b>  | <b>52,746</b>  | <b>43,459</b>  |
| <b>Liabilities</b>                                  |  |                |                |                |                |
| <b>Non-current</b>                                  |  |                |                |                |                |
| IAS 1.60<br>IAS 1.69                                | Pension and other employee obligations                             | 22             | 10,386         | 13,642         | 8,932          |
| IAS 1.54(m)   | Borrowings   | 15.6           | 21,000         | 21,265         | 21,405         |
| IAS 1.54(k)   | Trade and other payables   | 24             | 4,060          | 4,459          | 4,765          |
| IAS 1.54(o)<br>IAS 1.56                             | Deferred tax liabilities   | 16             | 1,903          | -              | -              |
| IAS 1.55  | Other liabilities  | 25             | 2,020          | 1,500          | 1,600          |
|   | <b>Non-current liabilities</b>                                     |                | <b>39,369</b>  | 40,866         | 36,702         |
| <b>Current</b>                                      |  |                |                |                |                |
| IAS 1.60<br>IAS 1.69                                | Liabilities included in disposal group classified as held for sale | 20             | -              | 449            | -              |
| IAS 1.54(p)   | Provisions   | 23             | 1,215          | 3,345          | 4,400          |
| IAS 1.54(l)   | Pension and other employee obligations                             | 22.3           | 1,467          | 1,496          | 1,336          |
| IAS 1.54(m)   | Borrowings   | 15             | 4,815          | 3,379          | 3,818          |
| IAS 1.54(k)   | Trade and other payables   | 24             | 9,009          | 7,056          | 7,672          |
| IAS 1.54(n)   | Current tax liabilities  |                | 4,173          | 930            | 208            |
| IAS 1.54(m)   | Derivative financial instruments                                   | 15.5           | -              | 160            | -              |
| IAS 1.55  | Contract and other liabilities                                     | 25             | 2,758          | 3,475          | 2,832          |
|   | <b>Current liabilities</b>   |                | <b>23,437</b>  | 20,290         | 20,266         |
| IAS 1.55  | <b>Total liabilities</b>   |                | <b>62,806</b>  | <b>61,156</b>  | <b>56,968</b>  |
| IAS 1.55  | <b>Total equity and liabilities</b>                                |                | <b>149,946</b> | <b>113,902</b> | <b>100,427</b> |

# Consolidated statement of profit or loss

For the year ended 31 December  
(expressed in thousands of Euroland currency units, except per share amounts)

|                              | Notes   | 2017                | 2016          |
|------------------------------|---|---------------------|---------------|
| IAS 1.51(c)<br>IAS 1.51(d-e) |   |                     |               |
| IAS 1.82(a)                  | Revenue   | 8, 9 <b>205,793</b> | 191,228       |
| IAS 1.85                     | Other income  | <b>427</b>          | 483           |
| IAS 1.85                     | Changes in inventories  | <b>(7,923)</b>      | (6,815)       |
| IAS 1.85                     | Costs of material   | <b>(42,535)</b>     | (39,420)      |
| IAS 1.85                     | Employee benefits expense   | 22 <b>(113,809)</b> | (109,515)     |
| IAS 1.85                     | Change in fair value of investment property                       | 14 <b>310</b>       | 175           |
| IAS 1.85                     | Depreciation, amortisation and impairment of non-financial assets | <b>(7,932)</b>      | (6,816)       |
| IAS 1.85                     | Other expenses  | <b>(12,732)</b>     | (12,295)      |
|                              | <b>Operating profit</b>   | <b>21,559</b>       | <b>17,025</b> |
| IAS 1.82(c)                  | Share of profit from equity accounted investments                 | 7 <b>391</b>        | 141           |
| IAS 1.82(b)                  | Finance costs   | 27 <b>(1,490)</b>   | (1,886)       |
| IAS 1.85                     | Finance income  | 27 <b>994</b>       | 793           |
| IAS 1.85                     | Other financial items   | 28 <b>943</b>       | 1,182         |
|                              | <b>Profit before tax</b>  | <b>22,437</b>       | <b>17,255</b> |
| IAS 1.82(d)                  | Tax expense   | 29 <b>(6,794)</b>   | (4,888)       |
|                              | <b>Profit for the year from continuing operations</b>             | <b>15,643</b>       | <b>12,367</b> |
| IAS 1.82(ea)                 | Loss for the year from discontinued operations                    | 20 <b>(9)</b>       | (325)         |
| IAS 1.81A(a)                 | <b>Profit for the year</b>  | <b>15,634</b>       | <b>12,042</b> |
|                              | <b>Profit for the year attributable to:</b>                       |                     |               |
| IAS 1.81B(a)(i)              | Non-controlling interest  | <b>121</b>          | 116           |
| IAS 1.81B(a)(ii)             | Owners of the parent  | <b>15,513</b>       | 11,926        |
|                              |   | <b>15,634</b>       | <b>12,042</b> |
|                              | Notes   | 2017                | 2016          |
|                              | <b>Earnings per share</b>   |                     |               |
|                              | 30  |                     |               |
| IAS 33.67A                   | <b>Basic earnings (loss) per share</b>                            |                     |               |
| IAS 33.66                    | – From continuing operations                                      | <b>1.24</b>         | 1.02          |
| IAS 33.68A                   | – From discontinued operations                                    | <b>(0.00)</b>       | (0.03)        |
| IAS 33.66                    | Total   | <b>1.24</b>         | <b>0.99</b>   |
| IAS 33.67A                   | <b>Diluted earnings (loss) per share</b>                          |                     |               |
| IAS 33.66                    | – From continuing operations                                      | <b>1.24</b>         | 1.02          |
| IAS 33.68A                   | – From discontinued operations                                    | <b>(0.00)</b>       | (0.03)        |
| IAS 33.66                    | Total   | <b>1.24</b>         | <b>0.99</b>   |

## Guidance note

IAS 1 permits an entity to present a statement of profit or loss and comprehensive income as:

- a **single** statement with profit or loss and other comprehensive income presented in two sections, or
- **two** statements: a separate statement of profit or loss and a separate statement of comprehensive income. If so, the separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss (IAS 1.10A).

The Example Financial Statements illustrate a statement of profit or loss and comprehensive income in **two** statements. A single statement presentation is shown in Appendix B.

This statement of profit or loss illustrates an example of the 'nature of expense' method. See Appendix A for a format illustrating the 'function of expense' or cost of sales method.

There may be situations where additional line items, headings and subtotals need to be included. IAS 1.85 requires an entity to present such additional items (including the disaggregation of the line items listed in IAS 1.82) in the statements of profit or loss and other comprehensive income when such presentation is relevant to an understanding of the entity's financial performance.

IAS 1.85A requires any additional subtotals presented to be:

- comprised of line items made up of amounts recognised and measured in accordance with IFRS
- presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable
- consistent from period to period
- no more prominent than the subtotals and totals required in IFRS for the statement(s) presenting profit or loss and other comprehensive income.

This statement of profit or loss presents an operating profit subtotal, which is commonly seen but is not required or defined in IFRS. Where this subtotal is provided, the figure disclosed should include items that would normally be considered to be operating. It is inappropriate to exclude items clearly related to operations (eg inventory write-downs and restructuring and relocation expenses) on the basis that they do not occur regularly or are unusual in amount (IAS 1.BC56).

This statement of profit or loss includes an amount representing the entity's share of profit from equity accounted investments (after tax and, if applicable, non-controlling interest).



# Consolidated statement of comprehensive income

For the year ended 31 December  
(expressed in thousands of Euroland currency units, except per share amounts)

|                              | Notes   | 2017          | 2016           |
|------------------------------|---|---------------|----------------|
| IAS 1.51(c)<br>IAS 1.51(d-e) |   |               |                |
| IAS 1.81A(a)                 | <b>Profit for the year</b>  | <b>15,634</b> | <b>12,042</b>  |
|                              | <b>Other comprehensive income:</b>  |               |                |
| IAS 1.82A(a)(i)              | <b>Items that will not be reclassified subsequently to profit or loss</b> |               |                |
| IAS 16.77(f)                 | Revaluation of land   | 12            | 303            |
| IAS 19.120(c)                | Remeasurement of net defined benefit liability                            | 22            | 3,830          |
| IAS 1.90<br>IAS 1.91(b)      | Income tax relating to items not reclassified                             | 21.3          | (1,240)        |
| IAS 1.82A(a)(ii)             | <b>Items that will be reclassified subsequently to profit or loss</b>     |               |                |
|                              | Cash flow hedging   | 15            |                |
| IFRS 7.23(c)                 | - current year gains (losses)   |               | 367            |
| IAS 1.92<br>IFRS 7.23(d)     | - reclassification to profit or loss                                      |               | (47)           |
|                              | Available-for-sale financial assets                                       | 15            | 260            |
| IFRS 7.20(a)(ii)             | - current year gains (losses)   |               | (425)          |
| IFRS 7.20(a)(ii)<br>IAS 1.92 | - reclassification to profit or loss                                      |               | 113            |
| IAS 21.52(b)                 | Exchange differences on translating foreign operations                    |               | (50)           |
| IAS 1.82A(b)                 | Share of other comprehensive income of equity accounted investments       |               | (664)          |
| IAS 1.92                     | - reclassification to profit or loss                                      |               | 5              |
| IAS 1.90<br>IAS 1.91(b)      | Income tax relating to items that will be reclassified                    | 21.3          | (3)            |
| IAS 1.81A(b)                 | <b>Other comprehensive income for the year, net of tax</b>                | <b>3,097</b>  | <b>(3,221)</b> |
| IAS 1.81A(c)                 | <b>Total comprehensive income for the year</b>                            | <b>18,731</b> | <b>8,821</b>   |
|                              | <b>Total comprehensive income for the year attributable to:</b>           |               |                |
| IAS 1.81B(b)(i)              | Non-controlling interest  | 121           | 116            |
| IAS 1.81B(b)(ii)             | Owners of the parent  | 18,610        | 8,705          |
|                              |   | <b>18,731</b> | <b>8,821</b>   |

## Guidance note

IAS 1 requires the entity to disclose reclassification adjustments (amounts previously recognised in other comprehensive income that are reclassified to profit or loss) and related tax effects (IAS 1.90-1.92). The Example Financial Statements present reclassification adjustments and current year gains and losses relating to other comprehensive income in the statement of comprehensive income. An entity may instead present reclassification adjustments in the notes, in which case the components of other comprehensive income are presented after any related reclassification adjustments (IAS 1.94).

IAS 1.82A requires an entity to present line items of other comprehensive income for the period, classified by nature and grouped into those that (in accordance with other IFRS):

- will not be reclassified subsequently to profit or loss; and
- will be reclassified subsequently to profit or loss when specific conditions are met.

IAS 1.82A requires the share of the other comprehensive income of associates and joint ventures accounted for using the equity method to be classified and presented in the same way.

IAS 1.90 permits a choice for disclosure of the amount of income tax relating to each component of other comprehensive income. In this example the entity presents components of other comprehensive income before tax with one amount shown for the aggregate amount of income tax relating to all components of other comprehensive income (IAS 1.91(b)). When an entity selects this alternative, it must allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section.

Alternatively, an entity may present each component of other comprehensive income net of related tax effects (IAS 1.91(a)).

If the tax effect of each component of other comprehensive income is not presented in the statement of profit or loss and other comprehensive income, it is presented in the notes (IAS 1.90 - see Note 21.3).

# Consolidated statement of changes in equity

For the year ended 31 December  
(expressed in thousands of Euroland currency units, except per share amounts)

| IAS 1.51(c)<br>IAS 1.51(d-e)   | Notes  | Share capital | Share premium | Other components of equity | Retained earnings | Total attributable to owners of parent | Non-controlling interest | Total equity  |
|--------------------------------|--|---------------|---------------|----------------------------|-------------------|--|--------------------------|---------------|
| IAS 1.106(d)                   | <b>Balance at 1 January 2017</b>                             | <b>12,000</b> | <b>3,050</b>  | <b>(716)</b>               | <b>37,820</b>     | <b>52,154</b>                          | <b>592</b>               | <b>52,746</b> |
|                                | Dividends  | 30            | -             | -                          | (3,000)           | (3,000)                                | -                        | (3,000)       |
|                                | Issue of share capital on exercise of employee share options | 22.2          | 270           | 1,415                      | -                 | 1,685                                  | -                        | 1,685         |
|                                | Employee share-based compensation                            | 22.2          | -             | -                          | 298               | 298                                    | -                        | 298           |
|                                | Issue of share capital on private placement                  | 21            | 1,500         | 15,180                     | -                 | 16,680                                 | -                        | 16,680        |
| IAS 1.106(d)(iii)              | Transactions with owners                                     | 1,770         | 16,595        | -                          | (2,702)           | 15,663                                 | -                        | 15,663        |
| IAS 1.106(d)(i)                | Profit for the year  | -             | -             | -                          | 15,513            | 15,513                                 | 121                      | 15,634        |
| IAS 1.106(d)(ii)<br>IAS 1.106A | Other comprehensive income                                   | 21.3          | -             | 3,097                      | -                 | 3,097                                  | -                        | 3,097         |
| IAS 1.106(a)                   | Total comprehensive income for the year                      | -             | -             | 3,097                      | 15,513            | 18,610                                 | 121                      | 18,731        |
|                                | <b>Balance at 31 December 2017</b>                           | <b>13,770</b> | <b>19,645</b> | <b>2,381</b>               | <b>50,631</b>     | <b>86,427</b>                          | <b>713</b>               | <b>87,140</b> |
| IAS 1.106(d)                   | <b>Balance at 1 January 2016</b>                             | <b>12,000</b> | <b>3,050</b>  | <b>2,505</b>               | <b>25,428</b>     | <b>42,983</b>                          | <b>476</b>               | <b>43,459</b> |
|                                | Employee share-based compensation                            | 22.2          | -             | -                          | 466               | 466                                    | -                        | 466           |
| IAS 1.106(d)(iii)              | Transactions with owners                                     | -             | -             | -                          | 466               | 466                                    | -                        | 466           |
| IAS 1.106(d)(i)                | Profit for the year  | -             | -             | -                          | 11,926            | 11,926                                 | 116                      | 12,042        |
| IAS 1.106(d)(ii)<br>IAS 1.106A | Other comprehensive income                                   | 21.3          | -             | (3,221)                    | -                 | (3,221)                                | -                        | (3,221)       |
| IAS 1.106(a)                   | Total comprehensive income for the year                      | -             | -             | (3,221)                    | 11,926            | 8,705                                  | 116                      | 8,821         |
|                                | <b>Balance at 31 December 2016</b>                           | <b>12,000</b> | <b>3,050</b>  | <b>(716)</b>               | <b>37,820</b>     | <b>52,154</b>                          | <b>592</b>               | <b>52,746</b> |

## Guidance note

IAS 1.106 provides a list of items to be presented in the statement of changes in equity. Entities may present the required reconciliations for each component of other comprehensive income either in

- the statement of changes in equity or
- the notes to the financial statements (IAS 1.106A).

The Example Financial Statements present the reconciliations for each component of other comprehensive income in the notes to the financial statements (see Note 21.3). This reduces duplicated disclosures and allows the overall changes in equity to be presented more clearly in the statement of changes in equity.

IFRS 2 'Share-based Payment' requires an entity to recognise equity-settled share-based payment transactions as changes in equity but does not specify how this is presented, ie in a separate reserve within equity or within retained earnings. In our view, either approach is allowed under IFRS (although this may be subject to local regulations in some jurisdictions). In the Example Financial Statements, the changes in equity are credited to retained earnings.

# Consolidated statement of cash flows

For the year ended 31 December  
(expressed in thousands of Euroland currency units, except per share amounts)

| IAS 1.51(c)<br>IAS 1.51(d-e) | Notes  | 2017             | 2016            |
|------------------------------|--|------------------|-----------------|
| IAS 7.10                     | <b>Operating activities</b>  |                  |                 |
|                              | Profit before tax  | 22,437           | 17,255          |
|                              | Non-cash adjustments   | 31 7,937         | 8,053           |
|                              | Contributions to defined benefit plans                                   | (1,186)          | (1,273)         |
|                              | Net changes in working capital   | 31 (9,342)       | 3,914           |
|                              | Settling of derivative financial instruments                             | (33)             | 716             |
| IAS 7.35                     | Taxes reclaimed (paid)   | 6,149            | (7,229)         |
|                              | Net cash from continuing operations                                      | 25,962           | 21,436          |
| IFRS 5.33(c)                 | Net cash from (used in) discontinued operations                          | 20 (22)          | 811             |
|                              | <b>Net cash from operating activities</b>                                | <b>25,940</b>    | <b>22,247</b>   |
| IAS 7.10                     | <b>Investing activities</b>  |                  |                 |
|                              | Purchase of property, plant and equipment                                | (76)             | (3,281)         |
|                              | Proceeds from disposal of property, plant and equipment                  | 86               | -               |
|                              | Purchase of other intangible assets                                      | (3,746)          | (4,459)         |
|                              | Proceeds from disposal of other intangible assets                        | 809              | -               |
|                              | Acquisition of subsidiaries, net of cash acquired                        | 5 (15,491)       | (12,075)        |
| IAS 7.39                     | Proceeds from sale of subsidiaries, net of cash sold                     | 6.3 3,117        | -               |
|                              | Proceeds from disposal and redemption of non-derivative financial assets | 228              | 73              |
| IAS 7.31                     | Interest received  | 27 745           | 447             |
| IAS 7.31                     | Dividends received   | 27 69            | 21              |
| IAS 7.35                     | Taxes paid   | (244)            | (140)           |
|                              | <b>Net cash used in investing activities</b>                             | <b>(14,503)</b>  | <b>(19,414)</b> |
| IAS 7.10                     | <b>Financing activities</b>  |                  |                 |
|                              | Proceeds from borrowings   | 1,441            | -               |
|                              | Repayment of borrowings  | (3,778)          | (649)           |
|                              | Proceeds from issue of share capital                                     | 18,365           | -               |
| IAS 7.31                     | Interest paid  | 27 (1,015)       | (995)           |
| IAS 7.31                     | Dividends paid   | 30 (3,000)       | -               |
|                              | <b>Net cash from (used in) financing activities</b>                      | <b>12,013</b>    | <b>(1,644)</b>  |
| IAS 7.45                     | <b>Net change in cash and cash equivalents</b>                           | <b>23,450</b>    | <b>1,189</b>    |
|                              | Cash and cash equivalents, beginning of year                             | 11,219           | 9,987           |
| IAS 7.28                     | Exchange differences on cash and cash equivalents                        | 61               | 43              |
|                              | <b>Cash and cash equivalents, end of year</b>                            | <b>34,729</b>    | <b>11,219</b>   |
|                              | Cash and cash equivalents included in disposal group                     | 20 -             | (22)            |
| IAS 7.45                     | <b>Cash and cash equivalents for continuing operations</b>               | <b>19 34,729</b> | <b>11,197</b>   |

# Notes to the IFRS Example Consolidated Financial Statements

Illustrative Corporation Group  
For the year ended 31 December 2017  
(expressed in thousands of Euroland currency units,  
except per share amounts)

## Guidance note

IAS 1 sets out the basic principles governing the form and content of financial statements and related notes. The notes shall be presented in a systematic manner, and disclose information about the specific accounting policies used, the basis of preparation of the financial statements, and any other information either required by other IFRS, or necessary to the understanding of the statements (IAS 1.113 and IAS 1.117).

An entity applies materiality when preparing the financial statements, and there is no need to disclose immaterial information even when it is explicitly required by an IFRS (IAS 1.31). Entities apply their judgement when determining the best way to present the notes to the financial statements and should consider how their decisions impact the understandability and comparability of the financial statements (IAS 1.113).

For convenience, the Example Financial Statements generally follow the order suggested by IAS 1.114(c) although we encourage entities to consider alternatives that may enhance the understandability of the financial statements to readers. For example, in recent years there has been a growing trend towards integrating information about accounting policies and significant judgements and estimates with the related notes.

While a traditional narrative format has been adopted for use in the Example Financial Statements, entities should consider whether alternative presentation formats (such as presenting the information in a table) would enhance readers' understanding.

## 1. Nature of operations

IAS 1.51(a)  
IAS 1.138(b)

The principal activities of Illustrative Corporation Ltd and subsidiaries (the Group) include selling of telecommunications hardware and software, related after-sales service, consulting, and the construction of telecommunications systems. These activities are grouped into the following service lines:

- **retail** – focusing on the sale of the Group’s proprietary hardware and software products and related customisation and integration services.
- **after-sales service** – providing fixed-price maintenance and extended warranty agreements to the Group’s retail customers.
- **consulting and outsourcing** – advising companies on telecommunications systems strategies and IT security, and providing IT outsourcing services including payroll and accounts payable transaction processing.
- **construction** – providing customers with complete telecommunications systems solutions from design to development and installation.

**Guidance note:** The notes to the Example Financial Statements only include disclosures relevant to the fictitious entity Illustrative Corporation Ltd and subsidiaries. IFRS may require different or additional disclosures in other situations. Disclosures should always be tailored to reflect an entity’s specific facts and circumstances.

## 2. General information, statement of compliance with IFRS and going concern assumption

IAS 1.138(a)  
IAS 1.138(c)

Illustrative Corporation Ltd (Illustrative Corporation), the Group’s ultimate parent company, is a limited liability company incorporated and domiciled in Euroland. Its registered office and principal place of business is 149 Great Place, 40237 Greatville, Euroland. Illustrative Corporation’s shares are listed on the Greatstocks Stock Exchange.

IAS 1.16  
IAS 1.51(b)  
IAS 1.25

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption that the Group operates on a going concern basis.

IAS 1.51(c)  
IAS 10.17

The consolidated financial statements for the year ended 31 December 2017 (including comparatives) were approved and authorised for issue by the board of directors on 1 March 2018 (see Note 38). Under the Security Regulations Act of Euroland, amendments to the financial statements are not permitted after approval.

In 2017 the Group has adopted new guidance for the recognition of revenue from contracts with customers (see Note 3.1 below). This guidance was applied using a modified retrospective (‘cumulative catch-up’) approach under which changes having a material effect on the consolidated statement of financial position as at 1 January 2017 are presented together as a single adjustment to the opening balance of retained earnings. Accordingly, the Group is not required to present a third statement of financial position as at that date. However, the Group has elected to provide this additional comparative information together with the required notes.

### 3. New or revised Standards or Interpretations

**Guidance note:** The discussion of the initial application of IFRS needs to be disclosed only in the first financial statements after the new or revised Standards have been adopted by the entity.

#### 3.1 New Standards adopted as at 1 January 2017

##### IFRS 15 'Revenue from Contracts with Customers'

IAS 8.28

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. Although only mandatory for annual reporting periods beginning on or after 1 January 2018, the Group has elected to apply IFRS 15 early, on 1 January 2017. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2017. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2017.

The adoption of IFRS 15 has mainly affected the following areas:

- IT services set-up costs
- Loss contracts

##### IT services set-up costs

In preparing to perform under an IT outsourcing contract the Group incurs initial set-up costs replicating client databases and establishing communication linkages with the customer's information systems. On average, these costs represent between 1% and 2% of the total labour and materials costs incurred.

As these costs arise from activities that the Group must undertake to fulfil a contract but do not themselves transfer a good or service to a customer, IFRS 15 does not consider them to be performance obligations. Accordingly, these costs are excluded from the measure of performance under the contract. Instead, such costs are evaluated for possible capitalisation using the specific criteria supplied in the Standard. If capitalised, the resulting asset is subsequently amortised on a straight-line basis over the estimated period of benefit which includes both the existing contract and any reasonably anticipated renewals based on the company's historical experience with similar arrangements. Under IAS 18, these costs had been included in the measure of performance under the contract.

This change in accounting for set-up costs had no impact on the total amount of services revenue recognised under each contract, although the date upon which services revenue is first recognised has been delayed by an average of 6 to 8 days. The total adjustment to the opening balance of retained earnings arising from the initial application of IFRS 15 to set-up costs is CU 267.

##### Loss contracts

IFRS 15 does not include any guidance on how to account for loss contracts. Accordingly, such contracts are accounted for using the guidance in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Under IAS 37, the assessment of whether a provision needs to be recognised takes place at the contract level and there are no segmentation criteria to apply. As a result, there are some instances where loss provisions recognised in the past have not been recognised under IFRS 15 because the contract as a whole is profitable. In addition, when two or more contracts entered into at or near the same time are required to be combined for accounting purposes, IFRS 15 requires the Group to perform the assessment of whether the contract is onerous at the level of the combined contracts. The Group also notes that the amount of loss accrued in respect of a loss contract under IAS 11 takes into account an appropriate allocation of construction overheads. This contrasts with IAS 37 where loss accruals may be lower as they are based on the identification of 'unavoidable costs'.

As at 1 January 2017, the Group has identified only two loss provisions totalling CU 225. These provisions have been remeasured under IAS 37 at CU 185.

#### Contracts with multiple performance obligations

Many of the Group's contracts comprise a variety of performance obligations including, but not limited to, hardware, software, elements of design and customisation, after-sales services, and installation. Under IFRS 15, the Group must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable' (ie the Group does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Group in any year.

**Guidance note:** As the above amendments have a significant impact on these financial statements, detailed disclosures have been made. Entities should assess the impact of IFRS 15 on their financial statements based on their own facts and circumstances and make appropriate disclosures.

#### Disclosure Initiative (Amendments to IAS 7)

The amendments to IAS 7 'Statements of Cash Flows', effective 1 January 2017, require the Group to provide disclosures about the changes in liabilities from financing activities. The Group categorises those changes into changes arising from cash flows and non-cash changes with further sub-categories as required by IAS 7 (see Note 26).

**Guidance note:** Other Standards and amendments that are effective for the first time in 2017 (for entities with a 31 December 2017 year-end) and could be applicable to the Group are:

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IFRS 1, IFRS 12, and IAS 28)

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made. However, whilst they do not affect these financial statements they will impact some entities. Entities should assess the impact of these new Standards on their financial statements based on their own facts and circumstances and make appropriate disclosures.

### 3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

**Guidance note:** IAS 8.30 requires entities to disclose Standards issued but not yet effective that they will apply in the future. As part of this disclosure entities must provide known or reasonably estimable information relevant to assessing the possible impact the new IFRS will have on their financial statements in the period of initial application. For new or amended IFRS or Interpretations that are expected to have a material impact, entities should consider disclosing the title of the new IFRS Standard, the nature of the expected change in accounting policy, the effective date of the Standard, and the date at which the entity intends to first apply the Standard (IAS 8.31). Where there is not expected to be a material impact, it is not necessary to do this, and doing so may actually contribute to disclosure overload.

IAS 8.30  
IAS 8.31

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. With the exception of IFRS 15 (Note 3.1) these Standards, amendments or Interpretations have not been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

#### IFRS 9 'Financial Instruments'

The new Standard for financial instruments (IFRS 9) replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

Management has identified the following areas that are expected to be most impacted by the application of IFRS 9:

- the classification and measurement of the Group's financial assets. Management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects the majority of held-to-maturity (HTM) investments to continue to be accounted for at amortised cost. However, a number of available-for-sale (AFS) investments and other financial assets are likely to be measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest.
- the impairment of financial assets applying the expected credit loss model. This will apply to the Group's trade receivables and investments in debt-type assets currently classified as HTM or AFS (unless classified as at fair value through profit or loss). For contract assets arising from IFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.



- the measurement of equity investments at cost less impairment. All such investments will instead be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition to the new Standard. This will affect the Group's investment in XY Ltd (see Note 15.3) which the Group intends to hold beyond 1 January 2018. Currently, the Group is not intending to elect to present changes in the equity investment in other comprehensive income but will account for its equity investments at fair value through profit or loss.
- the recognition of gains and losses arising from the Group's own credit risk. If the Group continues to elect the fair value option for certain financial liabilities (see Note 15.6), fair value movements from changes in the Group's own credit risk will be presented in other comprehensive income rather than profit or loss.

#### IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the Group is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will become lease contracts under IFRS 16's new definition of a lease
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing current disclosures for finance leases (Note 13.1) and operating leases (Note 13.2) as these are likely to form basis of the amounts to be capitalised as right-of-use assets
- determining which optional accounting simplifications are available and whether to apply them
- considering the IT system requirements and whether a new leasing system is needed. This is being considered in line with implementing IFRS 9 so the Group only have to undergo one set of system changes
- assessing the additional disclosures that will be required.

## 4. Significant accounting policies

**Guidance note:** Entities should disclose their significant accounting policies. However, IAS 1 gives only limited guidance about what a significant accounting policy could be. IAS 1.117 states that significant accounting policies should comprise:

- a the measurement basis (or bases) used in preparing the financial statements, and
- b the other accounting policies used that are relevant to an understanding of the financial statements.

Deciding which accounting policies are significant requires judgement. The nature of the entity's operations may cause an accounting policy to be significant even if the amounts involved are not material. In accordance with IAS 1.117, and IAS 1.121–122, entities should also consider:

- whether the policy was selected among alternatives provided by the relevant Standard
- the extent of judgement, estimation uncertainty or complexity involved in applying the policy
- whether the policy was developed for a type of transaction not covered by IFRS
- whether disclosing the policy would assist users in understanding particular transactions or events.

We recommend entities to make their accounting policy disclosures clear and specific as these will add value and insight to the users. Entity-specific accounting policy disclosures:

- explain how the entity applies the policy
- are written in plain English so are easy to understand
- are up-to-date in terms of IFRS requirements and the business
- state if an accounting policy choice was made from the Standard and why this choice was made.

### 4.1 Basis of preparation

IAS 1.27  
IAS 1.51(d–e)  
IAS 1.53

The Group's financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties, investments and derivatives. Monetary amounts are expressed in Euroland currency (CU) and are rounded to the nearest thousands, except for earnings per share.

### 4.2 Basis of consolidation

IFRS 10.B92  
IAS 1.51(c)

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2017. All subsidiaries have a reporting date of 31 December.

IFRS 10.B86(c)

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

IFRS 10.B88

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

IFRS 10.22  
IFRS 10.B94

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

**4.3 Business combinations**IFRS 3.4  
IFRS 3.37  
IFRS 3.18

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

**4.4 Investments in associates and joint ventures**IAS 28.16  
IFRS 11.24  
IAS 28.10

Investments in associates and joint ventures are accounted for using the equity method.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

IAS 28.28

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

**4.5 Foreign currency translation****Functional and presentation currency**IAS 1.51(d)  
IAS 21.53

The consolidated financial statements are presented in currency units CU, which is also the functional currency of the parent company.

**Foreign currency transactions and balances**IAS 21.21  
IAS 21.28  
IAS 21.23(a)

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

IAS 21.23(b)  
ISA 21.23(c)

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

**Foreign operations**

IAS 21.47

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the CU are translated into CU upon consolidation. The functional currencies of entities within the Group have remained unchanged during the reporting period.

IAS 21.48

On consolidation, assets and liabilities have been translated into CU at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into CU at the closing rate. Income and expenses have been translated into CU at the average rate<sup>1</sup> over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

<sup>1</sup> Note that the use of average rates is appropriate only if rates do not fluctuate significantly (IAS 21.40).

## Notes to the consolidated financial statements

For the year ended 31 December 2017 (expressed in thousands of Euroland currency units, except per share amounts)

### 4.6 Segment reporting

IFRS 8.22(a)  
IFRS 8.22(b) The Group has three operating segments: consulting, service and retail segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services (see Note 9).

IFRS 8.27(a) Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in stand-alone sales of identical goods or services.

IFRS 8.27(b-d) For management purposes, the Group uses the same measurement policies as those used in its financial statements, except for certain items not included in determining the operating profit of the operating segments, as follows:

- post-employment benefit expenses
- share-based payment expenses
- research costs relating to new business activities
- revenue, costs and fair value gains from investment property.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. This primarily applies to the Group's headquarters and the Illustrative Research Lab in Greatville.

### 4.7 Revenue

IAS 1.117(b) **Guidance note:** Revenue is one of the most important line items for most entities, and therefore a policy is almost always disclosed. Entities with multiple revenue streams should always remember to address each significant revenue stream separately.

IFRS 15.110 Revenue arises mainly from the sale of telecommunications hardware and software, after-sales maintenance and extended warranty services, consulting and IT services, and contracts for the construction of telecommunication systems.

To determine whether to recognise revenue, the Group follows a 5-step process:

- IFRS 15.9-12 1 Identifying the contract with a customer
- IFRS 15.22 2 Identifying the performance obligations
- IFRS 15.47 3 Determining the transaction price
- IFRS 15.73 4 Allocating the transaction price to the performance obligations
- IFRS 15.31  
IFRS 15.46 5 Recognising revenue when/as performance obligation(s) are satisfied.

IFRS 15.74 The Group often enters into transactions involving a range of the Group's products and services, for example for the delivery of telecommunications hardware, software and related after-sales service.

IFRS 15.47 In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

IFRS 15.106  
IFRS 15.107  
IFRS 15.108 The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (see Note 25). Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

**Hardware and software**

|   |  |
|---|--|
| IFRS 15.31<br>IFRS 15.119(a)                      | Revenue from the sale of hardware and software for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer.  |
| IFRS 15.35(c)<br>IFRS 15.B40<br>IFRS 15.74        | <p>For stand-alone sales of telecommunications hardware and/or software that are neither customised by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods. When such items are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognised over time as the customisation or integration work is performed, using the cost-to-cost method to estimate progress towards completion. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the entity's performance, the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer.</p> <p>For sales of software that are neither customised by the Group nor subject to significant integration services, the licence period commences upon delivery. For sales of software subject to significant customisation or integration services, the licence period begins upon commencement of the related services.</p> |
| IFRS 15.119(e)                                    | <p>The Group's retail division operates a customer loyalty incentive programme. For each CU100 spent, customers obtain one loyalty point which they can redeem to receive discounts on future purchases. Loyalty points are considered to be a separate performance obligation as they provide customers with a material right they would not have received otherwise. Unused points will expire if not used within two years. The Group allocates the transaction price between the material right and other performance obligations identified in a contract on a relative stand-alone selling price basis. Revenue from the material right is recognised on the earlier of the date the points are redeemed by the customer and the date on which they expire.</p> <p>The Group provides a basic 1-year product warranty on its telecommunications hardware whether sold on a stand-alone basis or as part of an integrated telecommunications system. Under the terms of this warranty customers can return product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.</p>  |
|   | <b>After-Sales Services</b>  |
| IFRS 15.35(a)<br>IFRS 15.124(a)                   | <p>The Group enters into fixed price maintenance and extended warranty contracts with its customers for terms between one and three years in length. Customers are required to pay in advance for each twelve-month service period and the relevant payment due dates are specified in each contract.</p>  |
| IFRS 15.124(b)<br>IFRS 15.35(a)<br>IFRS 15.124(a) | <ul style="list-style-type: none"> <li>• <b>Maintenance contracts</b> – The Group enters into agreements with its customers to perform regularly scheduled maintenance services on telecommunications hardware purchased from the Group. Revenue is recognised over time based on the ratio between the number of hours of maintenance services provided in the current period and the total number of such hours expected to be provided under each contract. This method best depicts the transfer of services to the customer because: (a) details of the services to be provided are specified by management in advance as part of its published maintenance program, and (b) the Group has a long history of providing these services to its customers, allowing it to make reliable estimates of the total number of hours involved in providing the service.</li> </ul>   |

## Notes to the consolidated financial statements

For the year ended 31 December 2017 (expressed in thousands of Euroland currency units, except per share amounts)

- IFRS 15.124(b)
- **Extended warranty program** – The Group enters into agreements with purchasers of its telecommunications hardware to perform necessary repairs falling outside the Group’s standard warranty period. As this service involves an indeterminate number of acts, the Group is required to ‘stand ready’ to perform whenever a request falling within the scope of the program is made by a customer. Revenue is recognised on a straight-line basis over the term of the contract. This method best depicts the transfer of services to the customer as (a) the company’s historical experience demonstrates no statistically significant variation in the quantum of services provided in each year of a multi-year contract, and (b) no reliable prediction can be made as to if and when any individual customer will require service.

IFRS 15.B28  
IFRS 15.B29

**Guidance note:** The Group provides both standard-type warranties accounted for under IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ and extended-type warranties treated as separate performance obligations under IFRS 15. When determining the nature of warranty-related promises, an entity considers:

- whether the customer has the option to separately purchase the warranty
- whether all or part of the warranty provides the customer with an additional service beyond the basic assurance that it will perform in accordance with published specifications.

### Consulting and IT Services

IFRS 15.35(a)  
IFRS 15.124(a)  
IFRS 15.107

The Group provides consulting services relating to the design of telecommunications systems strategies and IT security. Revenue from these services is recognised on a time-and-materials basis as the services are provided. Customers are invoiced weekly as work progresses. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as accounts receivable as only the passage of time is required before payment of these amounts will be due.

The Group also provides IT outsourcing services including payroll and accounts payable transaction processing to customers in exchange for a fixed monthly fee. Revenue is recognised on a straight-line basis over the term of each contract. As the amount of work required to perform under these contracts does not vary significantly from month-to-month, the straight-line method provides a faithful depiction of the transfer of goods or services.

### Construction of telecommunication systems

IFRS 15.35(b)  
IFRS 15.74

The Group enters into contracts for the design, development and installation of telecommunication systems in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. When a contract also includes promises to perform after-sales services, the total transaction price is allocated to each of the distinct performance obligations identifiable under the contract on the basis of their relative stand-alone selling prices.

IFRS 15.39  
IFRS 15.41  
IFRS 15.124(a)  
IFRS 15.125(b)

To depict the progress by which the Group transfers control of the systems to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by comparing actual hours spent to date with the total estimated hours required to design, develop, and install each system. The hours-to-hours basis provides the most faithful depiction of the transfer of goods and services to each customer due to the Group’s ability to make reliable estimates of the total number of hours required to perform, arising from its significant historical experience constructing similar systems.

|                                   |   |
|-----------------------------------|---|
| IFRS 15.106<br>IFRS 15.63         | <p>In addition to the fixed fee, some contracts include bonus payments which the Group can earn by completing a project in advance of a targeted delivery date. At inception of each contract the Group begins by estimating the amount of the bonus to be received using the “most likely amount” approach. This amount is then included in the Group’s estimate of the transaction price only if it is highly probable that a significant reversal of revenue will not occur once any uncertainty surrounding the bonus is resolved. In making this assessment the Group considers its historical record of performance on similar contracts, whether the Group has access to the labour and materials resources needed to exceed the agreed-upon completion date, and the potential impact of other reasonably foreseen constraints.</p>   |
| IFRS 15.91<br>IFRS 15.94          | <p>Most such arrangements include detailed customer payment schedules. When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position under other liabilities (see Note 25).</p> <p>The construction of telecommunication systems normally takes 10–12 months from commencement of design through to completion of installation. As the period of time between customer payment and performance will always be one year or less, the Group applies the practical expedient in IFRS 15.63 and does not adjust the promised amount of consideration for the effects of financing.</p> <p>In obtaining these contracts, the Group incurs a number of incremental costs, such as commissions paid to sales staff. As the amortisation period of these costs, if capitalised, would be less than one year, the Group makes use of the practical expedient in IFRS 15.94 and expenses them as they incur.</p> |
|                                   | <p><b>4.8 Operating expenses</b></p>  |
| IAS 37.14                         | <p>Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred. Expenditure for warranties is recognised when the Group incurs an obligation, which is typically when the related goods are sold.</p>  |
|                                   | <p><b>4.9 Borrowing costs</b></p>   |
| IAS 23.8                          | <p>Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs (see Note 27).</p>  |
|                                   | <p><b>4.10 Profit or loss from discontinued operations</b></p>  |
| IFRS 5 Appendix A<br>IFRS 5.33(a) | <p>A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation (see also Note 4.21 and Note 20).</p>  |
|                                   | <p><b>4.11 Goodwill</b></p>   |
| IFRS 3 Appendix A                 | <p>Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 4.15 for a description of impairment testing procedures.</p>  |

## Notes to the consolidated financial statements

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### 4.12 Other intangible assets

#### Initial recognition of other intangible assets

##### Brand names and customer lists

IFRS 3.18 Brand names and customer lists acquired in a business combination that qualify for separate  
IAS 38.27 recognition are recognised as intangible assets at their fair values.

##### Internally developed software

IAS 38.54 Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred.

IAS 38.57 Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

#### Subsequent measurement

IAS 38.72 All finite-lived intangible assets, including capitalised internally developed software, are accounted  
IAS 38.74 for using the cost model whereby capitalised costs are amortised on a straight-line basis over their  
IAS 38.118(a) estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition,  
IAS 38.118(b) they are subject to impairment testing as described in Note 4.15. The following useful lives are applied:

- software: 3-5 years
- brand names: 15-20 years
- customer lists: 4-6 years.

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note 4.15.

IAS 38.118(d) Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

IAS 38.20 Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

IAS 38.113 When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

### 4.13 Property, plant and equipment

#### Land

IAS 16.29 Land owned is stated at revalued amounts. Revalued amounts are fair values based on appraisals  
IAS 16.31 prepared by external professional valuers once every two years or more frequently if market factors  
IAS 16.39-40 indicate a material change in fair value (see Note 35.2). Any revaluation surplus is recognised in  
IAS 16.73(a) other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss (see Note 4.15) has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

IAS 16.58



As no finite useful life for land can be determined, related carrying amounts are not depreciated.

#### Buildings, IT equipment and other equipment

IAS 16.15–16  
IAS 16.73(a)  
  
IAS 16.29  
IAS 16.30

Buildings, IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. Buildings and IT equipment also include leasehold property held under a finance lease (see Note 4.14). Buildings, IT equipment and other equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

IAS 16.43  
IAS 16.73(b)  
IAS 16.73(c)

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, IT equipment and other equipment. The following useful lives are applied:

- buildings: 25–50 years
- IT equipment: 2–5 years
- other equipment: 3–12 years.

IAS 17.27

In the case of leased assets, expected useful lives are determined by reference to comparable owned assets or the term of the lease, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

IAS 16.68  
IAS 16.71

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

#### 4.14 Leased assets

##### Finance leases

IAS 17.8  
IAS 17.10  
IAS 17.15A  
IAS 17.16

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See Note 4.13 for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

##### Operating leases

IAS 17.33

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

##### The Group as a lessor

The Group also earns rental income from operating leases of its investment properties (see Note 14). Rental income is recognised on a straight-line basis over the term of the lease.

## Notes to the consolidated financial statements

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### 4.15 Impairment testing of goodwill, other intangible assets and property, plant and equipment

IAS 36.66  
IAS 36.80

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

IAS 36.90  
IAS 36.15  
IAS 36.10(b)  
IAS 36.9

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

IAS 36.59  
IAS 36.18  
IAS 36.30–31

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

IAS 36.104

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

IAS 36.110  
IAS 36.124

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### 4.16 Investment property

IAS 40.5  
IAS 40.75(a)

Investment properties are properties held to earn rentals or for capital appreciation, or both, and are accounted for using the fair value model.

IAS 40.33  
IAS 40.35

Investment properties are revalued annually with resulting gains and losses recognised in profit or loss, and are included in the statement of financial position at their fair values. See Note 35.2.

### 4.17 Financial instruments

#### Recognition, initial measurement and derecognition

IFRS 7.21  
IAS 39.14  
IAS 39.43

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

IAS 39.17  
IAS 39.20  
IAS 39.39

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### Classification and subsequent measurement of financial assets

IAS 39.45

For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

IAS 39.46 All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

IFRS 7.20(a) All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

#### Loans and receivables

IAS 39.9  
IAS 39.46(a) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

IFRS 7.B5(f) Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

#### Financial assets at FVTPL

IAS 39.46 Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

IAS 39.55(a) Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

#### HTM investments

IAS 39.9 HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity. The Group currently holds listed bonds designated into this category.

IAS 39.46(b)  
IFRS 7.B5(f)  
IAS 39.56 HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

#### AFS financial assets

IAS 39.9  
IFRS 7.B5(b) AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed securities and debentures, and the equity investment in XY Ltd.

IAS 39.46(c)  
IAS 39.55(b) The equity investment in XY Ltd is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

## Notes to the consolidated financial statements

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IAS 39.46  
IAS 39.55(b)

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income (see Note 4.7).

IAS 39.70  
IAS 39.69

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit or loss and any subsequent increase in fair value is recognised in other comprehensive income.

### Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

IAS 39.47  
IAS 39.9

Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

IFRS 7.B5(a)

The Group has designated some financial liabilities at FVTPL to reduce significant measurement inconsistencies between investment properties in the United States and related US-dollar bank loans with fixed interest rates. These investment properties are measured using the fair value model (see Note 4.16), with changes in the fair value recognised in profit or loss. The fair value of loans used to finance these assets correlates significantly with the valuation of the investment properties held by the Group, because both measures are highly reactive to the market interest rate for 30-year government bonds. The loans are managed and evaluated on a fair value basis through a quarterly management review in comparison with the investment property valuations. Therefore, the Group designates such fixed interest rate loans as at FVTPL if they are secured by specific investment property assets that are held by the Group. This accounting policy reduces significantly what would otherwise be an accounting mismatch.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

### Derivative financial instruments and hedge accounting

IAS 39.86(b)  
IAS 39.88

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

IFRS 7.22(a)  
IFRS 7.22(c)

For the reporting periods under review, the Group has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from certain legally binding sales and purchase orders denominated in foreign currency.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

IAS 39.95(a)  
IAS 39.95(b)

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

|  |   |
|--|---|
| IAS 39.97<br>IAS 39.98(b)  | At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.   |
| IAS 39.101(c)<br>IAS 39.101(b)   | If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.   |
| <b>4.18 Inventories</b>  |   |
| IAS 2.36(a)<br>IAS 2.9<br>IAS 2.10–15<br>IAS 2.25<br>IAS 2.6   | Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.   |
| <b>4.19 Income taxes</b>   |   |
| IAS 12.5   | Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.  |
| IAS 12.46  | Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.  |
| IAS 12.24  | Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.<br><br>Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions the Group does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries. |
| <b>4.20 Cash and cash equivalents</b>  |   |
| IAS 7.46   | Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.   |
| <b>4.21 Non-current assets and liabilities classified as held for sale and discontinued operations</b> |   |
| IFRS 5.15<br>IFRS 5.5  | Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.   |
| IFRS 5.33(a)   | Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations (see Note 4.10).   |

#### 4.22 Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

IAS 1.79(b)

Other components of equity include the following:

- **revaluation reserve** – comprises gains and losses from the revaluation of land (see Note 4.13)
- **remeasurement of net defined benefit liability** – comprises the actuarial losses from changes in demographic and financial assumptions and the return on plan assets (see Note 4.23)
- **translation reserve** – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into CU (see Note 4.5)
- **reserves for AFS financial assets and cash flow hedges** – comprises gains and losses relating to these types of financial instruments (see Note 4.17).

Retained earnings include all current and prior period retained profits and share-based employee remuneration (see Note 4.24).

IAS 24.3

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

#### 4.23 Post-employment benefits and short-term employee benefits

##### Post-employment benefit plans

The Group provides post-employment benefits through various defined contribution and defined benefit plans.

##### Defined contribution plans

The Group pays fixed contributions into independent entities in relation to several state plans and insurances for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

##### Defined benefit plans

IAS 19.135(a)

Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

IAS 19.135(b)

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets.

IAS 19.76

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

IAS 19.120  
IAS 19.87  
IAS 19.122

Service cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs. Gains and losses resulting from remeasurements of the net defined benefit liability are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

**Short-term employee benefits**

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

**4.24 Share-based employee remuneration**

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled.

- IFRS 2.10 All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.
- IFRS 2.11 Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).
- All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings<sup>2</sup>. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.
- IFRS 2.8 Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that IFRS 2.20 the number of share options expected to vest differs from previous estimates. Any adjustment to IFRS 2.19 cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.
- IFRS 2.20 Upon exercise of share options, the proceeds received, net of any directly attributable transaction IFRS 2.23 costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.
- 4.25 Provisions, contingent assets and contingent liabilities**
- IAS 37.14 Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.
- IAS 37.72 Restructuring provisions are recognised only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognised for future operating losses.
- IAS 37.36 Provisions are measured at the estimated expenditure required to settle the present obligation, IAS 37.45 based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.
- IAS 37.33 Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

<sup>2</sup> IFRS 2 'Share-based Payment' does not stipulate where in equity the credit entry in an equity-settled transaction should be recognised. It is acceptable for the credit to be taken to retained earnings, however, this is subject to national law. Alternatively, it could be taken to a separate equity reserve. The accounting upon the exercise of the share options may also depend on applicable national law relating to share capital.

IAS 3727–28 No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

#### **4.26 Significant management judgement in applying accounting policies and estimation uncertainty**

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

##### Significant management judgements

IAS 1.122

**Guidance note:** IAS 1 provides general guidance on disclosures about judgements. Other Standards, such as IFRS 12 ‘Disclosure of Interests in Other Entities’ and IFRS 15 ‘Revenue from Contracts with Customers’ supplement IAS 1 by requiring disclosure about particular judgements.

The following are examples of disclosures for management judgements under IAS 1.122. Entities should disclose judgements that have the most significant effect on the amounts recognised in the financial statements. These can be disclosed in either the accounting policies or the other notes to the financial statements.

IAS 1.122

The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on the financial statements.

##### Recognition of service and construction contract revenues

As revenue from after-sales maintenance agreements and construction contracts is recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied. For after-sales maintenance agreements this requires an estimate of the quantity of the services to be provided, based on historical experience with similar contracts. In a similar way, recognising revenue for construction contracts also requires significant judgment in determining the estimated number of hours required to complete the promised work when applying the hours-to-hours method described in Note 4.7.

##### Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Note 4.12).

##### Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see Note 4.19).

##### Control assessment

See Note 6.1.



### Estimation uncertainty

IAS 1.125

**Guidance note:** IAS 1 explains the overall requirements for disclosures about estimates. The focus is on assumptions the entity makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, when there is a significant risk of a material adjustment within the next financial year.

IAS 1 requires disclosure about the assumptions made and the nature and carrying amounts of the assets and liabilities affected. It does not prescribe the exact information an entity should disclose about these assumptions but gives examples including:

- the nature of the assumptions
- sensitivity of carrying amounts
- expected resolution/range of reasonably possible outcomes
- changes made to past assumptions.

Some Standards also include disclosure requirements about particular estimates. For example:

- IAS 36 'Impairment of Assets' specifies disclosures about impairment testing
- IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' requires disclosures about uncertainties and major assumptions affecting provisions
- IFRS 13 'Fair Value Measurement' requires information about how fair values have been estimated.

IAS 1.125

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4.15). In 2017, the Group recognised an impairment loss on goodwill (see Note 10) and internally generated software (see Note 11).

#### Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

#### Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

#### Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see Note 4.3). In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability (see Note 5.1).

#### Construction contract revenue

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty (see Note 4.7).

#### Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 22.3).

#### Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 35).

## 5. Acquisitions and disposals

### 5.1 Acquisition of Goodtech GmbH in 2017

IFRS 3.B64 (a-d)

On 31 March 2017, the Group acquired 100% of the equity instruments of Goodtech GmbH (Goodtech), a Hamburg (Euroland) based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the on-line retail market for computer and telecommunications hardware in Euroland. Goodtech is a significant business in Euroland in the Group's targeted market.

**Guidance note:** Cross-referencing to external information is a way entities can refer readers to complementary data outside the annual report, for example on the company's website. This information isn't necessary to comply with its statutory requirements; it is there as additional information which complements the financial report. Entities don't need to state this when providing the cross-reference, it should be obvious from the nature of the information.

Signposting to information outside the financial statements can include:

- standing data (eg share option terms)
- additional information supporting financial statement disclosures
- other connected but not financial data.

The details of the business combination are as follows:

|                    |  |                |
|--------------------|--|----------------|
|                    | <b>Fair value of consideration transferred</b>       |                |
| IFRS 3.B64(f)      | Amount settled in cash                               | 16,058         |
| IFRS 3.B64(f)(i)   | Fair value of contingent consideration               | 600            |
| IFRS 3.B64(f)(iii) |  |                |
| IAS 7.40(a)        | <b>Total</b>   | <b>16,658</b>  |
|                    | <b>Recognised amounts of identifiable net assets</b> |                |
| IFRS 3.B64(i)      | Property, plant and equipment                        | 4,622          |
| IAS 7.40(d)        | Intangible assets                                    | 5,255          |
|                    | Investment property                                  | 75             |
|                    | <b>Total non-current assets</b>                      | <b>9,952</b>   |
|                    | Inventories  | 8,995          |
|                    | Trade and other receivables                          | 7,792          |
| IAS 7.40(c)        | Cash and cash equivalents                            | 567            |
|                    | <b>Total current assets</b>                          | <b>17,354</b>  |
|                    | Borrowings   | (3,478)        |
|                    | Deferred tax liabilities                             | (632)          |
|                    | <b>Total non-current liabilities</b>                 | <b>(4,110)</b> |
|                    | Provisions   | (1,320)        |
|                    | Other liabilities                                    | (2,312)        |
|                    | Trade and other payables                             | (5,344)        |
|                    | <b>Total current liabilities</b>                     | <b>(8,976)</b> |
|                    | <b>Identifiable net assets</b>                       | <b>14,220</b>  |
|                    | <b>Goodwill on acquisition</b>                       | <b>2,438</b>   |
| IAS 7.40(b)        | Consideration transferred settled in cash            | 16,058         |
| IAS 7.40(c)        | Cash and cash equivalents acquired                   | (567)          |
| IAS 7.42           | <b>Net cash outflow on acquisition</b>               | <b>15,491</b>  |
|                    | Acquisition costs charged to expenses                | 223            |

## Notes to the consolidated financial statements

For the year ended 31 December 2017 (expressed in thousands of Euroland currency units, except per share amounts)

### Consideration transferred

IFRS 3.B64(f)(i)

The acquisition of Goodtech was settled in cash amounting to CU 16,058.

IFRS 3.B64(g)(i-iii)  
IFRS 3.B64(j)  
IFRS 3.B64(m)

The purchase agreement included an additional consideration of CU 1,310, payable only if the average profits of Goodtech for 2017 and 2018 exceed a target level agreed by both parties. The additional consideration will be paid on 1 April 2019. The CU 600 fair value of the contingent consideration liability initially recognised represents the present value of the Group's probability-weighted estimate of the cash outflow. It reflects management's estimate of a 50% probability that the targets will be achieved and is discounted using an interest rate of 4.4%<sup>3</sup>. As at 31 December 2017, there have been no changes in the estimate of the probable cash outflow but the liability has increased to CU 620 due to the unwinding of the discount.

Acquisition-related costs amounting to CU 223 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of other expenses.

### Identifiable net assets

IFRS 3.B64(h)(i-iii)

The fair value of the trade and other receivables acquired as part of the business combination amounted to CU 7,792, with a gross contractual amount of CU 7,867. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to CU 75.

### Goodwill

IFRS 3.64(e)  
IFRS 3.B64(k)

Goodwill of CU 2,438 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Goodtech's workforce and expected cost synergies. Goodwill has been allocated to the retail segment and is not expected to be deductible for tax purposes.

**Guidance note:** If goodwill arising from a business combination has not been fully allocated to a cash-generating-unit or group of units, an entity shall disclose that fact together with the reason why that amount remains unallocated.

### Goodtech's contribution to the Group results

IFRS 3.B64(q)(i-ii)

Goodtech incurred a loss of CU 20 for the nine months from 31 March 2017 to the reporting date, primarily due to integration costs. Revenue for the nine months to 31 December 2017 was CU 24,800.

If Goodtech had been acquired on 1 January 2017, revenue of the Group for 2017 would have been CU 212,000, and profit for the year would have increased by CU 14,000.

### 5.2 Acquisition of Good Buy Inc. in 2016

IFRS 3.B64(a-d)

On 30 June 2016, the Group acquired 100% of the equity instruments of Good Buy Inc. (Good Buy), a Delaware (USA) based business, thereby obtaining control. The acquisition of Good Buy was made to enhance the Group's position as an on-line retailer for computer and telecommunications hardware in the US market.

<sup>3</sup> The determination of the acquisition-date fair value of the contingent consideration should consider the expected outcome of the contingency. This example illustrates one possible approach in estimating the fair value of the contingent consideration.

The details of the business combination are as follows:

|  |  |                |
|--|--|----------------|
|  | <b>Fair value of consideration transferred</b>       |                |
| IFRS 3.B64(f)<br>IFRS 3.B64(f)(i)<br>IAS 7.40(a) | Amount settled in cash                               | <b>12,420</b>  |
|  | <b>Recognised amounts of identifiable net assets</b> |                |
| IFRS 3.B64(i)<br>IAS 7.40(d)                     | Property, plant and equipment                        | 3,148          |
|  | Intangible assets                                    | 3,005          |
|  | <b>Total non-current assets</b>                      | <b>6,153</b>   |
|  | Inventories  | 5,469          |
|  | Trade and other receivables                          | 5,200          |
| IAS 7.40(c)                                      | Cash and cash equivalents                            | 345            |
|  | <b>Total current assets</b>                          | <b>11,014</b>  |
|  | Deferred tax liabilities                             | (435)          |
|  | <b>Total non-current liabilities</b>                 | <b>(435)</b>   |
|  | Provisions   | (1,234)        |
|  | Other liabilities                                    | (657)          |
|  | Trade and other payables                             | (4,990)        |
|  | <b>Total current liabilities</b>                     | <b>(6,881)</b> |
|  | <b>Identifiable net assets</b>                       | <b>9,851</b>   |
|  | <b>Goodwill on acquisition</b>                       | <b>2,569</b>   |
| IAS 7.40(b)                                      | Consideration transferred settled in cash            | 12,420         |
| IAS 7.40(c)                                      | Cash and cash equivalents acquired                   | (345)          |
| IAS 7.42   | <b>Net cash outflow on acquisition</b>               | <b>12,075</b>  |
|  | Acquisition costs charged to expenses                | 76             |

#### Consideration transferred

IFRS 3.B64(f)(i) The acquisition of Good Buy was settled in cash amounting to CU 12,420.

IFRS 3.B64(m) Acquisition-related costs amounting to CU 76 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of other expenses.

#### Identifiable net assets

IFRS 3.B64(h)(i-iii) The fair value of the trade and other receivables acquired as part of the business combination amounted to CU 5,200, with a gross contractual amount of CU 5,350. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to CU 150.

## Notes to the consolidated financial statements

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### Goodwill

IFRS 3.B64(e)  
IFRS 3.B64(k) Goodwill of CU 2,569 is primarily related to the sales force and the sales know-how of key personnel of Good Buy. Goodwill has been allocated to the retail segment and is not expected to be deductible for tax purposes.

### Good Buy's contribution to the Group results

IFRS 3.B64(q)(i-ii) Good Buy contributed CU 9,540 of revenue and CU 400 to the consolidated profit for the six months from 1 July 2016 to 31 December 2016. If Good Buy had been acquired on 1 January 2016, revenue of the Group for 2016 would have been CU 196,000. However, due to lack of IFRS-specific data prior to the acquisition of Good Buy, pro-forma profit or loss of the combined entity for the complete 2016 reporting period cannot be determined reliably.

## 5.3 Disposal of Highstreet Ltd in 2017

See Note 6.3 below.

# 6. Interests in subsidiaries

## 6.1 Composition of the Group

IFRS 12.10(a)(i)  
IFRS 12.12 Set out below are the details of the subsidiaries held directly by the Group:

| Name of the Subsidiary | Country of incorporation and principal place of business | Principal activity   | Proportion of ownership interests held by the Group at year end |      |
|------------------------|--|--|---|------|
|                        |  |  | 2017  | 2016 |
| Goodtech GmbH          | Euroland   | On-line retailer of computer and telecommunications hardware | 100%  | -    |
| Good Buy Inc.          | USA  | On-line retailer of computer and telecommunications hardware | 100%  | 100% |
| Tech Squad Ltd         | Euroland   | Design and sale of phone and intranet applications           | 80%   | 80%  |
| Data Corp              | UK   | On-line sales of hardware and software products              | 100%  | 100% |
| Highstreet Ltd         | UK   | Design and sale of phone and intranet applications           | -   | 100% |

### Significant judgements and assumptions

IFRS 12.7  
IFRS 12.9 The Group holds 45% of the ordinary shares and voting rights in Equipe Consultants S.A. (Equipe). Two other investors each hold 15%. The remaining 25% is held by several other unrelated investors, none of whom own more than 2% individually. There are no arrangements for the other shareholders to consult one another or act collectively and past experience indicates that few of the other owners actually exercise their voting rights at all. The Group has appointed four of Equipe's Board of Directors out of a total of eleven.

IFRS 10.5-7  
IFRS 10.B41-B46 Management has reassessed its involvement in Equipe in accordance with IFRS 10's control definition and guidance. It has concluded that it has significant influence but not outright control. In making its judgement, management considered the Group's voting rights, the relative size and dispersion of the voting rights held by other shareholders and the extent of recent participation by those shareholders in general meetings. Recent experience demonstrates that sufficient of the smaller shareholders participate in such a way that they, along with the two other main shareholders, prevent the Group from having the practical ability to direct the relevant activities of Equipe unilaterally.

**6.2 Subsidiary with material non-controlling interests**

IFRS 12.12(a) The Group includes one subsidiary, Tech Squad Ltd, with material<sup>4</sup> non-controlling interests (NCI):

| Name           | Proportion of ownership interests and voting rights held by the NCI |      | Total comprehensive income allocated to NCI |      | Accumulated NCI |      |
|----------------|---|------|---|------|-----------------|------|
|                | 2017  | 2016 | 2017  | 2016 | 2017            | 2016 |
| Tech Squad Ltd | 20%   | 20%  | 121   | 116  | 713             | 592  |

IFRS 12.B10(a) No dividends were paid to the NCI during the years 2017 and 2016.

IFRS 12.12(g)  
IFRS 12.B10(b) Summarised financial information for Tech Squad Ltd, before intragroup eliminations, is set out below:

|   | 2017           | 2016           |
|---|----------------|----------------|
| <b>Non-current assets</b>   | 5,019          | 5,182          |
| Current assets  | 3,924          | 3,452          |
| <b>Total assets</b>   | <b>8,943</b>   | <b>8,634</b>   |
| Non-current liabilities   | (3,806)        | (3,402)        |
| Current liabilities   | (1,561)        | (2,268)        |
| <b>Total liabilities</b>  | <b>(5,367)</b> | <b>(5,670)</b> |
| <b>Equity attributable to owners of the parent</b>  | <b>2,863</b>   | <b>2,372</b>   |
| <b>Non-controlling interests</b>  | <b>713</b>     | <b>592</b>     |
|   | <b>2017</b>    | <b>2016</b>    |
| Revenue   | <b>7,658</b>   | <b>7,116</b>   |
| Profit for the year attributable to owners of the parent                                  | 479            | 464            |
| Profit for the year attributable to NCI   | 121            | 116            |
| <b>Profit for the year</b>  | <b>600</b>     | <b>580</b>     |
| <b>Other comprehensive income for the year (all attributable to owners of the parent)</b> | <b>6</b>       | <b>4</b>       |
| Total comprehensive income for the year attributable to owners of the parent              | 485            | 468            |
| Total comprehensive income for the year attributable to NCI                               | 121            | 116            |
| <b>Total comprehensive income for the year</b>  | <b>606</b>     | <b>584</b>     |
|   | <b>2017</b>    | <b>2016</b>    |
| Net cash from operating activities  | 957            | 779            |
| Net cash used in investing activities   | (531)          | (673)          |
| Net cash from (used in) financing activities  | 446            | (61)           |
| <b>Net cash inflow</b>  | <b>872</b>     | <b>45</b>      |

<sup>4</sup> For the purposes of Illustrative Corporation Group it is assumed that the NCI are material to the Group. The thresholds are not intended to indicate what could be material to other entities.

## Notes to the consolidated financial statements

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### 6.3 Losing control over a subsidiary during the report period

On 30 September 2017, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Ltd (Highstreet). The subsidiary was classified as held for sale in the 2016 financial statements (see Note 20).

IAS 7.40(b) The consideration was received fully in cash in 2017. At the date of disposal, the carrying amounts of Highstreet's net assets were as follows:

|             |                                       |              |
|-------------|---------------------------------------|--------------|
| IAS 7.40(d) |                                       |              |
|             | Property, plant and equipment         | 2,475        |
|             | Total non-current assets              | 2,475        |
|             | Inventories                           | 1,121        |
| IAS 7.40(c) | Cash and cash equivalents             | -            |
|             | Total current assets                  | 1,121        |
|             | Provisions                            | (232)        |
|             | Borrowings                            | (8)          |
|             | Trade and other payables              | (210)        |
|             | Total current liabilities             | (450)        |
|             | <b>Total net assets</b>               | <b>3,146</b> |
| IAS 7.40(a) | Total consideration received in cash  | 3,117        |
|             | Cash and cash equivalents disposed of | -            |
| IAS 7.42    | <b>Net cash received</b>              | <b>3,117</b> |
| IFRS 10.25  | <b>Loss on disposal</b>               | <b>(29)</b>  |

IFRS 12.19(b) The loss on disposal is included in the loss for the year from discontinued operations in the consolidated statement of profit or loss. See Note 20.

### 6.4 Interests in unconsolidated structured entities

IFRS 12.24 The Group has no interests in unconsolidated structured entities.

## 7. Investments accounted for using the equity method

### 7.1 Investment in joint venture

IFRS 12.21(a) The Group has one material joint venture, Halftime Ltd (Halftime):

| Name of the joint venture | Country of incorporation and principal place of business | Principal activity                              | Proportion of ownership interests held by the Group at year end |      |
|---------------------------|--|---|---|------|
|                           |  |   | 2017  | 2016 |
| Halftime Ltd              | UK   | On-line sales of hardware and software products | 50%   | 50%  |

IFRS 12.21(b)(i) The investment in Halftime is accounted for using the equity method in accordance with IAS 28.



IFRS 12.21(b)(ii)  
IFRS 12.B12-B13 Summarised financial information for Halftime is set out below:

|                     |  | 2017         | 2016         |
|---------------------|--|--------------|--------------|
| IFRS 12.B12(b)(ii)  | Non-current assets   | 838          | 500          |
| IFRS 12.B12(b)(i)   | Current assets (a)   | 528          | 380          |
|                     | <b>Total assets</b>  | <b>1,366</b> | <b>880</b>   |
| IFRS 12.B12(b)(iv)  | Non-current liabilities (b)  | (240)        | (298)        |
| IFRS 12.B12(b)(iii) | Current liabilities (c)  | (160)        | (138)        |
|                     | <b>Total liabilities</b>   | <b>(400)</b> | <b>(436)</b> |
| IFRS 12.B14         | <b>Net assets</b>  | <b>966</b>   | <b>444</b>   |
| IFRS 12.B13(a)      | (a) Includes cash and cash equivalents   | 60           | 80           |
| IFRS 12.B13(c)      | (b) Includes financial liabilities (excluding trade and other payables and provisions) | (100)        | -            |
| IFRS 12.B13(b)      | (c) Includes financial liabilities (excluding trade and other payables and provisions) | (80)         | -            |

|  |   | 2017         | 2016       |
|--|---|--------------|------------|
| IFRS 12.B12(b)(v)                        | <b>Revenue</b>  | <b>1,200</b> | <b>730</b> |
| IFRS 12.B12(b)(vi)<br>IFRS 12.B12(b)(ix) | <b>Profit and total comprehensive income for the year</b> | <b>522</b>   | <b>258</b> |
| IFRS 12.B13(d)                           | <b>Depreciation and amortisation</b>                      | <b>30</b>    | <b>20</b>  |
| IFRS 12.B13(g)                           | <b>Tax expense</b>  | <b>68</b>    | <b>58</b>  |

IFRS 12.B14 A reconciliation of the above summarised financial information to the carrying amount of the investment in Halftime is set out below:

|  | 2017       | 2016       |
|--|------------|------------|
| Total net assets of Halftime                         | 966        | 444        |
| Proportion of ownership interests held by the Group  | 50%        | 50%        |
| <b>Carrying amount of the investment in Halftime</b> | <b>483</b> | <b>222</b> |

IFRS 12.B12(a) No dividends were received from Halftime during the years 2017 and 2016.

IFRS 12.21(b)(iii) Halftime is a private company, therefore no quoted market prices are available for its shares.

## 7.2 Investments in associates

IFRS 12.21(c)  
IFRS 12.B16 The Group has a 45% equity interest in Equipe and a 30% equity interest in Shopmore GmbH. Neither associate is individually material to the Group.

Summarised aggregated financial information of the Group's share in these associates is as follows:

|                |   | 2017       | 2016       |
|----------------|---|------------|------------|
| IFRS 12.B16(a) | Profit from continuing operations   | 130        | 12         |
| IFRS 12.B16(c) | Other comprehensive income  | 2          | -          |
|                | <b>Total comprehensive income</b>   | <b>132</b> | <b>12</b>  |
| IFRS 12.B16    | <b>Aggregate carrying amount of the Group's interests in these associates</b> | <b>377</b> | <b>245</b> |

## 8. Revenue

IFRS 15.116

For 2017, revenue includes CU 2,718 (2016: CU 2,534) included in the contract liability balance at the beginning of the period, and CU 134 (2016: CU 125) from performance obligations satisfied (or partially satisfied) in previous periods due to changes in transaction price.

**Guidance note:** As the Group does not enter into contracts with its customers where, once performance has occurred, the Group's right to consideration is dependent on anything other than the passage of time, the Group does not presently have any contract assets.

For purposes of these Example Financial Statements, it is assumed that changes to the Group's contract liabilities (ie deferred revenue) are attributable solely to the satisfaction of performance obligations. For other entities, where contract liability balances are affected by other significant factors, IFRS 15.118 requires these changes to be explained, for example, changes due to business combinations or a change in the time frame required for a performance obligation to be satisfied.

The Group's revenue disaggregated by primary geographical markets is as follows:

IFRS 15.115

|                     | For the year ended 31 December 2017 |               |               |              |                |
|---------------------|-------------------------------------|---------------|---------------|--------------|----------------|
|                     | Consulting                          | Service       | Retail        | Other        | Total          |
| Euroland (domicile) | 88,648                              | 14,512        | 57,678        | 2,943        | 163,781        |
| United Kingdom      | 11,081                              | 1,814         | 7,210         | 368          | 20,473         |
| USA                 | 9,973                               | 1,633         | 6,489         | 331          | 18,426         |
| Other countries     | 1,108                               | 181           | 721           | 37           | 2,047          |
| <b>Total</b>        | <b>110,810</b>                      | <b>18,140</b> | <b>72,098</b> | <b>3,679</b> | <b>204,727</b> |

IFRS 15.115

|                     | For the year ended 31 December 2016 |               |               |              |                |
|---------------------|-------------------------------------|---------------|---------------|--------------|----------------|
|                     | Consulting                          | Service       | Retail        | Other        | Total          |
| Euroland (domicile) | 87,442                              | 14,266        | 46,143        | 3,004        | 150,854        |
| United Kingdom      | 10,930                              | 1,783         | 5,768         | 376          | 18,857         |
| USA                 | 9,837                               | 1,605         | 5,191         | 338          | 16,971         |
| Other countries     | 1,093                               | 178           | 2,208         | 38           | 3,518          |
| <b>Total</b>        | <b>109,302</b>                      | <b>17,832</b> | <b>59,310</b> | <b>3,756</b> | <b>190,200</b> |

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

IFRS 15.115

|                                      | For the year ended 31 December 2017 |               |               |              |                |
|--------------------------------------|-------------------------------------|---------------|---------------|--------------|----------------|
|                                      | Consulting                          | Service       | Retail        | Other        | Total          |
| Goods transferred at a point in time | 24,378                              | 3,991         | 15,862        | 809          | 45,040         |
| Services transferred over time       | 86,432                              | 14,149        | 56,236        | 2,870        | 159,687        |
| <b>Total</b>                         | <b>110,810</b>                      | <b>18,140</b> | <b>72,098</b> | <b>3,679</b> | <b>204,727</b> |

IFRS 15.115

|                                      | For the year ended 31 December 2016 |               |               |              |                |
|--------------------------------------|-------------------------------------|---------------|---------------|--------------|----------------|
|                                      | Consulting                          | Service       | Retail        | Other        | Total          |
| Goods transferred at a point in time | 24,047                              | 3,923         | 13,048        | 826          | 41,844         |
| Services transferred over time       | 85,255                              | 13,909        | 46,262        | 2,930        | 148,356        |
| <b>Total</b>                         | <b>109,302</b>                      | <b>17,832</b> | <b>59,310</b> | <b>3,756</b> | <b>190,200</b> |

IFRS 15.120

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2017:

|                                   | 2018  | 2019 | Total |
|-----------------------------------|-------|------|-------|
| Revenue expected to be recognised | 1,575 | 788  | 2,363 |

Prepayments and other assets contain both deferred IT set-up costs and prepayments. IT set-up costs comprise between 1% and 2% of the total labour and materials costs incurred.

|                                | 31 December<br>2017 | 31 December<br>2016 | 1 January<br>2016 |
|--------------------------------|---------------------|---------------------|-------------------|
| <b>Current</b>                 |                     |                     |                   |
| Deferred customer set-up costs | 109                 | 107                 | 105               |
| Prepayments                    | 297                 | 315                 | 287               |
| <b>Other current assets</b>    | <b>406</b>          | <b>422</b>          | <b>392</b>        |
| <b>Non-current</b>             |                     |                     |                   |
| Deferred customer set-up costs | 163                 | 160                 | 158               |
| <b>Total</b>                   | <b>570</b>          | <b>582</b>          | <b>550</b>        |

## 9. Segment reporting

IFRS 8.22(a)

Management currently identifies the Group's three service lines as its operating segments (see Note 4.6). These operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

IFRS 8.16

In addition, two minor operating segments are combined below under other segments. The main sources of revenue for this segment is the sale and disposal of used IT equipment that the Group collects from its customers.

**Guidance note:** IFRS 8 'Operating Segments' requires the amount of each operating segment item to be disclosed using the measures reported to the chief operating decision maker (ie based on internal management information). The disclosures in the Example Financial Statements are therefore based on substantial assumptions (eg there is no measure of segment liabilities regularly reported to the chief operating decision maker), and so cannot be viewed as the only acceptable way of providing segment disclosures. It is therefore important to emphasise that segment reporting should be tailored on the basis of the entity's internal management reporting.

## Notes to the consolidated financial statements

For the year ended 31 December 2017 (expressed in thousands of Euroland currency units, except per share amounts)

Segment information for the reporting period is as follows:

|               |   | For the year ended 31 December 2017 |               |               |              |                |
|---------------|---|-------------------------------------|---------------|---------------|--------------|----------------|
|               |   | Consulting                          | Service       | Retail        | Other        | Total          |
|               |   | <b>Revenue</b>                      |               |               |              |                |
| IFRS 8.23(a)  | From external customers                               | 110,810                             | 18,140        | 72,098        | 3,679        | 204,727        |
|               | Discontinued operations                               | –                                   | –             | 9,803         | –            | 9,803          |
| IFRS 8.23(b)  | From other segments                                   | 231                                 | –             | –             | –            | 231            |
|               |   | <b>111,041</b>                      | <b>18,140</b> | <b>81,901</b> | <b>3,679</b> | <b>214,761</b> |
|               |   | <b>Segment revenues</b>             |               |               |              |                |
|               | Changes in inventories                                | (4,794)                             | –             | (3,129)       | –            | (7,923)        |
| IFRS 8.23(f)  | Costs of materials                                    | (17,368)                            | (5,442)       | (22,040)      | (1,398)      | (46,248)       |
| IFRS 8.23(f)  | Employee benefits expense                             | (58,164)                            | (9,694)       | (43,799)      | (2,154)      | (113,811)      |
| IFRS 8.23(e)  | Depreciation and amortisation of non-financial assets | (3,382)                             | (564)         | (2,192)       | (125)        | (6,263)        |
| IAS 36.129(a) | Impairment of non-financial assets                    | (1,669)                             | –             | –             | –            | (1,669)        |
| IFRS 8.23(f)  | Other expenses  | (9,456)                             | (30)          | (1,333)       | (10)         | (10,829)       |
| IFRS 8.23     | <b>Segment operating profit</b>                       | <b>16,208</b>                       | <b>2,410</b>  | <b>9,408</b>  | <b>(8)</b>   | <b>28,018</b>  |
| IFRS 8.23     | <b>Segment assets</b>                                 | <b>68,078</b>                       | <b>11,346</b> | <b>44,125</b> | <b>2,521</b> | <b>126,070</b> |

|               |   | For the year ended 31 December 2016 |               |               |              |                |
|---------------|---|-------------------------------------|---------------|---------------|--------------|----------------|
|               |   | Consulting                          | Service       | Retail        | Other        | Total          |
|               |   | <b>Revenue</b>                      |               |               |              |                |
| IFRS 8.23(a)  | From external customers                               | 109,302                             | 17,832        | 59,310        | 3,756        | 190,200        |
|               | Discontinued operations                               | –                                   | –             | 11,015        | –            | 11,015         |
| IFRS 8.23(b)  | From other segments                                   | 110                                 | –             | –             | –            | 110            |
|               |   | <b>109,412</b>                      | <b>17,832</b> | <b>70,325</b> | <b>3,756</b> | <b>201,325</b> |
|               |   | <b>Segment revenues</b>             |               |               |              |                |
|               | Changes in inventories                                | (4,123)                             | –             | (2,692)       | –            | (6,815)        |
| IFRS 8.23(f)  | Costs of materials                                    | (17,737)                            | (5,350)       | (18,734)      | (1,315)      | (43,136)       |
| IFRS 8.23(f)  | Employee benefits expense                             | (58,487)                            | (9,542)       | (38,148)      | (2,010)      | (108,187)      |
| IFRS 8.23(e)  | Depreciation and amortisation of non-financial assets | (3,578)                             | (596)         | (3,084)       | (133)        | (7,391)        |
| IAS 36.129(a) | Impairment of non-financial assets                    | (190)                               | –             | –             | –            | (190)          |
| IFRS 8.23(f)  | Other expenses  | (9,213)                             | (100)         | (1,761)       | (20)         | (11,094)       |
| IFRS 8.23     | <b>Segment operating profit</b>                       | <b>16,084</b>                       | <b>2,244</b>  | <b>5,906</b>  | <b>278</b>   | <b>24,512</b>  |
| IFRS 8.23     | <b>Segment assets</b>                                 | <b>51,596</b>                       | <b>8,599</b>  | <b>33,442</b> | <b>1,911</b> | <b>95,548</b>  |

|           |                       | As at 1 January 2016 |              |               |              |               |
|-----------|-----------------------|----------------------|--------------|---------------|--------------|---------------|
|           |                       | Consulting           | Service      | Retail        | Other        | Total         |
| IFRS 8.23 | <b>Segment assets</b> | <b>44,944</b>        | <b>7,491</b> | <b>29,130</b> | <b>1,665</b> | <b>83,230</b> |
| IFRS 8.21 |                       |                      |              |               |              |               |

The Group's non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) are located in the following geographic regions:

|              | 31 December 2017 | 31 December 2016 | 1 January 2016 |
|--------------|------------------|------------------|----------------|
| IFRS 8.33(a) |                  |                  |                |
| IFRS 8.33(b) |                  |                  |                |
|              | 45,991           | 40,170           | 35,923         |
|              | 5,749            | 5,021            | 4,490          |
|              | 5,174            | 4,519            | 4,041          |
|              | 575              | 502              | 449            |
| <b>Total</b> | <b>57,489</b>    | <b>50,212</b>    | <b>44,904</b>  |

Non-current assets are allocated based on their physical location. The above table does not include discontinued operations (disposal groups), for which revenue and assets can be attributed to Euroland.

IFRS 8.33(a) Revenues from external customers in the Group's domicile, Euroland, as well as its major markets, the United Kingdom and the USA, have been identified on the basis of the customer's geographical location and are disclosed in Note 8.

IFRS 8.34 During 2017, CU 24,744 or 12% (2016: CU 21,076 or 11%) of the Group's revenues depended on a single customer in the consulting segment.

The totals presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

|  | 2017           | 2016           |
|--|----------------|----------------|
| IFRS 8.28(a)                                       |                |                |
| <b>Revenues</b>                                    |                |                |
| Total reportable segment revenues                  | 211,082        | 197,569        |
| Other segment revenues                             | 3,679          | 3,756          |
| Discontinued operations                            | (9,803)        | (11,015)       |
| Elimination of intersegment revenues               | (231)          | (110)          |
|  | <b>204,727</b> | <b>190,200</b> |
| Rental income from investment property             | 1,066          | 1,028          |
| <b>Group revenues</b>                              | <b>205,793</b> | <b>191,228</b> |
| IFRS 8.28(b)                                       |                |                |
| <b>Profit or loss</b>                              |                |                |
| Total reportable segment operating profit          | 28,025         | 24,234         |
| Other segment profit                               | (8)            | 278            |
| Rental income from investment property             | 1,066          | 1,028          |
| Change in fair value of investment property        | 310            | 175            |
| Share-based payment expenses                       | (298)          | (466)          |
| Post-employment benefit expenses                   | (5,799)        | (7,273)        |
| Research and development costs                     | (1,690)        | (1,015)        |
| Other income not allocated                         | 427            | 483            |
| Other expenses not allocated                       | (303)          | (286)          |
| Operating profit of discontinued operations        | (73)           | (106)          |
| Elimination of intersegment profits                | (58)           | (27)           |
| <b>Group operating profit</b>                      | <b>21,599</b>  | <b>17,025</b>  |
| Share of profits from equity accounted investments | 391            | 141            |
| Finance costs                                      | (1,490)        | (1,886)        |
| Finance income                                     | 994            | 793            |
| Other financial items                              | 943            | 1,182          |
| <b>Group profit before tax</b>                     | <b>22,437</b>  | <b>17,255</b>  |

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|              | 31 December<br>2017             | 31 December<br>2016 | 1 January<br>2016 |                |
|--------------|---------------------------------|---------------------|-------------------|----------------|
| IFRS 8.28(c) | <b>Assets</b>                   |                     |                   |                |
|              | Total reportable segment assets | 123,549             | 93,637            | 81,565         |
|              | Other segment assets            | 2,521               | 1,911             | 1,665          |
|              | Group headquarters              | 3,925               | 2,127             | 1,783          |
|              | Investment property             | 12,662              | 12,277            | 12,102         |
|              | Illustrative Research Lab       | 5,046               | 2,735             | 2,293          |
|              | Other assets                    | 3,364               | 1,823             | 1,528          |
|              | Consolidation                   | (1,121)             | (608)             | (509)          |
|              | <b>Group assets</b>             | <b>149,946</b>      | <b>113,902</b>    | <b>100,427</b> |

IFRS 8.28 Unallocated operating income and expense mainly consist of research expenditure as well as post-employment benefits expenses. The Group's corporate assets, consisting of its headquarters, investment properties and research facility, are not allocated to any segment's assets.

IFRS 8.32 An analysis of the Group's revenue from external customers for each major product and service category (excluding revenue from discontinued operations) is as follows:

|              | 2017   | 2016           |                |
|--------------|--|----------------|----------------|
|              | <b>Sale of goods</b>                                 |                |                |
|              | Sale of hardware                                     | 47,585         | 39,145         |
|              | Sale of software                                     | 24,513         | 20,165         |
|              | Other  | 3,679          | 3,756          |
|              | <b>Sale of goods</b>                                 | <b>75,777</b>  | <b>63,066</b>  |
|              | <b>Rendering of services</b>                         |                |                |
|              | After-sales service and maintenance                  | 18,140         | 17,832         |
|              | Consulting   | 59,837         | 60,116         |
|              | Construction contracts for telecommunication systems | 50,973         | 49,186         |
| IAS 40.75(f) | Rental income  | 1,066          | 1,028          |
|              | <b>Rendering of services</b>                         | <b>130,016</b> | <b>128,162</b> |
|              | <b>Group revenue</b>                                 | <b>205,793</b> | <b>191,228</b> |

## 10. Goodwill

IFRS 3.B67(d) The movements in the net carrying amount of goodwill are as follows:

|                     | 2017                                  | 2016         |              |
|---------------------|---------------------------------------|--------------|--------------|
|                     | <b>Gross carrying amount</b>          |              |              |
| IFRS 3.B67(d)(i)    | Balance 1 January                     | 3,727        | 1,234        |
| IFRS 3.B67(d)(ii)   | Acquired through business combination | 2,438        | 2,569        |
| IFRS 3.B67(d)(vi)   | Net exchange difference               | (135)        | (76)         |
| IFRS 3.B67(d)(viii) | <b>Balance 31 December</b>            | <b>6,030</b> | <b>3,727</b> |
|                     | <b>Accumulated impairment</b>         |              |              |
| IFRS 3.B67(d)(i)    | Balance 1 January                     | (190)        | -            |
| IFRS 3.B67(d)(v)    | Impairment loss recognised            | (799)        | (190)        |
| IFRS 3.B67(d)(vi)   | New exchange difference               | -            | -            |
| IFRS 3.B67(d)(viii) | <b>Balance 31 December</b>            | <b>(989)</b> | <b>(190)</b> |
|                     | <b>Carrying amount at 31 December</b> | <b>5,041</b> | <b>3,537</b> |

**Impairment testing**

IAS 36.80 For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below, and is compared to its recoverable value:

|                      | <b>Goodwill allocated to operating segments</b> |                         |                       |
|----------------------|---|-------------------------|-----------------------|
|                      | <b>31 December 2017</b>                         | <b>31 December 2016</b> | <b>1 January 2016</b> |
| IAS 36.134(a) Retail | 4,796   | 2,493                   | -                     |
| Consulting           | 245   | 1,044                   | 1,234                 |
|                      | <b>5,041</b>                                    | <b>3,537</b>            | <b>1,234</b>          |

IAS 36.134(c-d) IAS 36.130(e) The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment.

|            | <b>Recoverable amount of each operating segment</b> |             |
|------------|---|-------------|
|            | <b>2017</b>   | <b>2016</b> |
| Retail     | 41,835  | 30,679      |
| Consulting | 62,562  | 48,354      |

|                              | <b>Growth rates</b> |             | <b>Discount rates</b> |             |
|------------------------------|---------------------|-------------|-----------------------|-------------|
|                              | <b>2017</b>         | <b>2016</b> | <b>2017</b>           | <b>2016</b> |
| IAS 36.134(d)(iv)-(v) Retail | 3.0%                | 3.0%        | 9.3%                  | 9.5%        |
| Consulting                   | 0.1%                | 0.5%        | 10.9%                 | 10.1%       |

**Growth rates**

The growth rates reflect the long-term average growth rates for the product lines and industries of the segments (all publicly available). The growth rate for online retailing exceeds the overall long-term average growth rates for Euroland because this sector is expected to continue to grow at above-average rates for the foreseeable future.

**Discount rates**

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment.

**Cash flow assumptions****Retail segment**

IAS 36.134(d)(i) IAS 36.134(d)(ii) Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market. Cash flow projections reflect stable profit margins achieved immediately before the most recent budget period. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

**Consulting segment**

IAS 36.130(a) IAS 36.130(d) IAS 36.134(d)(i) IAS 36.134(d)(ii) The forecast was adjusted in 2016 for the decline in consulting services related to conventional telecommunication solutions. The market shifted considerably towards inter- and intranet based solutions during 2016 and continued in 2017. As a result, management expects lower growth and moderately declining profit margins for this segment.

Impairment testing, taking into account these latest developments, resulted in the further reduction of goodwill in 2017 to its recoverable amount. See Note 11 for the impairment of other intangible assets.

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- IAS 38.118(d) The related goodwill impairment loss of CU 799 in 2017 (2016: CU 190) was included within depreciation, amortisation and impairment of non-financial assets.
- IAS 36.134(f)  
IAS 1.125 The estimate of recoverable amount for the consulting segment is particularly sensitive to the discount rate. If the discount rate used is increased by 1%, a further impairment loss of CU 300 would have to be recognised, of which CU 245 would be written off against goodwill and CU 55 against property, plant and equipment. Management is not currently aware of any other reasonably possible changes to key assumptions that would cause a unit's carrying amount to exceed its recoverable amount.

## 11. Other intangible assets

Details of the Group's other intangible assets and their carrying amounts are as follows:

|                    | Acquired software licenses               | Internally developed software | Brand names     | Customer lists | Total        |                 |
|--------------------|--|-------------------------------|-----------------|----------------|--------------|-----------------|
| IAS 38.118         | <b>Gross carrying amount</b>             |                               |                 |                |              |                 |
| IAS 38.118(c)      | Balance at 1 January 2017                | 13,608                        | 14,794          | 760            | 374          | 29,536          |
| IAS 38.118(e)(i)   | Addition, separately acquired            | 440                           | -               | -              | -            | 440             |
| IAS 38.118(e)(i)   | Addition, internally developed           | -                             | 3,306           | -              | -            | 3,306           |
| IAS 38.118(e)(i)   | Acquisition through business combination | 3,653                         | -               | 215            | 1,387        | 5,255           |
| IAS 38.118(e)(ii)  | Disposals                                | (1,159)                       | -               | -              | -            | (1,159)         |
| IAS 38.118(e)(vii) | Net exchange differences                 | (73)                          | (54)            | -              | -            | (127)           |
| IAS 38.118(c)      | <b>Balance at 31 December 2017</b>       | <b>16,469</b>                 | <b>18,046</b>   | <b>975</b>     | <b>1,761</b> | <b>37,251</b>   |
|                    | <b>Amortisation and impairment</b>       |                               |                 |                |              |                 |
| IAS 38.118(c)      | Balance at 1 January 2017                | (6,063)                       | (9,381)         | (162)          | (89)         | (15,695)        |
| IAS 38.118(e)(vi)  | Amortisation                             | (1,978)                       | (1,315)         | (125)          | (110)        | (3,528)         |
| IAS 38.118(e)(iv)  | Impairment losses                        | -                             | (870)           | -              | -            | (870)           |
| IAS 38.118(e)(ii)  | Disposals                                | 350                           | -               | -              | -            | 350             |
| IAS 38.118(e)(vii) | Net exchange differences                 | (48)                          | (36)            | -              | -            | (84)            |
| IAS 38.118(c)      | <b>Balance at 31 December 2017</b>       | <b>(7,739)</b>                | <b>(11,602)</b> | <b>(287)</b>   | <b>(199)</b> | <b>(19,827)</b> |
|                    | <b>Carrying amount 31 December 2017</b>  | <b>8,730</b>                  | <b>6,444</b>    | <b>688</b>     | <b>1,562</b> | <b>17,424</b>   |
|                    | <b>Gross carrying amount</b>             |                               |                 |                |              |                 |
| IAS 38.118         | Balance at 1 January 2016                | 8,672                         | 14,600          | -              | -            | 23,272          |
| IAS 38.118(e)(i)   | Addition, separately acquired            | 3,097                         | -               | -              | -            | 3,097           |
| IAS 38.118(e)(i)   | Addition, internally developed           | -                             | 216             | -              | -            | 216             |
| IAS 38.118(e)(i)   | Acquisition through business combination | 1,859                         | -               | 768            | 378          | 3,005           |
| IAS 38.118(e)(vii) | Net exchange differences                 | (20)                          | (22)            | (8)            | (4)          | (54)            |
| IAS 38.118(c)      | <b>Balance at 31 December 2016</b>       | <b>13,608</b>                 | <b>14,794</b>   | <b>760</b>     | <b>374</b>   | <b>29,536</b>   |
|                    | <b>Amortisation and impairment</b>       |                               |                 |                |              |                 |
| IAS 38.118(c)      | Balance at 1 January 2016                | (4,442)                       | (8,166)         | -              | -            | (12,608)        |
| IAS 38.118(e)(vi)  | Amortisation                             | (1,607)                       | (1,201)         | (156)          | (87)         | (3,051)         |
| IAS 38.118(e)(vii) | Net exchange differences                 | (14)                          | (14)            | (6)            | (2)          | (36)            |
| IAS 38.118(c)      | <b>Balance at 31 December 2016</b>       | <b>(6,063)</b>                | <b>(9,381)</b>  | <b>(162)</b>   | <b>(89)</b>  | <b>(15,695)</b> |
|                    | <b>Carrying amount 31 December 2016</b>  | <b>7,545</b>                  | <b>5,413</b>    | <b>598</b>     | <b>285</b>   | <b>13,841</b>   |



|   |   |
|---|---|
| IAS 23.8<br>IAS 38.126  | Additions to internally developed software include capitalised borrowing costs of CU 80 (2016: CU 78). In addition, research and development costs of CU 1,690 (2016: CU 1,015) were recognised as other expenses.  |
| IAS 36.130(b)<br>IAS 36.130(c)(i)<br>IAS 36.130(c)(ii)<br>IAS 36.130(a)<br>IAS 36.130(e)<br>IAS 36.130(g) | An impairment loss of CU 870 (2016: Nil) was recognised for internally developed software used to provide certain after-sales and maintenance services within the consulting segment (see Note 9). The recoverable amount of the asset is its value-in-use, determined using management's expectation that the market will shift considerably towards other alternative software products and will significantly reduce future revenues and profits in the next two to three years (see Note 10 for the growth and discount rates used). Should the shift in the market to other software products occur more rapidly, the carrying amount of the software of CU 100 (2016: CU 970) would be reduced to CU Nil. |
| IAS 36.118(d)   | All amortisation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.  |
| IAS 38.122(e)   | During the year, the Group entered into an agreement to acquire enterprise resource planning software, to support the planning and administration of the Group's operations. Minimum contractual commitments resulting from this agreement are CU 97 payable during 2018. The Group does not have any other material contractual commitments at 31 December 2017 (2016: None).  |

## 12. Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

| IAS 16.78(a)       |  | Land         | Buildings       | IT equipment   | Other equipment | Total           |
|--------------------|--|--------------|-----------------|----------------|-----------------|-----------------|
|                    | <b>Gross carrying amount</b>             |              |                 |                |                 |                 |
| IAS 16.73(d)       | Balance 1 January 2017                   | 7,697        | 19,362          | 5,579          | 2,334           | 34,972          |
| IAS 16.73(e)(i)    | Additions                                | -            | 76              | -              | -               | 76              |
| IAS 16.73(e)(iii)  | Acquisition through business combination | 730          | 1,221           | 2,306          | 365             | 4,622           |
| IAS 16.73(e)(ii)   | Disposals                                | -            | (401)           | -              | -               | (401)           |
| IAS 16.73(e)(iv)   | Revaluation increase                     | 303          | -               | -              | -               | 303             |
| IAS 16.73(e)(viii) | Net exchange differences                 | (21)         | (81)            | (79)           | (54)            | (235)           |
| IAS 16.73(d)       | <b>Balance at 31 December 2017</b>       | <b>8,709</b> | <b>20,177</b>   | <b>7,806</b>   | <b>2,645</b>    | <b>39,337</b>   |
|                    | <b>Depreciation and impairment</b>       |              |                 |                |                 |                 |
| IAS 16.73(d)       | Balance at 1 January 2017                | -            | (12,159)        | (1,503)        | (913)           | (14,575)        |
| IAS 16.73(e)(ii)   | Disposals                                | -            | 315             | -              | -               | 315             |
| IAS 16.73(e)(viii) | Net exchange differences                 | -            | (54)            | (53)           | (36)            | (143)           |
| IAS 16.73(e)(vii)  | Depreciation                             | -            | (1,315)         | (890)          | (530)           | (2,735)         |
| IAS 16.73(d)       | <b>Balance 31 December 2017</b>          | <b>-</b>     | <b>(13,213)</b> | <b>(2,446)</b> | <b>(1,479)</b>  | <b>(17,138)</b> |
|                    | <b>Carrying amount 31 December 2017</b>  | <b>8,709</b> | <b>6,964</b>    | <b>5,360</b>   | <b>1,166</b>    | <b>22,199</b>   |

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|                    | Land  | Buildings    | IT equipment    | Other equipment | Total        |                 |
|--------------------|---|--------------|-----------------|-----------------|--------------|-----------------|
| IAS 16.78(a)       |   |              |                 |                 |              |                 |
|                    | <b>Gross carrying amount</b>                |              |                 |                 |              |                 |
| IAS 16.73(d)       | Balance 1 January 2016                      | 7,697        | 23,067          | 4,316           | 966          | 36,046          |
| IAS 16.73(e)(i)    | Additions                                   | -            | 1,001           | 1,390           | 890          | 3,281           |
| IAS 16.73(e)(iii)  | Acquisition through business combination    | -            | -               | 2,310           | 838          | 3,148           |
| IAS 16.73(e)(ii)   | Held for sale or included in disposal group | -            | (4,598)         | (2,422)         | (348)        | (7,368)         |
| IAS 16.73(e)(viii) | Net exchange differences                    | -            | (108)           | (15)            | (12)         | (135)           |
| IAS 16.73(d)       | <b>Balance at 31 December 2016</b>          | <b>7,697</b> | <b>19,362</b>   | <b>5,579</b>    | <b>2,334</b> | <b>34,972</b>   |
|                    | <b>Depreciation and impairment</b>          |              |                 |                 |              |                 |
| IAS 16.73(d)       | Balance 1 January 2016                      | -            | (12,944)        | (1,805)         | (551)        | (15,300)        |
| IAS 16.73(e)(viii) | Net exchange differences                    | -            | (72)            | (10)            | (8)          | (90)            |
| IAS 16.73(e)(ii)   | Held for sale or included in disposal group | -            | 3,200           | 990             | 200          | 4,390           |
| IAS 16.73(e)(vii)  | Depreciation                                | -            | (2,343)         | (678)           | (554)        | (3,575)         |
| IAS 16.73(d)       | <b>Balance 31 December 2016</b>             | <b>-</b>     | <b>(12,159)</b> | <b>(1,503)</b>  | <b>(913)</b> | <b>(14,575)</b> |
|                    | <b>Carrying amount 31 December 2016</b>     | <b>7,697</b> | <b>7,203</b>    | <b>4,076</b>    | <b>1,421</b> | <b>20,397</b>   |

IAS 36.126(a) All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

IAS 16.74(a) Land and buildings have been pledged as security for the Groups other bank borrowings (see Note 15.6).

IAS 16.74(c) The Group has a contractual commitment to acquire IT equipment of CU 1,304 payable in 2018. There were no other material contractual commitments to acquire property, plant and equipment at 31 December 2017 (2016: None).

IAS 16.77(e)  
IAS 16.77(f) If the cost model had been used, the carrying amounts of the revalued land, including the fair value adjustment upon acquisition of Goodtech, would be CU 7,421 (2016: CU 6,712). The revalued amounts include a revaluation surplus of CU 1,288 before tax (2016: CU 985), which is not available for distribution to the shareholders of Illustrative Corporation.

### Fair value measurement of the land

See Note 35.2.

## 13. Leases

### 13.1 Finance leases as lessee

IAS 17.31(a) The Group's main warehouse and related facilities and certain IT equipment are held under finance lease arrangements. As of 31 December 2017, the net carrying amount of the warehouse and related facilities is CU 3,362 (2016: CU 3,723, 2015: 4,084), included as part of buildings and of the IT equipment is CU 231 (2016: CU 480, 2015: 729), included as part of IT equipment (see Note 12).

IAS 17.31(b) Finance lease liabilities (see Note 24) are secured by the related assets held under finance leases. Future minimum finance lease payments at 31 December were as follows:

|                           | Minimum lease payments due |              |               | Total        |
|---------------------------|----------------------------|--------------|---------------|--------------|
|                           | within 1 year              | 1 to 5 years | after 5 years |              |
| <b>31 December 2017</b>   |                            |              |               |              |
| Lease payments            | 727                        | 1,415        | 3,539         | 5,681        |
| Finance charges           | (215)                      | (330)        | (564)         | (1,109)      |
| <b>Net present values</b> | <b>512</b>                 | <b>1,085</b> | <b>2,975</b>  | <b>4,572</b> |
| <b>31 December 2016</b>   |                            |              |               |              |
| Lease payments            | 726                        | 1,432        | 4,072         | 6,230        |
| Finance charges           | (220)                      | (336)        | (709)         | (1,265)      |
| <b>Net present values</b> | <b>506</b>                 | <b>1,096</b> | <b>3,363</b>  | <b>4,965</b> |
| <b>31 December 2015</b>   |                            |              |               |              |
| Lease payments            | 705                        | 1,429        | 4,294         | 6,428        |
| Finance charges           | (230)                      | (337)        | (621)         | (1,188)      |
| <b>Net present values</b> | <b>475</b>                 | <b>1,092</b> | <b>3,673</b>  | <b>5,240</b> |

IAS 17.31(e) The lease agreement for the main warehouse includes fixed lease payments and a purchase option at the end of the 10 year lease term. The agreement is non-cancellable and does not contain any further restrictions.

### 13.2 Operating leases as lessee

IAS 17.35(a) The Group leases an office and production building under an operating lease. The future minimum lease payments are as follows:

|                  | Minimum lease payments due |              |               | Total  |
|------------------|----------------------------|--------------|---------------|--------|
|                  | within 1 year              | 1 to 5 years | after 5 years |        |
| 31 December 2017 | 4,211                      | 12,567       | 25,678        | 42,456 |
| 31 December 2016 | 3,431                      | 12,100       | 24,342        | 39,873 |
| 31 December 2015 | 3,362                      | 11,858       | 23,855        | 39,075 |

IAS 17.35(c) Lease expense during the period amounts to CU 3,568 (2016: CU 3,398), representing the minimum lease payments.

IAS 17.35(d) The rental contract has a non-cancellable term of 15 years. The building was subject to a sale and lease back transaction in 2009. A related gain was included in other liabilities (see Note 25) and is being amortised over the remaining lease term.

### 13.3 Operating leases as lessor

The Group leases out investment properties under operating leases (see Note 14).

## 14. Investment property

IAS 40.5 Investment property includes real estate properties in Euroland and in the United States, which are owned to earn rentals and for capital appreciation.

IFRS 13.93(a)  
IAS 40.76 Note 35.2 sets out how the fair value of the investment properties has been determined.

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Changes to the carrying amounts are as follows:

|   | 2017          | 2016          |
|---|---------------|---------------|
| Carrying amount 1 January                   | 12,277        | 12,102        |
| IAS 40.76(a) Additions:                     |               |               |
| IAS 40.76(b) - Through business combination | 75            | -             |
| Change in fair value:                       |               |               |
| IAS 40.76(d) - Net gain                     | 288           | 150           |
| IAS 40.76(e) - Net exchange differences     | 22            | 25            |
| Total change in fair value                  | 310           | 175           |
| <b>Carrying amount 31 December</b>          | <b>12,662</b> | <b>12,277</b> |

IAS 40.75(g) Investment properties valued at CU 8,327 are pledged as security for related borrowings (2016: CU 8,113).

IAS 40.75(f) Most properties are leased out on operating leases. Rental income amounts to CU 1,066 (2016: CU 1,028) included within revenue. Direct operating expenses of CU 213 (2016: CU 206) were reported within other expenses, of which CU 18 (2016: CU 12) was incurred on vacant properties that did not generate rental income.

IAS 17.56(c) The lease contracts are all non-cancellable for eight years from the commencement of the lease.  
IAS 17.56(a) Future minimum lease rentals are as follows:

|                  | Minimum lease payments due |              |               | Total |
|------------------|----------------------------|--------------|---------------|-------|
|                  | within 1 year              | 1 to 5 years | after 5 years |       |
| 31 December 2017 | 1,075                      | 5,375        | 2,090         | 8,540 |
| 31 December 2016 | 1,030                      | 5,150        | 1,978         | 8,158 |

## 15. Financial assets and liabilities

### 15.1 Categories of financial assets and financial liabilities

Note 4.17 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

| 31 December 2017                                     | Note | AFS (FV)   | Held for trading (FVTPL) | Derivatives (FV) used for hedging | HTM (amortised cost) | Loans and receivables (amortised cost) | Total         |
|--|------|------------|--------------------------|-----------------------------------|----------------------|--|---------------|
| <b>Financial assets</b>                              |      |            |                          |                                   |                      |  |               |
| IFRS 7.8(b) Bonds                                    | 15.2 | -          | -                        | -                                 | 2,814                | -                                      | 2,814         |
| IFRS 7.8(d) Other investments <sup>a</sup>           | 15.3 | 951        | -                        | -                                 | -                    | -                                      | 951           |
| Other long-term financial assets                     |      | 951        | -                        | -                                 | 2,814                | -                                      | 3,765         |
| IFRS 7.8(a)(ii) Other short-term financial assets    | 15.4 | -          | 655                      | -                                 | -                    | -                                      | 655           |
| IFRS 7.8(a)(ii) Derivative financial instruments     | 15.5 | -          | 115                      | 467                               | -                    | -                                      | 582           |
| IFRS 7.8(c) Trade and other receivables <sup>b</sup> | 18   | -          | -                        | -                                 | -                    | 30,945                                 | 30,945        |
| IFRS 7.8(c) Cash and cash equivalents                | 19   | -          | -                        | -                                 | -                    | 34,729                                 | 34,729        |
|  |      | <b>951</b> | <b>770</b>               | <b>467</b>                        | <b>2,814</b>         | <b>65,674</b>                          | <b>70,676</b> |

<sup>a</sup> includes an equity investment carried at cost less impairment charges because fair value cannot be determined reliably (see Note 15.3)

<sup>b</sup> these amounts only represent trade receivables that are financial assets (see Note 18)

|                               | 31 December 2017         | Note | Derivatives (FV) used for hedging | Designated at FVTPL | Other liabilities at FVTPL | Other liabilities (amortised cost) | Total         |
|-------------------------------|--------------------------|------|-----------------------------------|---------------------|----------------------------|------------------------------------|---------------|
| <b>Financial liabilities</b>  |                          |      |                                   |                     |                            |                                    |               |
| IFRS 7.8(e)(i)                | Non-current borrowings   | 15.6 | -                                 | 7,700               | -                          | 13,300                             | 21,000        |
| IFRS 7.8(e)(i)<br>IFRS 7.8(f) | Current borrowings       | 15.6 | -                                 | 250                 | -                          | 4,565                              | 4,815         |
| IFRS 7.8(f)                   | Trade and other payables | 24   | -                                 | -                   | -                          | 13,069                             | 13,069        |
| IFRS 7.8(e)(ii)               | Contingent consideration | 25   | -                                 | -                   | 620                        | -                                  | 620           |
|                               |                          |      | -                                 | <b>7,950</b>        | <b>620</b>                 | <b>30,934</b>                      | <b>39,504</b> |

|                         | 31 December 2016                         | Note | AFS (FV)   | Held for trading (FVTPL) | Derivatives (FV) used for hedging | HTM (amortised cost) | Loans and receivables (amortised cost) | Total         |
|-------------------------|--|------|------------|--------------------------|-----------------------------------|----------------------|--|---------------|
| <b>Financial assets</b> |  |      |            |                          |                                   |                      |  |               |
| IFRS 7.8(b)             | Bonds                                    | 15.2 | -          | -                        | -                                 | 2,992                | -                                      | 2,992         |
| IFRS 7.8(d)             | Other investments <sup>a</sup>           | 15.3 | 888        | -                        | -                                 | -                    | -                                      | 888           |
|                         | Other long-term financial assets         |      | 888        | -                        | -                                 | 2,992                | -                                      | 3,880         |
| IFRS 7.8(a)(ii)         | Other short-term financial assets        | 15.4 | -          | 649                      | -                                 | -                    | -                                      | 649           |
| IFRS 7.8(a)(ii)         | Derivative financial instruments         | 15.5 | -          | 212                      | -                                 | -                    | -                                      | 212           |
| IFRS 7.8(c)             | Trade and other receivables <sup>b</sup> | 18   | -          | -                        | -                                 | -                    | 23,441                                 | 23,441        |
| IFRS 7.8(c)             | Cash and cash equivalents                | 19   | -          | -                        | -                                 | -                    | 11,197                                 | 11,197        |
|                         |  |      | <b>888</b> | <b>861</b>               | <b>-</b>                          | <b>2,992</b>         | <b>34,638</b>                          | <b>39,379</b> |

<sup>a</sup> includes an equity investment carried at cost less impairment charges because fair value cannot be determined reliably (see Note 15.3)

<sup>b</sup> these amounts only represent trade receivables that are financial assets (see Note 18)

|                               | 31 December 2016                 | Note | Derivatives (FV) used for hedging | Other liabilities at FVTPL | Other liabilities (amortised cost) | Total         |
|-------------------------------|----------------------------------|------|-----------------------------------|----------------------------|------------------------------------|---------------|
| <b>Financial liabilities</b>  |                                  |      |                                   |                            |                                    |               |
| IFRS 7.8(e)(i)                | Non-current borrowings           | 15.6 | -                                 | 7,965                      | 13,300                             | 21,265        |
| IFRS 7.8(e)(i)<br>IFRS 7.8(f) | Current borrowings               | 15.6 | -                                 | 255                        | 3,124                              | 3,379         |
| IFRS 7.8(f)                   | Trade and other payables         | 24   | -                                 | -                          | 11,515                             | 11,515        |
| IFRS 7.7                      | Derivative financial instruments | 15.5 | 160                               | -                          | -                                  | 160           |
|                               |                                  |      | <b>160</b>                        | <b>8,220</b>               | <b>27,939</b>                      | <b>36,319</b> |

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|                         | 1 January 2016                           | Note | AFS (FV)     | Held for trading (FVTPL) | Derivatives (FV) used for hedging | HTM (amortised cost) | Loans and receivables (amortised cost) | Total         |
|-------------------------|--|------|--------------|--------------------------|-----------------------------------|----------------------|--|---------------|
| <b>Financial assets</b> |  |      |              |                          |                                   |                      |  |               |
| IFRS 7.8(b)             | Bonds                                    | 15.2 | -            | -                        | -                                 | 3,065                | -                                      | 3,065         |
| IFRS 7.8(d)             | Other investments <sup>a</sup>           | 15.3 | 1,262        | -                        | -                                 | -                    | -                                      | 1,262         |
|                         | Other long-term financial assets         |      | 1,262        | -                        | -                                 | 3,065                | -                                      | 4,327         |
| IFRS 7.8(a)(ii)         | Other short-term financial assets        | 15.4 | -            | 631                      | -                                 | -                    | -                                      | 631           |
| IFRS 7.8(a)(ii)         | Derivative financial instruments         | 15.5 | -            | 490                      | -                                 | -                    | -                                      | 490           |
| IFRS 7.8(c)             | Trade and other receivables <sup>b</sup> | 18   | -            | -                        | -                                 | -                    | 19,258                                 | 19,258        |
| IFRS 7.8(c)             | Cash and cash equivalents                | 19   | -            | -                        | -                                 | -                    | 9,987                                  | 9,987         |
|                         |  |      | <b>1,262</b> | <b>1,121</b>             | <b>-</b>                          | <b>3,065</b>         | <b>29,245</b>                          | <b>34,693</b> |

<sup>a</sup> includes an equity investment carried at cost less impairment charges because fair value cannot be determined reliably (see Note 14.3)

<sup>b</sup> these amounts only represent trade receivables that are financial assets (see Note 17)

|                               | 1 January 2016                   | Note | Derivatives (FV) used for hedging | Other liabilities at FVTPL | Other liabilities (amortised cost) | Total         |
|-------------------------------|----------------------------------|------|-----------------------------------|----------------------------|------------------------------------|---------------|
| <b>Financial liabilities</b>  |                                  |      |                                   |                            |                                    |               |
| IFRS 7.8(e)(i)                | Non-current borrowings           | 14.6 | -                                 | 8,105                      | 13,300                             | 21,405        |
| IFRS 7.8(e)(i)<br>IFRS 7.8(f) | Current borrowings               | 14.6 | -                                 | 275                        | 3,543                              | 3,818         |
| IFRS 7.8(f)                   | Trade and other payables         | 24   | -                                 | -                          | 12,437                             | 12,437        |
| IFRS 7.7                      | Derivative financial instruments | 15.5 | -                                 | -                          | -                                  | -             |
|                               |                                  |      | <b>-</b>                          | <b>8,380</b>               | <b>29,280</b>                      | <b>37,660</b> |

IFRS 7.33 A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 34.

IFRS 13.91(a) The methods used to measure financial assets and liabilities reported at fair value are described in Note 35.1.

### 15.2 HTM investments

IFRS 7.7  
IFRS 7.25 HTM investments comprise publicly traded zero coupon and US straight bonds with fixed interest rates between 5.5% and 6.2%. They mature in 2019 and 2020. The carrying amounts (measured at amortised cost) and fair values of these bonds are as follows:

|             | 31 December 2017                          | 31 December 2016 | 1 January 2016 |
|-------------|---|------------------|----------------|
| IFRS 7.8(f) | <b>Carrying amount at amortised cost:</b> |                  |                |
|             | - Zero coupon bonds                       | 1,110            | 1,189          |
|             | - US straight bonds                       | 1,704            | 1,888          |
|             |   | <b>2,814</b>     | <b>2,992</b>   |
| IFRS 7.8(a) | <b>Fair value:</b>                        |                  |                |
|             | - Zero coupon bonds                       | 1,190            | 1,186          |
|             | - US straight bonds                       | 1,705            | 1,891          |
|             |   | <b>2,895</b>     | <b>3,071</b>   |

IFRS 13.93 Fair values of these bonds have been estimated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy. The fair value of the US straight bonds also reflects the US-dollar spot rate as at the reporting date.

### 15.3 AFS financial assets

IFRS 7.8(d)  
IFRS 7.29(a) The details and carrying amounts of AFS financial assets are as follows:

|   | 31 December<br>2017 | 31 December<br>2016 | 1 January<br>2016 |
|---|---------------------|---------------------|-------------------|
| Listed equity securities                        | 421                 | 343                 | 365               |
| Listed debentures                               | 97                  | 112                 | 114               |
| <b>Total AFS financial assets at fair value</b> | <b>518</b>          | <b>455</b>          | <b>479</b>        |
| Investment in XY Ltd                            | 433                 | 433                 | 783               |
|   | <b>951</b>          | <b>888</b>          | <b>1,262</b>      |

IFRS 7.25

### 15.4 Financial assets held for trading

IFRS 7.B5(a)(i) Financial assets held for trading consist of various investments in money market funds (presented as other short-term financial assets) that are held by the Group for short-term trading and certain derivative financial investments (see Note 15.5). All of these money market funds are publicly traded on stock exchanges in Euroland.

### 15.5 Derivative financial instruments

The Group's derivative financial instruments are measured at fair value and are summarised below:

|  | 31 December<br>2017 | 31 December<br>2016 | 1 January<br>2016 |
|--|---------------------|---------------------|-------------------|
| IFRS 7.22(b) US-dollar forward contracts – cash flow hedge | 467                 | –                   | –                 |
| Other forward exchange contracts – held-for-trading        | 115                 | 212                 | 490               |
| <b>Derivative financial assets</b>                         | <b>582</b>          | <b>212</b>          | <b>490</b>        |
| IFRS 7.22(b) US-dollar forward contracts – cash flow hedge | –                   | (160)               | –                 |
| <b>Derivative financial liabilities</b>                    | <b>–</b>            | <b>(160)</b>        | <b>–</b>          |

IFRS 7.22 The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast sales in US-dollars and other currencies. All US-dollar forward exchange contracts have been designated as hedging instruments in cash flow hedges in accordance with IAS 39.

Other forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated.

IFRS 7.23(a) The Group's US-dollar forward contracts relate to cash flows that have been forecasted for October - December 2018. All forecast transactions for which hedge accounting has been used are expected to occur.

IFRS 7.23(c) During 2017 a gain of CU 367 (2016: loss of CU 47) was recognised in other comprehensive income.

IFRS 7.23(d) During 2017 a loss of CU 260 (2016: gain of CU 425) was reclassified from equity into profit or loss within revenue.

The cumulative gain recorded in equity is CU 467 (2016: cumulative loss of CU 160).

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### 15.6 Borrowings

Borrowings include the following financial liabilities:

|             | Current                       |              |              | Non-current  |               |               |               |
|-------------|-------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|
|             | 31 Dec 2017                   | 31 Dec 2016  | 1 Jan 2016   | 31 Dec 2017  | 31 Dec 2016   | 1 Jan 2016    |               |
| IFRS 7.8(e) | <b>Designated at FVTPL:</b>   |              |              |              |               |               |               |
|             | US-dollar loans               | 250          | 255          | 275          | 7,700         | 7,965         | 8,105         |
| IFRS 7.8(g) | <b>At amortised cost:</b>     |              |              |              |               |               |               |
|             | Other bank borrowings         | 4,565        | 3,124        | 3,543        | -             | -             | -             |
|             | Non-convertible bond          | -            | -            | -            | 8,300         | 8,300         | 8,300         |
|             | Subordinated shareholder loan | -            | -            | -            | 5,000         | 5,000         | 5,000         |
|             |                               | <b>4,565</b> | <b>3,124</b> | <b>3,543</b> | <b>13,300</b> | <b>13,300</b> | <b>13,300</b> |
| IFRS 7.8(e) | <b>Fair value:</b>            |              |              |              |               |               |               |
|             | Other bank borrowings         | 4,565        | 3,124        | 3,543        | -             | -             | -             |
|             | Non-convertible bond          | -            | -            | -            | 8,259         | 8,383         | 8,287         |
|             | Subordinated shareholder loan | -            | -            | -            | 4,975         | 5,050         | 4,995         |
|             |                               | <b>4,565</b> | <b>3,124</b> | <b>3,543</b> | <b>13,234</b> | <b>13,433</b> | <b>13,282</b> |

Other than the US-dollar loans, all borrowings are denominated in CU.

#### US-dollar loans at FVTPL

IFRS 7.7  
IFRS 7.10(a)  
IFRS 7.25

US-dollar loans are designated at FVTPL to significantly reduce measurement inconsistencies (see Note 4.17). The interest rate is fixed at 4%. Movements in the carrying amount of these US-dollar loans are presented below:

|                                    | 2017         | 2016         |
|------------------------------------|--------------|--------------|
| Carrying amount 1 January          | 8,220        | 8,380        |
| Repayments                         | (300)        | (230)        |
| Change in fair values:             |              |              |
| - changes in credit risk           | -            | -            |
| - other market factors             | 30           | 70           |
| <b>Carrying amount 31 December</b> | <b>7,950</b> | <b>8,220</b> |

IFRS 7.10(a)  
IFRS 7.11(a)

The cumulative changes since the designation of these borrowings at FVTPL attributable to changes in credit risk are CU Nil (2016: Nil). The Group estimates the credit-risk related change in fair value on a residual basis, as the difference between fair value changes specifically attributable to the appropriate benchmark interest rates and the total change in fair value. At year-end the estimate shows an insignificant change attributable to credit risk.

IFRS 7.10(b)

The total undiscounted amount repayable at maturity in respect of the loan, converted at year-end exchange rates is CU 7,755 (2016: CU 8,055), equivalent to a difference between the carrying amount and the amount repayable of CU 195 (2016: CU 165).

The fair value of the loans is measured as described in Note 35.1.

#### Borrowings at amortised cost

IAS 16.74(a)  
IFRS 7.29  
IFRS 7.31

Other bank borrowings are secured by land and buildings owned by the Group (see Note 12). Current interest rates are variable and average 4.0 % (2016: 4.1%). The carrying amount of the other bank borrowings is considered to be a reasonable approximation of the fair value.



IFRS 13.93(d)  
IFRS 13.97

The Group's non-convertible bond with a fixed interest rate of 5.0% matures on 20 May 2020 and is therefore classified as non-current. The estimated fair value of the non-convertible bond is categorised within Level 2 of the fair value hierarchy. The fair value estimate has been determined from the perspective of a market participant that holds these non-convertible bonds as assets at 31 December 2017. The CU 8,259 is estimated using a present value technique, by discounting the contractual cash flows using implied yields of non-convertible bonds of an entity with a similar standing and marketability.

The most significant input being the discount rate that reflects the credit risk of counterparties.

IAS 24.18  
IFRS 13.93(d)  
IFRS 13.97

The subordinated shareholder loan was provided by Illustrative Corporation's main shareholder, LOM Investment Trust, in 2013. It is perpetual and carries a fixed coupon of 4.0%. It is repayable only upon liquidation of Illustrative Corporation. The estimated fair value of the subordinated shareholder loan is categorised within Level 3 of the fair value hierarchy. The fair value estimate has been determined using a present value technique. The CU 4,975 is estimated by discounting the contractual cash flows at 4.1%. The discount rate has been determined using the interest rate that the entity would pay to unrelated party, at the reporting date, adjusted to reflect the subordination feature.

The most significant input is the discount rate of 4.1%.

### 15.7 Other financial instruments

IFRS 7.29

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- trade and other receivables
- cash and cash equivalents
- trade and other payables.

## 16. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

IAS 12.81(g)

| Deferred tax liabilities (assets)      | 1 January 2017 | Recognised in other comprehensive income | Recognised in business combination | Recognised in profit or loss | 31 December 2017 |
|--|----------------|--|------------------------------------|------------------------------|------------------|
| <b>Non-current assets</b>              |                |  |                                    |                              |                  |
| Other intangible assets                | 847            | (63)                                     | 444                                | 30                           | 1,258            |
| Property, plant and equipment          | 2,130          | (22)                                     | 188                                | 406                          | 2,702            |
| Other long-term financial assets       | (95)           | -  | -                                  | 19                           | (76)             |
| Investment property                    | 1,914          | -  | -                                  | 93                           | 2,007            |
| <b>Current assets</b>                  |                |  |                                    |                              |                  |
| Trade and other receivables            | (168)          | -  | -                                  | 38                           | (130)            |
| <b>Current liabilities</b>             |                |  |                                    |                              |                  |
| Provisions                             | (1,007)        | -  | -                                  | 639                          | (368)            |
| Pension and other employee obligations | (4,451)        | 1,149                                    | -                                  | (188)                        | (3,490)          |
| Unused tax losses                      | (75)           | -  | -                                  | 75                           | -                |
|  | <b>(905)</b>   | <b>1,064</b>                             | <b>632</b>                         | <b>1,112</b>                 | <b>1,903</b>     |

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| IAS 12.81(g) | Deferred tax liabilities<br>(assets)      | 1 January<br>2016 | Recognised<br>in other<br>comprehensive<br>income | Recognised<br>in disposal<br>group | Recognised<br>in business<br>combination | Recognised<br>in profit or<br>loss | 31<br>December<br>2016 |
|--------------|---|-------------------|---|------------------------------------|--|------------------------------------|------------------------|
|              | <b>Non-current assets</b>                 |                   |   |                                    |  |                                    |                        |
|              | Other intangible assets                   | 409               | (27)  | -                                  | 210                                      | 255                                | 847                    |
|              | Property, plant and<br>equipment          | 1,528             | (68)  | -                                  | 225                                      | 445                                | 2,130                  |
|              | Other long-term<br>financial assets       | -                 | -   | -                                  | -  | (95)                               | (95)                   |
|              | Investment property                       | 1,861             | -   | -                                  | -  | 53                                 | 1,914                  |
|              | <b>Current assets</b>                     |                   |   |                                    |  |                                    |                        |
|              | Trade and other<br>receivables            | (34)              | -   | -                                  | -  | (134)                              | (168)                  |
|              | <b>Current liabilities</b>                |                   |   |                                    |  |                                    |                        |
|              | Provisions                                | (1,320)           | -   | 70                                 | -  | 243                                | (1,007)                |
|              | Pension and other<br>employee obligations | (2,996)           | (1,062)   | -                                  | -  | (393)                              | (4,451)                |
|              | Unused tax losses                         | (300)             | -   | -                                  | -  | 225                                | (75)                   |
|              |   | <b>(852)</b>      | <b>1,157</b>                                      | <b>70</b>                          | <b>435</b>                               | <b>599</b>                         | <b>(905)</b>           |

The amounts recognised in other comprehensive income relate to revaluation of land, exchange differences on translating foreign operations and the remeasurement of net defined benefit liability. See Note 21.3 for the amount of the income tax relating to these components of other comprehensive income.

IAS 12.81(f) A deferred tax liability of CU 1 (31 December 2016: CU 2; 1 January 2016: CU 2) associated with an investment in a domestic subsidiary has not been recognised, as the Group controls the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future. The tax value is equivalent to a temporary difference of CU 3 (31 December 2016: CU 7; 1 January 2016: CU 8).

IAS 12.81(e) All deferred tax assets (including tax losses and other tax credits) have been recognised in the statement of financial position.

## 17. Inventories

Inventories consist of the following:

| IAS 2.36(b)                   | 31 December<br>2017 | 31 December<br>2016 | 1 January<br>2016 |
|-------------------------------|---------------------|---------------------|-------------------|
| Raw materials and consumables | 7,737               | 7,907               | 8,367             |
| IAS 2.36(b) Merchandise       | 10,561              | 9,319               | 10,204            |
|                               | <b>18,298</b>       | <b>17,226</b>       | <b>18,571</b>     |

IAS 2.36(d)  
IAS 2.36(e) In 2017, a total of CU 35,265 (2016: CU 32,907) of inventories was included in profit or loss as an expense. This includes an amount of CU 361 (2016: CU 389) resulting from write-down of inventories.

## 18. Trade and other receivables

Trade and other receivables consist of the following:

| IAS 1.77   | 31 December<br>2017 | 31 December<br>2016 | 1 January<br>2016 |
|--|---------------------|---------------------|-------------------|
| IAS 1.78(b)  |                     |                     |                   |
| Trade receivables, gross                             | 31,265              | 23,889              | 19,481            |
| Allowance for credit losses                          | (432)               | (560)               | (335)             |
| <b>Trade receivables</b>                             | <b>30,833</b>       | <b>23,329</b>       | <b>19,146</b>     |
| Receivable due from ABC Ltd                          | 112                 | 112                 | 112               |
| <b>Financial assets</b>                              | <b>30,945</b>       | <b>23,441</b>       | <b>19,258</b>     |
| Social security and other taxes                      | 740                 | 409                 | 351               |
| Construction contracts for telecommunication systems | 1,374               | 974                 | 560               |
| <b>Non-financial assets</b>                          | <b>2,114</b>        | <b>1,383</b>        | <b>911</b>        |
|  | <b>33,059</b>       | <b>24,824</b>       | <b>20,169</b>     |

IFRS 7.29(a) All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The receivable due from ABC Ltd relates to the remaining consideration due on the sale of a former subsidiary in 2014. The carrying amount of the receivable is considered a reasonable approximation of fair value as this financial asset (which is measured at amortised cost) is expected to be paid within six months, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

IAS 36.9  
IFRS 7.37(b) All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of CU 72 (2016: CU 514) has been recorded accordingly within other expenses. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

IFRS 7.16 The movements in the allowance for credit losses is presented below:

|                                     | 2017       | 2016       |
|-------------------------------------|------------|------------|
| Balance 1 January                   | 560        | 335        |
| Amounts written off (uncollectable) | (200)      | (289)      |
| Impairment loss                     | 72         | 514        |
| <b>Balance 31 December</b>          | <b>432</b> | <b>560</b> |

An analysis of unimpaired trade receivables that are past due is given in Note 34.2.

## 19. Cash and cash equivalents

IAS 7.45 Cash and cash equivalents consist of the following:

|                           | 31 December<br>2017 | 31 December<br>2016 | 1 January<br>2016 |
|---------------------------|---------------------|---------------------|-------------------|
| Cash at bank and in hand: |                     |                     |                   |
| - CU                      | 24,292              | 7,827               | 6,654             |
| - GBP                     | 2,087               | 674                 | 812               |
| - USD                     | 1,392               | 449                 | 670               |
| Short-term deposits (CU)  | 6,958               | 2,247               | 1,851             |
|                           | <b>34,729</b>       | <b>11,197</b>       | <b>9,987</b>      |

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IAS 7:48  
IAS 10:19

Following the acquisition of Goodtech, some bank deposits of the acquiree were temporarily not available for general use by the Group because of legal restrictions. The amount of cash and cash equivalents inaccessible to the Group as at 31 December 2017 amounts to CU 500 (31 December 2016: CU Nil; 1 January 2016: CU Nil). All the restrictions on bank deposits were removed by the time of the approval of the consolidated financial statements on 1 March 2018.

## 20. Disposal groups classified as held for sale and discontinued operations

IFRS 5.41(a), (b), (d)  
IFRS 5.41(c)

At the end of 2016, management decided to discontinue in-store sale of IT and telecommunications hardware in line with the Group's strategy to focus on its on-line retail business. Consequently, assets and liabilities allocable to Highstreet (included in the retail segment) were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item in the statement of profit or loss.

On 30 September 2017, Highstreet was sold for a total of CU 3,117 in cash resulting in a loss of CU 29 before tax primarily due to related selling costs (see Note 6.3).

Operating profit of Highstreet until the date of disposal and the profit or loss from re-measurement and disposal of assets and liabilities classified as held for sale are summarised as follows:

|                                  | 2017  | 2016        |              |
|----------------------------------|---|-------------|--------------|
| IFRS 5.33(b)(i)                  |   |             |              |
| Revenue                          | 9,803   | 11,015      |              |
| Costs of materials               | (3,540)   | (3,633)     |              |
| Employee benefits expense        | (6,100)   | (6,411)     |              |
| Depreciation and amortisation    | -   | (765)       |              |
| Other expenses                   | (90)  | (100)       |              |
| <b>Operating profit</b>          | <b>73</b>   | <b>106</b>  |              |
| Finance costs                    | (56)  | (60)        |              |
| IFRS 5.33(b)(i)                  | <b>Profit from discontinued operations before tax</b>             | <b>17</b>   | <b>46</b>    |
| IFRS 5.33(b)(ii)<br>IAS 12.81(h) | Tax expense   | (5)         | (14)         |
|                                  | <b>Profit for year</b>  | <b>12</b>   | <b>32</b>    |
|                                  | <b>Loss on remeasurement and disposal</b>                         |             |              |
| IFRS 5.33(b)(iii)                | Loss before tax on remeasurement to fair value less costs to sell | -           | (510)        |
|                                  | Loss before tax on disposal (Note 6.3)                            | (29)        | -            |
| IFRS 5.33(b)(iv)<br>IAS 12.81(h) | Tax recovery  | 8           | 153          |
|                                  | <b>Total loss on remeasurement and disposal</b>                   | <b>(21)</b> | <b>(357)</b> |
|                                  | <b>Loss for the year from discontinued operations</b>             | <b>(9)</b>  | <b>(325)</b> |

IFRS 5.41(b)

Most of the assets and all of the liabilities have been disposed of in this transaction, however, the Group continues to own some former Highstreet storage facilities. Management expects to sell these remaining assets during 2018.

IFRS 5.38 The carrying amounts of assets and liabilities in this disposal group are summarised as follows:

|  | 2017       | 2016         |
|--|------------|--------------|
| <b>Non-current assets</b>                      |            |              |
| Property, plant and equipment                  | 103        | 2,578        |
| Deferred tax                                   | -          | 227          |
| <b>Current assets</b>                          |            |              |
| Inventories                                    | -          | 1,081        |
| Cash and cash equivalents                      | -          | 22           |
| <b>Assets classified as held for sale</b>      | <b>103</b> | <b>3,908</b> |
| <b>Current liabilities</b>                     |            |              |
| Provisions                                     | -          | (245)        |
| Trade and other payables                       | -          | (190)        |
| Current tax liabilities                        | -          | (14)         |
| <b>Liabilities classified as held for sale</b> | <b>-</b>   | <b>(449)</b> |

IFRS 5.33(c) Cash flows generated by Highstreet for the reporting periods under review until its disposal are as follows:

|  | 2017         | 2016       |
|--|--------------|------------|
| Operating activities                           | (22)         | 811        |
| Investing activities (Note 6.3)                | 3,117        | -          |
| <b>Cash flows from discontinued operations</b> | <b>3,095</b> | <b>811</b> |

Cash flows from investing activities relate solely to the proceeds from the sale of Highstreet.

## 21. Equity

### 21.1 Share capital

IAS 1.79(a)(iii)  
IAS 1.79(a)(v) The share capital of Illustrative Corporation consists only of fully paid ordinary shares with a nominal (par) value of CU 1 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of Illustrative Corporation.

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| IAS 1.79(a)(iv)<br>IAS 1.79(a)(ii) Shares issued and fully paid: |                   |                   |
| - Beginning of the year  | 12,000,000        | 12,000,000        |
| - Issued on exercise of employee share options                   | 270,000           | -                 |
| - Share issue, private placement                                 | 1,500,000         | -                 |
| Shares issued and fully paid                                     | 13,770,000        | 12,000,000        |
| Shares authorised for share based payments                       | 600,000           | 600,000           |
| IAS 1.79(a)(i) <b>Total shares authorised at 31 December</b>     | <b>14,370,000</b> | <b>12,600,000</b> |

Additional shares were issued during 2017 relating to share-based payments (see Note 22.2 for details on the Group's share-based employee remuneration programmes).

The Group issued 1,500,000 shares on 30 October 2017, corresponding to 12.5% of total shares issued. Each share has the same right to receive dividends and the repayment of capital and represents one vote at shareholders' meetings of Illustrative Corporation.

IAS 1.79(a)(vii) The authorised shares that have not yet been issued have been authorised solely for use in the Group's share-based remuneration programmes (see Note 22.2).





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Share options and weighted average exercise prices are as follows for the reporting periods presented:

| IFRS 2.45(b)      | Star Programme   |   | Stay Programme   |   |
|-------------------|------------------|---|------------------|---|
|                   | Number of shares | Weighted average exercise price per share | Number of shares | Weighted average exercise price per share |
| IFRS 2.45(b)(vi)  | 300,000          | 6.24                                      | 95,250           | 5.81                                      |
| IFRS 2.45(b)(ii)  | -                | -   | -                | -   |
| IFRS 2.45(b)(iii) | (513)            | 6.24                                      | (1,012)          | 5.81                                      |
| IFRS 2.45(b)(iv)  | -                | -   | -                | -   |
| IFRS 2.45(b)(vi)  | <b>299,487</b>   | <b>6.24</b>                               | <b>94,238</b>    | <b>5.81</b>                               |
| IFRS 2.45(b)(ii)  | 100,000          | 7.81                                      | -                | -   |
| IFRS 2.45(b)(iii) | (312)            | 6.24                                      | (3,489)          | 5.81                                      |
| IFRS 2.45(b)(iv)  | (270,000)        | 6.24                                      | -                | -   |
| IFRS 2.45(b)(vi)  | <b>129,175</b>   | <b>7.45</b>                               | <b>90,749</b>    | <b>5.81</b>                               |
| IFRS 2.45(b)(vii) | -                | -   | -                | -   |
| IFRS 2.45(b)(vii) | 29,175           | 6.24                                      | -                | -   |

IFRS 2.45(c) The weighted average share price per share at the date of exercise was CU 11.19 (no options were exercised in 2016).

IFRS 2.47(a)(i) The fair values of options granted were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The performance condition related to the Star Programme, being a market condition, has been incorporated into the measurement by means of actuarial modelling. The following principal assumptions were used in the valuation:

| IFRS 2.47(a)(i)                     | The Star Programme                          |                            | The Stay Programme        |           |
|-------------------------------------|---|----------------------------|---------------------------|-----------|
|                                     | 1 Jan 2014                                  | 1 Feb 2017                 | 5 Jan 2013                |           |
| <b>Grant date</b>                   |   |                            |                           |           |
| Vesting period ends                 | 31 Dec 2016                                 | 31 Jan 2020                | 31 Jan 2018               |           |
| Share price at date of grant        | CU 8.00                                     | CU 10.01                   | CU 7.00                   |           |
| Volatility                          | 50%   | 50%                        | 50%                       |           |
| Option life                         | 5 years                                     | 5 years                    | 7 years                   |           |
| Dividend yield                      | 1%  | 1%                         | 1%                        |           |
| Risk-free investment rate           | 4%  | 4%                         | 4%                        |           |
| Fair value per option at grant date | CU 4.00                                     | CU 6.70                    | CU 5.30                   |           |
| Exercise price at date of grant     | CU 6.08                                     | CU 7.61                    | CU 5.81                   |           |
| Exercisable from / to               | 1 Jan 2017/<br>31 Dec 2018                  | 1 Feb 2020/<br>31 Dec 2022 | 1 Feb 2018/<br>4 Jan 2020 |           |
| IFRS 2.45(d)                        | Weighted average remaining contractual life | 1.0 years                  | 4.1 years                 | 2.0 years |

IFRS 2.47(a)(ii)  
IFRS 2.47(a)(iii) The underlying expected volatility was determined by reference to historical data of the Group's shares over a period of time since its flotation on the Greatstocks Stock Exchange. No special features inherent to the options granted were incorporated into measurement of fair value.

IFRS 2.51(a) In total, CU 298 (2016: CU 466) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to retained earnings.



### 22.3 Pensions and other employee obligations

The liabilities recognised for pensions and other employee remuneration consist of the following amounts:

|                     | 31 December<br>2017                     | 31 December<br>2016 | 1 January<br>2016 |              |
|---------------------|---|---------------------|-------------------|--------------|
| <b>Non-current:</b> |   |                     |                   |              |
| IAS 19.131          | - Defined benefit liability (net)       | 10,386              | 13,642            | 8,932        |
| <b>Current:</b>     |   |                     |                   |              |
| IAS 19.131          | - Defined benefit liability (net)       | 1,246               | 1,193             | 1,156        |
|                     | - Other short term employee obligations | 221                 | 303               | 180          |
|                     |   | <b>1,467</b>        | <b>1,496</b>      | <b>1,336</b> |

**Guidance note:** In the statement of financial position, the current and non-current portion of the defined benefit obligation (DBO) are presented separately to comply with IAS 1.60. However, paragraph 133 of IAS 19 'Employee Benefits' does not specify whether this disaggregation is needed. Therefore, an entity is also allowed to present the obligation as non-current in its entirety.

IAS 1.69(c)  
IAS 19.131

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2018. Other short-term employee obligations arise mainly from accrued holiday entitlement at the reporting date and expected pension payments in the next 12 months (without deduction of plan assets). As none of the employees are eligible for early settlement of pension arrangements, the remaining part of pension obligations for defined benefit plans is considered non-current. The non-current portion of the defined benefit liability is presented net of plan assets.

#### Defined benefit plan

IAS 19.139(a)

The Group has set up a partly funded pension scheme for mid to senior management, mainly in Euroland, the UK and the US. The scheme is available to certain senior workers after completing five years of service.

According to the plan, a certain percentage of the current salary is converted into a pension component each year until retirement. Pensions under this scheme are paid out when a beneficiary has reached the age of 65. The pensionable salary is limited to CU 100 for a year. Eligible employees are required to contribute a stated percentage of pensionable salary.

In Euroland and the UK, the pension payments are linked to the consumer price index (CPI), although certain limitations apply.

IAS 19.139(a)

The plan assets are managed by a pension fund that is legally separated from the Group. The board of trustees of the pension fund is required by its articles of association to act in the best interest of the fund and it is responsible for setting the investment policies. The Group has no representation on the board of the fund.

IAS 19.139(b)

The plan exposes the Group to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk:

- **Interest rate risk** – The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the DBO and it is denominated in CU. A decrease in market yield on high quality corporate bonds will increase the Group's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.

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- **Investment risk** – The plan assets at 31 December 2017 are predominantly real estate, equity and debt instruments. The fair value of the plan assets is exposed to the real estate market (in Euroland and the US). The equity instruments are significantly weighted towards the finance and pharmaceuticals sectors in Euroland.
- **Longevity risk** – The Group is required to provide benefits for life for the members of the defined benefit liability. Increase in the life expectancy of the members, particularly in Euroland and in the UK where the pension payments are linked to CPI, will increase the defined benefit liability.
- **Inflation risk** – A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

IAS 19.147(a) Employees of the Group are required to contribute a fixed 5% of the pensionable salary. The remaining contribution is partly funded by the Group's subsidiaries. The funding requirements are based on the pension fund's actuarial measurement framework as set out in the funding policies.

IAS 19.147(b) Based on historical data, the Group expects contributions of CU 2,500 to be paid for 2018.

IAS 19.131 The liability recognised for the Group's DBO is represented net of plan assets in accordance with  
IAS 19.135(b) IAS 19.131(a) and (b). It consists of the following amounts:

|                            | 31 December<br>2017 | 31 December<br>2016 | 1 January<br>2016 |
|----------------------------|---------------------|---------------------|-------------------|
| Defined benefit obligation | 53,874              | 47,410              | 38,889            |
| Fair value of plan assets  | (42,242)            | (32,575)            | (28,801)          |
| <b>Pension liability</b>   | <b>11,632</b>       | <b>14,835</b>       | <b>10,088</b>     |
| Classified as:             |                     |                     |                   |
| - Non-current liability    | 10,386              | 13,642              | 8,932             |
| - Current liability        | 1,246               | 1,193               | 1,156             |
|                            | <b>11,632</b>       | <b>14,835</b>       | <b>10,088</b>     |

IAS 19.138(a) The defined benefit obligation and plan assets are composed by geographical locations as follows:

| 31 December 2017           | Euroland     | UK           | US           | Others     | Total         |
|----------------------------|--------------|--------------|--------------|------------|---------------|
| Defined benefit obligation | 24,482       | 17,321       | 11,529       | 542        | 53,874        |
| Fair value of plan assets  | (18,586)     | (13,057)     | (10,427)     | (172)      | (42,242)      |
|                            | <b>5,896</b> | <b>4,264</b> | <b>1,102</b> | <b>370</b> | <b>11,632</b> |

| 31 December 2016           | Euroland     | UK           | US           | Others     | Total         |
|----------------------------|--------------|--------------|--------------|------------|---------------|
| Defined benefit obligation | 21,594       | 15,063       | 10,256       | 497        | 47,410        |
| Fair value of plan assets  | (14,123)     | (9,748)      | (8,553)      | (151)      | (32,575)      |
|                            | <b>7,471</b> | <b>5,315</b> | <b>1,703</b> | <b>346</b> | <b>14,835</b> |

| 1 January 2016             | Euroland     | UK           | US           | Others     | Total         |
|----------------------------|--------------|--------------|--------------|------------|---------------|
| Defined benefit obligation | 16,501       | 12,879       | 9,123        | 386        | 38,889        |
| Fair value of plan assets  | (12,357)     | (8,632)      | (7,665)      | (147)      | (28,801)      |
|                            | <b>4,144</b> | <b>4,247</b> | <b>1,458</b> | <b>239</b> | <b>10,088</b> |

IAS 19.140 A reconciliation of the Group's DBO and plan assets to the amounts presented in the statement of financial position for each of the reporting periods is presented below:

### Defined benefit obligation

|                                      | 2017          | 2016          |
|--------------------------------------|---------------|---------------|
| IAS 19.140(a)(ii)                    |               |               |
| Defined benefit obligation 1 January | 47,410        | 38,889        |
| IAS 19.141(a)                        | 1,966         | 2,180         |
| IAS 19.141(b)                        | 2,488         | 2,267         |
| IAS 19.141(c)(ii)                    | 916           | 1,091         |
| IAS 19.141(c)(iii)                   | 2,345         | 2,670         |
| IAS 19.141(g)                        | (1,251)       | (1,187)       |
| IAS 19.141(d)                        | -             | 1,500         |
| IAS 19.140(a)(ii)                    | <b>53,874</b> | <b>47,410</b> |
| IAS 19.138(e)                        | -             | -             |
| <b>Partly or wholly funded</b>       | <b>53,874</b> | <b>47,410</b> |

### Plan assets

|                                     | 2017          | 2016          |
|-------------------------------------|---------------|---------------|
| IAS 19.140(a)(i)                    |               |               |
| Fair value of plan assets 1 January | 32,575        | 28,801        |
| IAS 19.141(b)                       | 1,983         | 1,718         |
| IAS 19.141(c)(i)                    | 7,091         | 220           |
| IAS 19.141(f)                       | 1,186         | 1,273         |
| IAS 19.141(f)                       | 658           | 1,750         |
| IAS 19.141(g)                       | (1,251)       | (1,187)       |
| 19.140(a)(i)                        | <b>42,242</b> | <b>32,575</b> |

The actual return on plan assets (including interest income) was CU 9,074 in 2017 (2016: CU 1,938).

IAS 19.142 Plan assets can be broken down into the following categories of investments:

|  | 31 December 2017 | 31 December 2016 | 1 January 2016 |
|--|------------------|------------------|----------------|
| IAS 19.142(a)                          | <b>3,442</b>     | <b>2,075</b>     | <b>2,200</b>   |
| IAS 19.142(b)                          |                  |                  |                |
| <b>Equity instruments:</b>             |                  |                  |                |
| - Financial institutions               | 9,800            | 7,600            | 7,300          |
| - Pharmaceuticals                      | 8,100            | 4,300            | 3,600          |
| - Oil and gas industry                 | 1,600            | 1,700            | 2,700          |
| - Manufacturing industry               | 1,500            | 1,200            | 1,600          |
|  | <b>21,000</b>    | <b>14,800</b>    | <b>15,200</b>  |
| IAS 19.142(c)                          |                  |                  |                |
| <b>Debt instruments:</b>               |                  |                  |                |
| - Euroland government bonds            | 4,800            | 5,800            | 5,300          |
| - Corporate bonds (rated AA and above) | 3,100            | 5,600            | 2,800          |
|  | <b>7,900</b>     | <b>11,400</b>    | <b>8,100</b>   |
| IAS 19.142(d)                          |                  |                  |                |
| <b>Real estate:</b>                    |                  |                  |                |
| - in Euroland                          | 6,700            | 2,500            | 1,801          |
| - in the US                            | 3,200            | 1,800            | 1,500          |
|  | <b>9,900</b>     | <b>4,300</b>     | <b>3,301</b>   |
| <b>Total</b>                           | <b>42,242</b>    | <b>32,575</b>    | <b>28,801</b>  |

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### Estimates and assumptions

#### Defined benefit obligation

IAS 19.144 The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The assumptions used for the valuation of the defined benefit obligation are as follows<sup>5</sup>:

|   | 31 December<br>2017 | 31 December<br>2016 | 1 January<br>2016 |
|---|---------------------|---------------------|-------------------|
| Discount rate at date shown                 | 5.3%                | 5.5%                | 5.6%              |
| Salary growth rate                          | 3.0%                | 3.2%                | 2.8%              |
| Average life expectancies:                  |                     |                     |                   |
| - Male, 45 years of age at reporting date   | 84.5                | 84.5                | 84.5              |
| - Female, 45 years of age at reporting date | 87.5                | 87.5                | 87.5              |
| - Male, 65 years of age at reporting date   | 82.5                | 82.5                | 82.5              |
| - Female, 65 years of age at reporting date | 84.5                | 84.5                | 84.5              |

IAS 1.125(a) These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to each year-end by reference to market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

IAS 19.67 The present value of the DBO was measured using the projected unit credit method.

IAS 19.147(c) The weighted average duration of the defined benefit obligation at 31 December 2017 is 23.3 years (2016: 23.2 years).

#### Plan assets

IAS 19.143 Plan assets do not comprise any of the Group's own financial instruments or any assets used by Group companies.

IAS 19.142 All equity and debt instruments have quoted prices in active markets (Level 1). Fair values of real estate investments do not have quoted prices and have been determined based on professional appraisals that would be classified as Level 3 of the fair value hierarchy as defined in IFRS 13 'Fair Value Measurement'.

#### Defined benefit plan expenses

IAS 19.120 Amounts recognised in profit or loss related to the Group's defined benefit plans are as follows:

|  | 2017         | 2016         |
|--|--------------|--------------|
| IAS 19.120(a) Current service cost                 | 1,308        | 430          |
| IAS 19.120(a) Past service cost                    | -            | 1,500        |
| IAS 19.120(b) Net interest expense                 | 505          | 549          |
| <b>Total expenses recognised in profit or loss</b> | <b>1,813</b> | <b>2,479</b> |

IAS 19.134 The current service cost and the past service cost are included in employee benefits expense. The net interest expense is included in finance costs.

<sup>5</sup> For the purposes of these Example Financial Statements, it is assumed that the significant actuarial assumptions for the different geographical locations are the same. In practice, it is likely that there will be differences in the significant actuarial assumptions in different geographical locations, which will require their disclosure.

IAS 19.120(c) Amounts recognised in other comprehensive income related to the Group's defined benefit plans are as follows:

|   | 2017         | 2016           |
|---|--------------|----------------|
| IAS 19.127(a)   | (916)        | (1,091)        |
| IAS 19.127(a)   | (2,345)      | (2,670)        |
| IAS 19.127(b)   | 7,091        | 220            |
| <b>Total income (expenses) recognised in other comprehensive income</b> | <b>3,830</b> | <b>(3,541)</b> |

IAS 19.122 The income of CU 3,830 (2016: expense of 3,541) resulting from the remeasurement of the defined benefit liability/asset is included in the statement of other comprehensive income within items that will not be reclassified subsequently to profit or loss.

#### Changes in the significant actuarial assumptions

IAS 19.144 The calculation of the net defined benefit liability is sensitive to the significant actuarial assumptions mentioned above. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 31 December:

| IAS 19.145(a) | Discount rate  | 2017                 |                      | 2016                 |                      |
|---------------|--|----------------------|----------------------|----------------------|----------------------|
|               |  | Increase to 6.3%     | Decrease to 4.3%     | Increase to 6.5%     | Decrease to 4.5%     |
|               | Increase (decrease) in the defined benefit liability | (2,000)              | 2,100                | (1,900)              | 2,000                |
|               | Salary Growth rate                                   | Increase to 4%       | Decrease to 2%       | Increase to 4.2%     | Decrease to 2.2%     |
|               | Increase (decrease) in the defined benefit liability | 950                  | (780)                | 900                  | (730)                |
|               | Average life expectancies of males                   | Increase of one year | Decrease of one year | Increase of one year | Decrease of one year |
|               | Increase (decrease) in the defined benefit liability | 1,140                | (930)                | 1,120                | (910)                |
|               | Average life expectancies of females                 | Increase of one year | Decrease of one year | Increase of one year | Decrease of one year |
|               | Increase (decrease) in the defined benefit liability | 1,280                | (1,090)              | 1,250                | (1,060)              |

IAS 19.145(b) The present value of the defined benefit obligation has been calculated with the same method (project unit credit) as the defined benefit obligation recognised in the statement of financial position. The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

## 23. Provisions

IAS 1.69 All provisions are considered current. The carrying amounts and the movements in the provision account are as follows:

|                     | Restructuring | Other      | Total        |
|---------------------|---------------|------------|--------------|
| IAS 37.84(a)        | 2,110         | 1,235      | 3,345        |
| IAS 37.84(b)        | –             | 1,570      | 1,570        |
| IAS 37.84(c)        | (876)         | (2,211)    | (3,087)      |
| IAS 37.84(d)        | (510)         | (103)      | (613)        |
| <b>IAS 37.84(a)</b> | <b>724</b>    | <b>491</b> | <b>1,215</b> |

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Provisions recognised at acquisition date in a business combination are included in additions (see Note 5.1). Provisions classified as held for sale are included within amount utilised (see Note 20).

IAS 37.85(a)  
IAS 1.125(a)  
IAS 37.85(b)  
IAS 37.85(c)

The provision for restructuring relates to the Phoenix programme, which was initiated in late 2014 and carried out predominantly in 2016 and 2017. The restructuring provision as at 31 December 2017 was reduced following the outcome of several lawsuits brought against the Group during 2017 by former employees. Out of court settlements based on the outcome of earlier settlements are expected for most of the remaining claims. The Group's management expects to settle the remaining termination remuneration for former employees and legal fees relating to the restructuring programme in 2018. The Group is not eligible for any reimbursement by third parties in this regard.

IAS 37.85(a)

Other provisions relate to various legal and other claims by customers, such as warranties for which customers are covered for the cost of repairs.

IAS 37.85(b)  
IAS 1.61

Usually, these claims are settled between 3 and 18 months from initiation, depending on the procedures used for negotiating the claims. As the timing of settlement of these claims is to a large extent dependent on the pace of negotiation with various counterparties and legal authorities, the Group cannot reliably estimate the amounts that will eventually be paid in settlement after more than twelve months from the reporting date. Therefore, the amount is classified as current.

IAS 1.125  
IAS 37.92

The majority of the other provisions recognised at 31 December 2016 related to claims initiated in 2016 that were settled during 2017. Management, on the advice of counsel, does not expect that the outcome of any of the remaining cases will give rise to any significant loss beyond the amounts recognised at 31 December 2017. None of the provisions will be discussed here in further detail so as to not seriously prejudice the Group's position in the related disputes.

## 24. Trade and other payables

Trade and other payables consist of the following:

|                              | 31 December<br>2017 | 31 December<br>2016 | 1 January<br>2016 |
|------------------------------|---------------------|---------------------|-------------------|
| <b>Current:</b>              |                     |                     |                   |
| - Trade payables             | 7,843               | 6,472               | 6,985             |
| - Short-term bank overdrafts | 654                 | 78                  | 212               |
| - Finance lease liabilities  | 512                 | 506                 | 475               |
|                              | <b>9,009</b>        | <b>7,056</b>        | <b>7,672</b>      |
| <b>Non-current:</b>          |                     |                     |                   |
| - Finance lease liabilities  | 4,060               | 4,459               | 4,765             |
|                              | <b>13,069</b>       | <b>11,515</b>       | <b>12,437</b>     |

IFRS 7.25  
IFRS 7.29(a)

With the exception of the non-current part of finance lease liabilities, all amounts are short-term. The carrying values of trade payables and short-term bank overdrafts are considered to be a reasonable approximation of fair value.

The fair value of the Group's finance lease liabilities has been estimated at CU 4,572 (31 December 2016: CU 4,965). This amount reflects present value and takes into account interest rates available on secured bank borrowings on similar terms.

## 25. Contract and other liabilities

Other liabilities consist of the following:

|  | 31 December<br>2017 | 31 December<br>2016 | 1 January<br>2016 |
|--|---------------------|---------------------|-------------------|
| Advances received for construction contract work         | 513                 | 427                 | 487               |
| Deferred service income                                  | 2,123               | 2,291               | 2,047             |
| Other  | 22                  | 657                 | 198               |
| Deferred gain  | 100                 | 100                 | 100               |
| <b>Other liabilities - current</b>                       | <b>2,758</b>        | <b>3,475</b>        | <b>2,832</b>      |
| Contingent consideration for the acquisition of Goodtech | 620                 | -                   | -                 |
| Deferred gain  | 1,400               | 1,500               | 1,600             |
| <b>Other liabilities - non-current</b>                   | <b>2,020</b>        | <b>1,500</b>        | <b>1,600</b>      |

IAS 17.61 The deferred gain relates to a sale and leaseback of an office and production building in 2009. The excess of proceeds received over fair value was deferred and is being amortised over the lease term of 15 years. In 2017, deferred income of CU 100 (2016: CU 100) was recognised in profit or loss relating to this transaction. The subsequent leasing agreement is treated as an operating lease (see Note 13.2). The non-current part of the deferred gain will be amortised between 2019 and the end of the lease term.

IAS 1.69 Advances received for construction contract work and deferred service income represent customer payments received in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2018. As described in Note 4.7:

- the construction of telecommunication systems normally takes 10-12 months from commencement of design through to completion of installation
- maintenance and extended warranty contracts vary from 12-36 months in length, however customers are only required to pay in advance for each successive twelve-month service period.

The amounts recognised as a contract liability will generally be utilised within the next reporting period.

## 26. Reconciliation of liabilities arising from financing activities

IAS 7.44A The changes in the Group's liabilities arising from financing activities can be classified as follows:

|                         | Long-term<br>borrowings | Short-term<br>borrowings | Lease<br>liabilities | Total         |
|-------------------------|-------------------------|--------------------------|----------------------|---------------|
| <b>1 January 2017</b>   | <b>21,265</b>           | <b>3,379</b>             | <b>4,965</b>         | <b>29,609</b> |
| <b>Cash-flows:</b>      |                         |                          |                      |               |
| - Repayment             | (3,478)                 | (300)                    | 156                  | (3,622)       |
| - Proceeds              | -                       | 1,441                    | -                    | 1,441         |
| <b>Non-cash:</b>        |                         |                          |                      |               |
| - Acquisition           | -                       | 30                       | (549)                | (519)         |
| - Fair value            | 3,478                   | -                        | -                    | 3,478         |
| - Reclassification      | (265)                   | 265                      | -                    | -             |
| <b>31 December 2017</b> | <b>21,000</b>           | <b>4,815</b>             | <b>4,572</b>         | <b>30,387</b> |

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|                         | Long-term borrowings | Short-term borrowings | Lease liabilities | Total         |
|-------------------------|----------------------|-----------------------|-------------------|---------------|
| <b>1 January 2016</b>   | <b>21,405</b>        | <b>3,818</b>          | <b>5,240</b>      | <b>30,463</b> |
| <b>Cash-flows:</b>      |                      |                       |                   |               |
| - Repayment             | -                    | (649)                 | (77)              | (726)         |
| <b>Non-cash:</b>        |                      |                       |                   |               |
| - Fair value            | -                    | 70                    | (198)             | (128)         |
| - Reclassification      | (140)                | 140                   | -                 | -             |
| <b>31 December 2016</b> | <b>21,265</b>        | <b>3,379</b>          | <b>4,965</b>      | <b>29,609</b> |

**27. Finance costs and finance income**

Finance costs for the reporting periods consist of the following:

|                 | 2017   | 2016         |
|-----------------|--|--------------|
| IFRS 7.20(b)    | <b>Interest expense for borrowings at amortised cost:</b>            |              |
|                 | - Subordinated shareholder loan                                      | 200          |
|                 | - Other borrowings at amortised cost                                 | 595          |
|                 |  | <b>795</b>   |
|                 | Interest expense for finance lease arrangements                      | 220          |
| IFRS 7.20(b)    | <b>Total interest expense for financial liabilities not at FVTPL</b> | <b>1,015</b> |
| IAS 23.26(a)    | Interest expense capitalised into intangible assets                  | (80)         |
|                 |  | <b>935</b>   |
|                 | Net interest expense on defined benefit liability                    | 505          |
|                 | Unwinding of discount relating to contingent consideration liability | 20           |
| IFRS 7.20(a)(i) | Loss on foreign currency financial liabilities designated at FVTPL   | 30           |
| IFRS 7.20(e)    | Impairment of investment in XY Ltd (AFS)                             | -            |
|                 |  | <b>1,490</b> |
|                 |  | <b>1,886</b> |

IAS 23.26(b) The average capitalisation rate for interest expense included in the cost of intangible assets was 4.4% (2016: 4.5%).

IFRS 7.B5(e) The loss on foreign currency financial liabilities designated at FVTPL takes account of interest payments on these loans.

IFRS 7.20(e) An impairment loss was recognised in 2016 for the investment in XY Ltd, which is carried at cost less impairment charges as its fair value cannot be measured reliably (see Note 15.3).



Finance income for the reporting periods consists of the following:

|                  | 2017   | 2016       |     |
|------------------|--|------------|-----|
| IFRS 7.20(b)     | Interest income from cash and cash equivalents   | 574        | 265 |
| IFRS 7.20(b)     | Interest income on financial assets carried at amortised cost and AFS financial assets | 171        | 182 |
| IFRS 7.20(b)     | Total interest income for financial assets not at FVTPL                                | 745        | 447 |
| IFRS 7.20(a)(ii) | Dividend income from XY Ltd (AFS)  | 40         | -   |
| IFRS 7.20(a)(ii) | Dividend income from listed equity securities (AFS)                                    | 29         | 21  |
| IFRS 7.20(a)(i)  | Fair value gains on forward exchange contracts held for trading                        | 130        | 325 |
| IFRS 7.20(a)(ii) | Gains on AFS assets reclassified from other comprehensive income                       | 50         | -   |
|                  | <b>994</b>   | <b>793</b> |     |

## 28. Other financial items

Other financial items consist of the following:

|                                  | 2017  | 2016         |       |
|----------------------------------|---|--------------|-------|
| IFRS 7.20(a)(i)                  | Gain from financial assets classified as held for trading (FVTPL) | 6            | 18    |
| IAS 21.52(a)<br>IFRS 7.20(a)(iv) | Gain from exchange differences on loans and receivables           | 937          | 1,164 |
|                                  | <b>943</b>  | <b>1,182</b> |       |

## 29. Tax expense

IAS 12.79  
IAS 12.81(c) The major components of tax expense<sup>6</sup> and the reconciliation of the expected tax expense based on the domestic effective tax rate of Illustrative Corporation at 30% (2016: 30%) and the reported tax expense in profit or loss are as follows:

|                 | 2017   | 2016         |              |
|-----------------|--|--------------|--------------|
| IAS 12.81(c)(i) | Profit before tax  | 22,437       | 17,255       |
| IAS 12.85       | Domestic tax rate for Illustrative Corporation                                   | 30%          | 30%          |
|                 | Expected tax expense   | 6,731        | 5,177        |
| IAS 12.84       | Adjustment for tax rate differences in foreign jurisdictions                     | 16           | 18           |
| IAS 12.84       | Adjustment for tax-exempt income:  |              |              |
|                 | - Relating to equity accounted investments                                       | (25)         | (42)         |
|                 | - Other tax-exempt income  | (69)         | (21)         |
| IAS 12.84       | Adjustment for non-deductible expenses:  |              |              |
|                 | - Relating to goodwill impairment  | 240          | 57           |
|                 | - Other non-deductible expenses  | 17           | 9            |
|                 | <b>Actual tax expense</b>  | <b>6,910</b> | <b>5,198</b> |
| IAS 12.80       | Tax expense comprises:   |              |              |
| IAS 12.80(a)    | - Current tax expense  | 5,682        | 4,289        |
|                 | - Deferred tax expense:  |              |              |
| IAS 12.80(c)    | - Origination and reversal of temporary differences                              | 1,037        | 374          |
|                 | - Utilisation of previously recognised tax loss carryforwards                    | 75           | 225          |
|                 | <b>Tax expense</b>   | <b>6,794</b> | <b>4,888</b> |
|                 | Deferred tax expense (income), recognised directly in other comprehensive income | 1,064        | (1,157)      |

<sup>6</sup> Examples of major components of tax expense are included in IAS 12.80

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IAS 12.81(ab) Note 16 provides information on deferred tax assets and liabilities. Note 21.3 provides information on deferred income tax recognised directly in each component of other comprehensive income.

### 30. Earnings per share and dividends

#### Earnings per share

IAS 33.70(a) Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company (Illustrative Corporation) as the numerator, i.e. no adjustments to profit were necessary in 2016 or 2017.

IAS 33.70(b) The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

| Amounts in thousand shares:  | 2017          | 2016          |
|--|---------------|---------------|
| Weighted average number of shares used in basic earnings per share                 | 12,520        | 12,000        |
| Shares deemed to be issued for no consideration in respect of share-based payments | 17            | 21            |
| <b>Weighted average number of shares used in diluted earnings per share</b>        | <b>12,537</b> | <b>12,021</b> |

#### Dividends

During 2017, Illustrative Corporation paid dividends of CU 3,000 (2016: CU Nil) to its equity shareholders. This represents a payment of CU 0.25 per share (2016: CU Nil per share).

IAS 1.137(a)  
IAS 12.81(i) Also during 2017, the directors proposed the payment of a dividend of CU 6,885 (CU 0.50 per share). As the distribution of dividends by Illustrative Corporation requires approval at the shareholders' meeting, no liability in this respect is recognised in the 2017 consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction at the level of Illustrative Corporation.

### 31. Non-cash adjustments and changes in working capital

IAS 7:20

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

| Adjustments:  | 2017         | 2016         |
|---|--------------|--------------|
| Depreciation, amortisation and impairment of non-financial assets     | 7,932        | 6,816        |
| Foreign exchange gains  | (937)        | (1,164)      |
| Interest and dividend income  | (814)        | (468)        |
| Fair value gains on financial assets recognised in profit or loss     | (186)        | (343)        |
| Cash flow hedges reclassified from equity                             | 260          | (425)        |
| Interest expense  | 955          | 917          |
| Impairment of financial assets  | 72           | 864          |
| Fair value loss on financial liabilities recognised in profit or loss | 30           | 70           |
| Gain on disposal of non-financial assets                              | (115)        | -            |
| Share-based payment expenses  | 298          | 466          |
| Net interest on defined benefit liability                             | 505          | 549          |
| Current and past service costs  | 1,308        | 1,930        |
| Result from equity accounted investments                              | (391)        | (141)        |
| Change in fair value of investment property                           | (310)        | (175)        |
| Other   | (670)        | (843)        |
| <b>Total adjustments</b>  | <b>7,937</b> | <b>8,053</b> |

| Net changes in working capital:         | 2017           | 2016         |
|---|----------------|--------------|
| Change in inventories                   | 2,454          | 6,814        |
| Change in trade and other receivables   | (5,643)        | 545          |
| Change in trade and other payables      | 1,200          | (5,912)      |
| Change in other liabilities             | (1,852)        | (114)        |
| Change in other employee obligations    | (3,285)        | -            |
| Change in provisions                    | (2,216)        | (2,289)      |
| <b>Total changes in working capital</b> | <b>(9,342)</b> | <b>3,914</b> |

IAS 7:43

In 2017, the consideration transferred for the Group's acquisition of Goodtech (see Note 5.1) included a contingent payment arrangement amounting to CU 600 as of the acquisition date. The initial recognition of this liability and the subsequent unwinding of the discount of CU 20 (2016: Nil) are non-cash transactions excluded from the statement of cash flows.

### 32. Related party transactions

The Group's related parties include its associates and joint venture, key management, post-employment benefit plans for the Group's employees and others as described below. In addition, Illustrative Corporation has a subordinated loan from its main shareholder, the LOM Investment Trust (see Note 15.6 for information on terms and conditions), on which interest of CU 200 (2016: CU 200) is paid.

IAS 24:18(b)(i)  
IAS 24:18(b)(ii)

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

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### 32.1 Transactions with associates

IAS 24.19(d)  
IAS 24.18(a)  
IAS 24.18(b)

In order to meet peak demands by its customers, some of the Group's consulting services are sub-contracted to its associate, Equipe. During 2017, Equipe provided services valued at CU 568 (2016: CU 590). The outstanding balance of CU 20 (31 December 2016: CU 22; 1 January 2016: CU 18) due to Equipe is included in trade payables.

### 32.2 Transactions with joint ventures

IAS 24.19(e)  
IAS 24.18(a)  
IAS 24.18(b)

During 2017, Halftime provided services valued at CU 10 (2016: CU 3). There is no outstanding balance as at 31 December 2017 (31 December 2016: Nil; 1 January 2016: Nil).

### 32.3 Transactions with key management personnel

IAS 24.19(f)

Key management of the Group are the executive members of Illustrative Corporation's board of directors and members of the executive council. Key management personnel remuneration includes the following expenses:

|              | 2017                                 | 2016               |
|--------------|--------------------------------------|--------------------|
| IAS 24.17(a) | <b>Short-term employee benefits:</b> |                    |
|              | - Salaries including bonuses         | 2,420 2,210        |
|              | - Social security costs              | 70 34              |
|              | - Company car allowance              | 220 190            |
|              |                                      | <b>2,710 2,434</b> |
| IAS 24.17(b) | <b>Post-employment benefits:</b>     |                    |
|              | - Defined benefit pension plans      | 312 299            |
|              | - Defined contribution pension plans | 25 12              |
|              |                                      | <b>337 311</b>     |
| IAS 24.17(d) | Termination benefits                 | 100 -              |
| IAS 24.17(e) | Share-based payments                 | 103 175            |
|              | <b>Total remuneration</b>            | <b>3,250 2,920</b> |

IAS 24.18(a)

During 2017, certain key management personnel exercised share options with total exercise price of CU 1,685 (2016: Nil) granted in the Group's Star Programme.

IAS 24.18(a)  
IAS 24.18(b)

The Group allows its employees to take up limited short-term loans to fund merchandise and other purchases through the Group's business contacts. This facility is also available to the Group's key management personnel. During 2017, the Group's key management received short term loans totalling CU 40 (2016: CU 38). The outstanding balance of CU 1 (31 December 2016: CU 1; 1 January 2016: CU 1) has been included in trade and other receivables.

During 2017, the Group obtained legal services from a law firm over which one of the directors exercises significant influence. The amount billed related to this legal service amounted to CU 21 (2016: Nil), based on normal market rates and was fully paid as of the reporting date.

### 32.4 Transactions with the defined benefit plan

IAS 24.9(b)(v)

The defined benefit plan is a related party. The defined benefit plan does not hold shares in Illustrative Corporation. The Group's only transaction with the defined benefit plan relate to contributions paid to the plan (see Note 22.3).

### 33. Contingent liabilities

IAS 37.86

Various warranty and legal claims were brought against the Group during the year. Unless recognised as a provision (see Note 23), management considers these claims to be unjustified and the probability that they will require settlement at the Group's expense to be remote. This evaluation is consistent with external independent legal advice.

### 34. Financial instruments risk

#### Risk management objectives and policies

IFRS 7.33  
IFRS 7.IG.15

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 15.1. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

**Guidance note:** IFRS 9 will amend IFRS 7 'Financial Instruments: Disclosures' to allow disclosures of financial instruments risks arising from the entity's hedge accounting activities and associated risk managing strategies to be placed outside the financial statements. Although the forthcoming paragraph IFRS 7.21B will require entities to present the required disclosures in a single note or separate section in its financial statements, entities need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to some other statement. For example, reference could be made to a management commentary or risk report, which should be available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

#### 34.1 Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

#### Foreign currency sensitivity

IFRS 7.33(a)

Most of the Group's transactions are carried out in CU. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US dollars (USD) and Pounds Sterling (GBP). The Group also holds an investment in a USD bond. Further, the Group has a USD loan designated at fair value through profit or loss, which has been used to fund the purchase of investment property in the United States.

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IFRS 7.33(b)  
IFRS 7.1G15

To mitigate the Group's exposure to foreign currency risk, non-CU cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within six months) from longer-term cash flows (due after six months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other same-currency transactions.

The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk on the Group's USD loan used to fund the purchase of US investment property. The loan is designated at fair value through profit or loss to significantly reduce measurement inconsistencies between investment properties and the related loan. The USD fair value of the loan and the related properties are both translated into CU at the prevailing spot exchange rate. Accordingly, foreign currency fluctuations on the investment property are largely mitigated by offsetting movements on the related loan.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into CU at the closing rate:

IFRS 7.34(a)  
IFRS 7.34(c)

|                         | Short-term exposure |              |            | Long-term exposure |
|-------------------------|---------------------|--------------|------------|--------------------|
|                         | USD                 | GBP          | Other      | USD                |
| <b>31 December 2017</b> |                     |              |            |                    |
| Financial assets        | 4,518               | 3,629        | 308        | 1,363              |
| Financial liabilities   | (710)               | (1,658)      | -          | -                  |
| <b>Total exposure</b>   | <b>3,808</b>        | <b>1,971</b> | <b>308</b> | <b>1,363</b>       |
| <b>31 December 2016</b> |                     |              |            |                    |
| Financial assets        | 2,920               | 1,840        | 233        | 1,442              |
| Financial liabilities   | (586)               | (1,368)      | -          | -                  |
| <b>Total exposure</b>   | <b>2,334</b>        | <b>472</b>   | <b>233</b> | <b>1,442</b>       |

IFRS 7.40(a)  
IFRS 7.40(b)

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the USD/CU exchange rate and GBP/CU exchange rate 'all other things being equal'. It assumes a +/- 10% change of the CU/USD exchange rate for the year ended at 31 December 2017 (2016: 10%). A +/- 5% change is considered for the CU/GBP exchange rate (2016: 5%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the CU had strengthened against the USD by 10% (2016: 10%) and GBP by 5% (2016: 5%) respectively then this would have had the following impact:

|                  | Profit for the year |      |       | Equity |      |       |
|------------------|---------------------|------|-------|--------|------|-------|
|                  | USD                 | GBP  | Total | USD    | GBP  | Total |
| 31 December 2017 | (97)                | (99) | (196) | (47)   | (99) | (146) |
| 31 December 2016 | (53)                | (24) | (77)  | (3)    | (24) | (27)  |

If the CU had weakened against the USD by 10% (2016: 10%) and GBP by 5% (2016: 5%) respectively then this would have had the following impact:

|                  | Profit for the year |     |       | Equity |     |       |
|------------------|---------------------|-----|-------|--------|-----|-------|
|                  | USD                 | GBP | Total | USD    | GBP | Total |
| 31 December 2017 | 97                  | 97  | 194   | 37     | 97  | 134   |
| 31 December 2016 | 53                  | 20  | 73    | 13     | 20  | 33    |

#### Interest rate sensitivity

IFRS 7.33(a)  
IFRS 7.33(b)  
IFRS 7.1G15

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2017, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The Group's investments in bonds all pay fixed interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

IFRS 7.40(a)  
IFRS 7.40(b)

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2016: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

|                  | Profit for the year |      | Equity |      |
|------------------|---------------------|------|--------|------|
|                  | + 1%                | - 1% | + 1%   | - 1% |
| 31 December 2017 | 36                  | (36) | 26     | (16) |
| 31 December 2016 | 32                  | (32) | 23     | (14) |

#### Other price sensitivity

IFRS 7.33(a)  
IFRS 7.33(b)  
IFRS 7.1G15

The Group is exposed to other price risk in respect of its listed equity securities, the investment in XY Ltd and debentures (see Note 15.3).

IFRS 7.40(a)  
IFRS 7.40(b)

For the listed equity securities, an average volatility of 20% has been observed during 2017 (2016: 18%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by CU 85 (2016: CU 62). The listed securities are classified as AFS so there would be no effect on profit or loss unless any decline in fair value below cost is determined to be an impairment (for example if the decline is significant or prolonged).

IFRS 7.40(b)

The Group's sensitivity to price risk in regards to its investment in XY Ltd cannot be reliably determined due to numerous uncertainties regarding the future development of this company (see Note 15.3 for further information).

IFRS 7.33(b)

The investments in listed equity securities and in XY Ltd are considered long-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the Group's favour.

IFRS 7.40(a)  
IFRS 7.40(b)

The average volatility of the listed debentures was 15% in 2016 (2016: 13%). If the market price had increased or decreased by this amount, other comprehensive income and equity would have increased/decreased by CU 15 (2016: CU 15). As none of the debentures classified as AFS were sold during any of the periods under review, no effect on profit or loss would have occurred (unless any decline in fair value to below cost is considered to result from impairment of the asset).

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### 34.2 Credit risk analysis

IFRS 7.33(a)  
IFRS 7.34(a) Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised below:

| IFRS 7.36(a) |  | 2017          | 2016          |
|--------------|--|---------------|---------------|
|              | <b>Classes of financial assets – carrying amounts:</b> |               |               |
|              | – Bonds  | 2,814         | 2,992         |
|              | – Listed equity securities and debentures              | 518           | 455           |
|              | – Money market funds                                   | 655           | 649           |
|              | – Derivative financial instruments                     | 582           | 212           |
|              | – Cash and cash equivalents                            | 34,729        | 11,197        |
|              | – Trade and other receivables                          | 30,945        | 23,441        |
|              |  | <b>70,243</b> | <b>38,946</b> |

IFRS 7.33(b)  
IFRS 7.36(c) The Group continuously monitors defaults of customers and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 31 December reporting dates under review are of good credit quality.

IFRS 7.37(a)  
IFRS 7.IG28 At 31 December the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 31 December, analysed by the length of time past due, are:

|   | 2017       | 2016       |
|---|------------|------------|
| Not more than 3 months                        | 671        | 602        |
| More than 3 months but not more than 6 months | 90         | 88         |
| More than 6 months but not more than 1 year   | 55         | 15         |
| More than one year                            | 2          | 1          |
| <b>Total</b>                                  | <b>818</b> | <b>706</b> |

IFRS 7.36(c)  
IFRS 7.IG23 In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

IFRS 7.36(c) The credit risk for cash and cash equivalents, money market funds, debentures and derivative financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

IFRS 7.36(a)  
IFRS 7.36(c)  
IFRS 7.IG23(a) No impairment loss has been recorded in relation to the bonds (HTM investments, see Note 15.2) which have been graded AA by Standard & Poor's and are not past due. The carrying amounts disclosed above are the Group's maximum possible credit risk exposure in relation to these instruments.



### 34.3 Liquidity risk analysis

IFRS 7.33(a)  
IFRS 7.33(b)  
IFRS 7.39(c)

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

IFRS 7.39(c)  
IFRS 7.B1F

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting period. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables (see Note 15) significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

IFRS 7.39(a)  
IFRS 7.B1F

As at 31 December 2017, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

| 31 December 2017          | Current         |                |               |                                |
|---------------------------|-----------------|----------------|---------------|--------------------------------|
|                           | within 6 months | 6 to 12 months | 1 to 5 years  | Non-current later than 5 years |
| US-dollar loans           | 280             | 280            | 1,761         | 8,215                          |
| Other bank borrowings     | 4,565           | -              | -             | -                              |
| Non-convertible bond      | 208             | 208            | 8,888         | -                              |
| Finance lease obligations | 364             | 364            | 1,415         | 3,539                          |
| Trade and other payables  | 8,497           | -              | -             | -                              |
| <b>Total</b>              | <b>13,954</b>   | <b>852</b>     | <b>12,064</b> | <b>11,754</b>                  |

IFRS 7.39(a)  
IFRS 7.B1F

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows:

| 31 December 2016          | Current         |                |               |                                |
|---------------------------|-----------------|----------------|---------------|--------------------------------|
|                           | within 6 months | 6 to 12 months | 1 to 5 years  | Non-current later than 5 years |
| US-dollar loans           | 289             | 289            | 1,781         | 8,508                          |
| Other bank borrowings     | 3,124           | -              | -             | -                              |
| Non-convertible bond      | 208             | 208            | 9,303         | -                              |
| Finance lease obligations | 363             | 363            | 1,432         | 4,072                          |
| Trade and other payables  | 6,550           | -              | -             | -                              |
| <b>Total</b>              | <b>10,534</b>   | <b>860</b>     | <b>12,516</b> | <b>12,580</b>                  |

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date. The subordinated shareholder loan amounting to CU 5,000 throughout all reporting periods is not included as this is only repayable upon liquidation of Illustrative Corporation. Annual interest payments amount to CU 200.

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IFRS 7.39(b)  
IFRS 7.B11

In assessing and managing liquidity risks of its derivative financial instruments, the Group considers both contractual inflows and outflows. As at 31 December 2017, the contractual cash flows of the Group's derivative financial assets and liabilities are as follows:

| 31 December 2017                        | Current         |                |
|---|-----------------|----------------|
|   | within 6 months | 6 to 12 months |
| <b>Gross-settled forward contracts:</b> |                 |                |
| - Cash outflow                          | (212)           | (6,978)        |
| - Cash inflow                           | 300             | 7,509          |
| <b>Total</b>                            | <b>88</b>       | <b>531</b>     |

IFRS 7.39(b)  
IFRS 7.B11

This compares to the contractual cash flows of the Group's derivative financial assets and liabilities in the previous reporting periods as follows:

| 31 December 2016                        | Current         |                |
|---|-----------------|----------------|
|   | within 6 months | 6 to 12 months |
| <b>Gross-settled forward contracts:</b> |                 |                |
| - Cash outflow                          | (190)           | (7,100)        |
| - Cash inflow                           | 203             | 7,050          |
| <b>Total</b>                            | <b>13</b>       | <b>(50)</b>    |

Derivative financial instruments reflect forward exchange contracts (see Note 15.5) that will be settled on a gross basis.

## 35. Fair value measurement

### 35.1 Fair value measurement of financial instruments

IFRS 13.76  
IFRS 13.81  
IFRS 13.86

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

| <b>31 December 2017</b> |   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|-------------------------|---|----------------|----------------|----------------|----------------|
| IFRS 13.93(a)-(b)       | <b>Financial assets</b>                             |                |                |                |                |
| IFRS 13.94              | Listed securities and debentures                    | 518            | -              | -              | 518            |
|                         | Money market funds                                  | 655            | -              | -              | 655            |
|                         | US-dollar forward contracts – cash flow hedge       | -              | 467            | -              | 467            |
|                         | Other forward exchange contracts – held-for-trading | -              | 115            | -              | 115            |
|                         | <b>Total assets</b>                                 | <b>1,173</b>   | <b>582</b>     | <b>-</b>       | <b>1,755</b>   |
|                         | <b>Financial liabilities</b>                        |                |                |                |                |
|                         | US-dollar loans                                     | -              | (7,950)        | -              | (7,950)        |
|                         | Contingent consideration                            | -              | -              | (620)          | (620)          |
|                         | <b>Total liabilities</b>                            | <b>-</b>       | <b>(7,950)</b> | <b>(620)</b>   | <b>(8,570)</b> |
|                         | <b>Net fair value</b>                               | <b>1,173</b>   | <b>(7,368)</b> | <b>(620)</b>   | <b>(6,815)</b> |
|                         | <b>31 December 2016</b>                             | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
| IFRS 13.93(a)-(b)       | <b>Financial assets</b>                             |                |                |                |                |
| IFRS 13.94              | Listed securities and debentures                    | 455            | -              | -              | 455            |
|                         | Money market funds                                  | 649            | -              | -              | 649            |
|                         | Other forward exchange contracts – held-for-trading | -              | 212            | -              | 212            |
|                         | <b>Total assets</b>                                 | <b>1,104</b>   | <b>212</b>     | <b>-</b>       | <b>1,316</b>   |
|                         | <b>Financial liabilities</b>                        |                |                |                |                |
|                         | US-dollar loans                                     | -              | (160)          | -              | (160)          |
|                         | Contingent consideration                            | -              | (8,220)        | -              | (8,220)        |
|                         | <b>Total liabilities</b>                            | <b>-</b>       | <b>(8,380)</b> | <b>-</b>       | <b>(8,380)</b> |
|                         | <b>Net fair value</b>                               | <b>1,104</b>   | <b>(8,168)</b> | <b>-</b>       | <b>(7,064)</b> |
|                         | <b>1 January 2016</b>                               | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
| IFRS 13.93(a)-(b)       | <b>Financial assets</b>                             |                |                |                |                |
| IFRS 13.94              | Listed securities and debentures                    | 479            | -              | -              | 479            |
|                         | Money market funds                                  | 631            | -              | -              | 631            |
|                         | Other forward exchange contracts – held-for-trading | -              | 490            | -              | 490            |
|                         | <b>Total assets</b>                                 | <b>1,110</b>   | <b>490</b>     | <b>-</b>       | <b>1,600</b>   |
|                         | <b>Financial liabilities</b>                        |                |                |                |                |
|                         | US-dollar loans                                     | -              | (8,380)        | -              | (8,380)        |
|                         | <b>Net fair value</b>                               | <b>1,110</b>   | <b>(7,890)</b> | <b>-</b>       | <b>(6,780)</b> |

IFRS 13.93(c) There were no transfers between Level 1 and Level 2 in 2017 or 2016.

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### Measurement of fair value of financial instruments

IFRS 13.93(d)  
IFRS 13.93(g)

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the chief financial officer (CFO) and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's reporting dates.

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

- **Foreign currency forward contracts (Level 2)** – The Group's foreign currency forward contracts are not traded in active markets. These contracts have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.
- **US-dollar loans (Level 2)** – The fair values of the US-dollar loans are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risk. The interest rate used for this calculation is 3.9% (2016: 3.9%).
- **Contingent consideration (Level 3)** – The fair value of contingent consideration related to the acquisition of Goodtech (see Note 5.1) is estimated using a present value technique. The CU 620 fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 4.4%. The probability-weighted cash outflows before discounting are CU 655 and reflect management's estimate of a 50% probability that the contract's target level will be achieved. The discount rate used is 4.4%, based on the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

IFRS 13.93(d)  
IFRS 13.93(h)

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

| Significant unobservable input | Estimate of the input | Sensitivity of the fair value measurement to input                                   |
|--------------------------------|-----------------------|--|
| Probability of meeting target  | 50%                   | An increase to 60% (decrease to 40%) would increase (decrease) fair value by CU 125. |

### Level 3 fair value measurements

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

|                    | Contingent consideration   |              |          |
|--------------------|--|--------------|----------|
|                    | 2017   | 2016         |          |
| IFRS 13.93(e)      | Balance at 1 January 2017  | -            | -        |
| IFRS 13.93(e)(iii) | Acquired through business combination  | (600)        | -        |
| IFRS 13.93(e)(i)   | <b>Amount recognised in profit or loss under:</b>  |              |          |
|                    | - finance costs  | (20)         | -        |
|                    | <b>Balance at 31 December 2017</b>   | <b>(620)</b> | <b>-</b> |
| IFRS 13.93(f)      | Total amount included in profit or loss for unrealised losses on Level 3 instruments under finance costs | (20)         | -        |

Financial instruments measured at amortised cost for which the fair value is disclosed  
See Notes 15.2 and 15.6.

### 35.2 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

| 31 December 2017  |                                       | Level 1 | Level 2 | Level 3 | Total |
|-------------------|---------------------------------------|---------|---------|---------|-------|
| IFRS 13.93(a)-(b) | <b>Property, plant and equipment:</b> |         |         |         |       |
| IFRS 13.94        | - land owned in Euroland              | -       | -       | 7,979   | 7,979 |
|                   | - Goodtech land                       | -       | -       | 730     | 730   |
|                   | <b>Investment property:</b>           |         |         |         |       |
|                   | - office building in Euroland         | -       | -       | 4,552   | 4,552 |
|                   | - Goodtech investment property        | -       | -       | 75      | 75    |
|                   | - office building in the US           | -       | -       | 8,035   | 8,035 |
| 31 December 2016  |                                       | Level 1 | Level 2 | Level 3 | Total |
| IFRS 13.93(a)-(b) | <b>Property, plant and equipment:</b> |         |         |         |       |
| IFRS 13.94        | - land owned in Euroland              | -       | -       | 7,979   | 7,979 |
|                   | - Goodtech land                       | -       | -       | -       | -     |
|                   | <b>Investment property:</b>           |         |         |         |       |
|                   | - office building in Euroland         | -       | -       | 4,366   | 4,366 |
|                   | - office building in the US           | -       | -       | 7,911   | 7,911 |
| 1 January 2016    |                                       | Level 1 | Level 2 | Level 3 | Total |
| IFRS 13.93(a)-(b) | <b>Property, plant and equipment:</b> |         |         |         |       |
| IFRS 13.94        | - land owned in Euroland              | -       | -       | 7,697   | 7,697 |
|                   | - Goodtech land                       | -       | -       | -       | -     |
|                   | <b>Investment property:</b>           |         |         |         |       |
|                   | - office building in Euroland         | -       | -       | 4,293   | 4,293 |
|                   | - office building in the US           | -       | -       | 7,809   | 7,809 |

IFRS 13.93(d)  
IAS 40.75(e)  
IAS 16.77(b)

The fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date.

#### Land owned in Euroland (Level 3)

IFRS 13.93(d)  
IFRS 13.93(g)  
IAS 16.77(a)

The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use. In 2017, a negative adjustment of 7.5% was incorporated for these factors. The land was revalued on 23 November 2017. The land was previously revalued in November 2014.

## Notes to the consolidated financial statements

For the year ended 31 December 2017 (expressed in thousands of Euroland currency units, except per share amounts)

IFRS 13.93(h) The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

IFRS 13.93(d) Land with a fair value of CU 730, recognised upon the acquisition of Goodtech in March 2017 (see Note 5.1), was not revalued at the reporting date. Management determined that the effect of changes in fair values between the acquisition and reporting date is immaterial.

### Office buildings in Euroland and the US (Level 3)

IFRS 13.93(d) The fair values of the office buildings are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When the actual rent differs materially from the estimated rent, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings. The office buildings are revalued annually on 31 December.

IFRS 13.93(h) The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations at 31 December 2017 were:

|                              | Euroland   | US         |
|------------------------------|------------|------------|
| Rental value                 | CU 108/sqm | USD 65/sqm |
| Vacancy levels               | 9%         | 11%        |
| Discount rate (market yield) | 4.4%       | 3.7%       |

IFRS 13.93(d) An investment property with a fair value of CU 75, recognised upon the acquisition of Goodtech (see Note 5.1) in March 2017, was not revalued at the reporting date. Management determined that the effect of changes in fair values between the acquisition and reporting date is immaterial.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

|                    | PP&E   | Investment properties |              |
|--------------------|--|-----------------------|--------------|
|                    | Land held  | Euroland              | US           |
| IFRS 13.93(e)      | 7,697  | 4,366                 | 7,911        |
| IFRS 13.93(e)(i)   | <b>Gains recognised in profit or loss:</b>             |                       |              |
|                    | -  | 186                   | 124          |
| IFRS 13.93(e)(ii)  | <b>Gains recognised in other comprehensive income:</b> |                       |              |
|                    | 303  | -                     | -            |
|                    | (21)   | -                     | -            |
| IFRS 13.93(e)(iii) | 730  | 75                    | -            |
|                    | <b>8,709</b>   | <b>4,627</b>          | <b>8,035</b> |
| IFRS 13.93(f)      | -  | 186                   | 124          |

|                   | PP&E   | Investment properties |              |              |
|-------------------|--|-----------------------|--------------|--------------|
|                   |  | Land                  | Euroland     | US           |
| IFRS 13.93(e)     | Balance at 1 January 2016  | 7,697                 | 4,293        | 7,809        |
| IFRS 13.93(e)(i)  | <b>Gains recognised in profit or loss:</b>                                     |                       |              |              |
|                   | - increase in fair value of investment property                                | -                     | 73           | 102          |
| IFRS 13.93(e)(ii) | <b>Gains recognised in other comprehensive income:</b>                         |                       |              |              |
|                   | - revaluation of land  | -                     | -            | -            |
|                   | - exchange differences on translating foreign operations                       | -                     | -            | -            |
|                   | <b>Balance at 31 December 2016</b>   | <b>7,697</b>          | <b>4,293</b> | <b>7,809</b> |
| IFRS 13.93(f)     | Total amount included in profit or loss for unrealised gains on Level 3 assets | -                     | 73           | 102          |

### 36. Capital management policies and procedures

- IAS 1.134 The Group's capital management objectives are:
- to ensure the Group's ability to continue as a going concern
  - to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.
- IAS 1.135(a)(i) The Group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented in the statement of financial position and cash flow hedges recognised in other comprehensive income.
- IAS 1.135(a)(ii) The Group's goal in capital management is to maintain a capital-to-overall financing ratio of 1:6 to 1:4. This is in line with the Group's covenants included in the terms of the subordinated loan from its main shareholder advanced in 2013 (see Note 15.6).
- IAS 1.135(a)(iii) Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

|   | 2017           | 2016          |
|---|----------------|---------------|
| IAS 1.135(b)                              |                |               |
| Total equity                              | 87,140         | 52,746        |
| Subordinated loan                         | 5,000          | 5,000         |
| Cash flow hedges                          | (467)          | 160           |
| Cash and cash equivalents                 | (34,729)       | (11,197)      |
| <b>Capital</b>                            | <b>56,944</b>  | <b>46,709</b> |
| Total equity                              | 87,140         | 52,746        |
| Borrowings                                | 25,815         | 24,644        |
| <b>Overall financing</b>                  | <b>112,955</b> | <b>77,390</b> |
| <b>Capital-to-overall financing ratio</b> | <b>0.50</b>    | <b>0.60</b>   |

## Notes to the consolidated financial statements

For the year ended 31 December 2017 (expressed in thousands of Euroland currency units, except per share amounts)

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IAS 1.135(d) The Group has honoured its covenant obligations, including maintaining capital ratios, since the subordinated loan was taken out in 2013. The ratio-reduction during 2017 is primarily a result of financing the acquisition of Goodtech (see Note 5.1).

### 37. Post-reporting date events

IAS 10.8 No adjusting or significant non-adjusting events have occurred between the 31 December reporting date and the date of authorisation.  
IAS 10.21

**Guidance note:** IAS 10.3 and 10.8 require the financial statements to consider events, occurring before the financial statements are authorised for issue. Events occurring after this date are not reflected.

### 38. Authorisation of financial statements

IAS 10.17 The consolidated financial statements for the year ended 31 December 2017 (including comparatives) were approved by the board of directors on 1 March 2018.

**C Executive**  
[Board member 1]

**C Finance**  
[Board member 2]

**Guidance note:** IAS 10.18 emphasises that it is important for users to know when the financial statements were authorised for issue as they do not reflect events after that date.



# Appendices to the IFRS Example Consolidated Financial Statements

Illustrative Corporation Group  
31 December 2017



# Appendix A

## Organising the statement of profit or loss by function of expenses

IAS 1.99 IAS 1.99 allows a statement of profit or loss format analysing expenses using a classification based on either the nature of expenses (NOE) or based on the function of expenses (FOE) within the entity. This depends on management's assessment of which format provides information that is reliable and more relevant.

The NOE format is illustrated in the main body of the Example Financial Statements. The FOE format is illustrated in this appendix. This appendix presents a separate statement of profit or loss, ie other comprehensive income is presented in a separate statement of comprehensive income (see the main body of the Example Financial Statements).

If the entity presents a single statement of comprehensive income (see Appendix B), the FOE format included in this appendix may replace the NOE format presented in in Appendix B.

The FOE or NOE formats only affect the statement of profit or loss but do not affect the presentation requirements for other comprehensive income.

IAS 1.104 Presenting the statement of profit or loss in the FOE format requires additional considerations:

- additional disclosures of the nature of certain expenses are required, including employee benefit expenses and depreciation, amortisation and impairment of non-financial assets
- the disclosures of the specific line items in the statement of profit or loss where certain transactions or amounts are recognised (for example, see Note 10, Note 9 and Note 22 of the Example Financial Statements) should reflect the actual line items presented in the FOE statement of profit or loss.

In addition, when an entity includes the analysis of profit or loss from a discontinued operation in the notes to the financial statements (see Note 20), such information should be presented in the same format as the main statement of profit or loss. This will facilitate a better understanding of the financial effects of the discontinued operations.



# Appendix B

## Statement of comprehensive income presented in a single statement

The main body in these Example Financial Statements presents the statement of comprehensive income in two statements (see guidance note to the consolidated statement of profit or loss). This appendix presents the alternative of a single statement of comprehensive income (using the NOE format).

Disclosure requirements, however, remain unchanged (see guidance note to the consolidated statement of comprehensive income).

In general, notes to the financial statements will need to be tailored so that they refer to the statement of comprehensive income and not the statement of profit or loss, where appropriate. For example, tailoring is necessary to reflect that discontinued operations are shown as a separate line item in the statement of comprehensive income (see Note 4.10). However, it should be noted that the term profit or loss continues to apply.

## Consolidated statement of comprehensive income

|              | Notes | 2017  | 2016          |
|--------------|-------|---|---------------|
| IAS 1.51(c)  |       |   |               |
| IAS 1.82(a)  | 8, 9  | <b>205,793</b>  | 191,228       |
| IAS 1.85     |       | <b>427</b>  | 483           |
| IAS 1.85     |       | <b>(7,923)</b>  | (6,815)       |
| IAS 1.85     |       | <b>(42,535)</b>                                       | (39,420)      |
| IAS 1.85     | 22    | <b>(113,809)</b>                                      | (109,515)     |
| IAS 1.85     | 14    | <b>310</b>  | 175           |
| IAS 1.85     |       | <b>(7,932)</b>  | (6,816)       |
| IAS 1.85     |       | <b>(12,732)</b>                                       | (12,295)      |
|              |       | <b>Operating profit</b>                               | <b>17,025</b> |
| IAS 1.82(c)  | 7     | <b>391</b>  | 141           |
| IAS 1.82(b)  | 27    | <b>(1,490)</b>  | (1,886)       |
| IAS 1.85     | 27    | <b>994</b>  | 793           |
| IAS 1.85     | 28    | <b>943</b>  | 1,182         |
|              |       | <b>Profit before tax</b>                              | <b>17,255</b> |
| IAS 1.82(d)  | 29    | <b>(6,794)</b>  | (4,888)       |
|              |       | <b>Profit for the year from continuing operations</b> | <b>12,367</b> |
| IAS 1.82(ea) | 20    | <b>(9)</b>  | (325)         |
| IAS 1.81A(a) |       | <b>15,634</b>   | <b>12,042</b> |

## Consolidated statement of comprehensive income

|   | Notes  | 2017 | 2016          |
|---|--|------|---------------|
| <b>Other comprehensive income:</b>  |  |      |               |
| <b>Items that will not be reclassified subsequently to profit or loss</b>   |  |      |               |
| IAS 1.82A(a)(i)   |  |      |               |
| IAS 16.77(f)  | Revaluation of land  | 12   | 303           |
| IAS 19.120(c)   | Remeasurement of net defined benefit liability             | 22   | 3,830         |
| IAS 1.90  |  |      | (3,521)       |
| IAS 1.91(b)   | Income tax relating to items not reclassified              | 16   | (1,240)       |
|   |  |      | 1,062         |
| <b>Items that will be reclassified subsequently to profit or loss</b>       |  |      |               |
| <b>Cash flow hedging:</b>   |  |      |               |
| IAS 1.82A(a)(ii)  |  | 15   |               |
| IFRS 7.23(c)  | - current year gains (losses)                              |      | 367           |
| IFRS 7.23(d)  |  |      | (47)          |
| IAS 1.92  | - reclassification to profit or loss                       |      | 260           |
|   |  |      | (425)         |
| <b>Available-for-sale financial assets:</b>                                 |  |      |               |
|   |  | 15   |               |
| IFRS 7.20(a)(ii)  | - current year gains                                       |      | 113           |
| IFRS 7.20(a)(ii)  |  |      | (24)          |
| IAS 1.92  | - reclassification to profit or loss                       |      | (50)          |
|   |  |      | -             |
| IAS 21.52(b)  | Exchange differences on translating foreign operations     |      | (664)         |
|   |  |      | (341)         |
| <b>Share of other comprehensive income of equity accounted investments:</b> |  |      |               |
| IAS 1.82A(b)  |  | 7    | 5             |
| IAS 1.92  | - reclassification to profit or loss                       |      | (3)           |
|   |  |      | -             |
| IAS 1.90  |  |      |               |
| IAS 1.91(b)   | Income tax relating to items that will be reclassified     | 16   | 176           |
|   |  |      | 95            |
| IAS 1.81A(b)  | <b>Other comprehensive income for the year, net of tax</b> |      | <b>3,097</b>  |
| IAS 1.81A(c)  | <b>Total comprehensive income for the year</b>             |      | <b>18,731</b> |
|   |  |      | <b>8,821</b>  |
| <b>Profit for the year attributable to:</b>                                 |  |      |               |
| IAS 1.81B(a)(i)   | Non-controlling interest                                   |      | 121           |
|   |  |      | 116           |
| IAS 1.81B(a)(ii)  | Owners of the parent                                       |      | 15,513        |
|   |  |      | 11,926        |
|   |  |      | <b>15,634</b> |
|   |  |      | <b>12,042</b> |
| <b>Total comprehensive income attributable to:</b>                          |  |      |               |
| IAS 1.81B(b)(i)   | Non-controlling interest                                   |      | 121           |
|   |  |      | 116           |
| IAS 1.81B(b)(ii)  | Owners of the parent                                       |      | 18,610        |
|   |  |      | 8,705         |
|   |  |      | <b>18,731</b> |
|   |  |      | <b>8,821</b>  |
| <b>Earnings per share</b>   |  |      |               |
|   | Notes  | 2017 | 2016          |
| IAS 33.67A  | <b>Basic earnings (loss) per share:</b>                    | 30   |               |
| IAS 33.66   | - Earnings from continuing operations                      |      | 1.24          |
|   |  |      | 1.02          |
| IAS 33.68A  | - Loss from discontinued operations                        |      | (0.00)        |
|   |  |      | (0.03)        |
| IAS 33.66   | <b>Total</b>   |      | <b>1.24</b>   |
|   |  |      | <b>0.99</b>   |
| IAS 33.67A  | <b>Diluted earnings (loss) per share:</b>                  |      |               |
| IAS 33.66   | - Earnings from continuing operations                      |      | 1.24          |
|   |  |      | 1.02          |
| IAS 33.68A  | - Loss from discontinued operations                        |      | (0.00)        |
|   |  |      | (0.03)        |
| IAS 33.66   | <b>Total</b>   |      | <b>1.24</b>   |
|   |  |      | <b>0.99</b>   |

# Appendix C

## Effective dates of new IFRS Standards

Based on IFRS Standards issued at 31 October 2017

| Standard                    | Title of Standard or Interpretation  | Effective for annual reporting periods beginning on or after | Considered for preparation of EFS? | Early application? |
|-----------------------------|--|--|------------------------------------|--------------------|
| IAS 16 and IAS 38           | Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38) | 1 January 2016   | ✓                                  | ✓                  |
| IAS 16 and IAS 41           | Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)   | 1 January 2016   | ✓                                  | ✓                  |
| IAS 27                      | Equity Method in Separate Financial Statements (Amendments to IAS 27)                                  | 1 January 2016   | ✓                                  | ✓                  |
| Various                     | Annual Improvements to IFRS 2012–2014 Cycle  | 1 January 2016   | ✓                                  | ✓                  |
| IFRS 11                     | Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)                   | 1 January 2016   | ✓                                  | ✓                  |
| IFRS 14                     | Regulatory Deferral Accounts   | 1 January 2016   | ✓                                  | ✓                  |
| IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)  | 1 January 2016   | ✓                                  | ✓                  |
| IAS 1                       | Disclosure Initiative (Amendments to IAS 1)  | 1 January 2016   | ✓                                  | ✓                  |
| IAS 7                       | Disclosure Initiative (Amendments to IAS 7)  | 1 January 2017   | ✓                                  | ✓                  |
| IAS 12                      | Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)                        | 1 January 2017   | ✓                                  | ✓                  |
| IFRS 12                     | Annual Improvements to IFRS 2014–2016 Cycle (Amendments to IFRS 1, IFRS 12, and IAS 28)                | 1 January 2017   | ✓                                  | no                 |
| IFRS 15                     | Revenue from Contracts with Customers  | 1 January 2018   | ✓                                  | ✓                  |
| IFRS 15                     | Clarifications to IFRS 15 Revenue from Contracts with Customers  | 1 January 2018   | ✓                                  | ✓                  |
| IFRS 9 (2014)               | Financial Instruments  | 1 January 2018   | no                                 | ✓*                 |
| IFRS 4                      | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)           | 1 January 2018   | no                                 | **                 |
| IFRS 2                      | Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)              | 1 January 2018   | no                                 | ✓                  |
| IFRS 1                      | Annual Improvements to IFRS 2014–2016 Cycle (Amendments to IFRS 1, IFRS 12, and IAS 28)                | 1 January 2018   | no                                 | no                 |
| IAS 28                      | Annual Improvements to IFRS 2014–2016 Cycle (Amendments to IFRS 1, IFRS 12, and IAS 28)                | 1 January 2018   | no                                 | ✓                  |
| IAS 40                      | Transfers of Investment Property (Amendments to IAS 40)  | 1 January 2018   | no                                 | ✓                  |
| IFRIC 22                    | Foreign Currency Transactions and Advance Consideration  | 1 January 2018   | no                                 | ✓                  |
| IFRIC 23                    | Uncertainty over Income Tax Treatments   | 1 January 2019   | no                                 | ✓                  |
| IFRS 16                     | Leases   | 1 January 2019   | no                                 | ✓***               |
| IFRS 9                      | Prepayment Features with Negative Compensation (Amendments to IFRS 9)                                  | 1 January 2019   | no                                 | ✓                  |
| IAS 28                      | Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)                            | 1 January 2019   | no                                 | ✓                  |
| IFRS 17                     | Insurance Contracts  | 1 January 2021   | no                                 | ✓****              |

Not necessarily all Standards listed above are applicable to these Example Financial Statements but have been considered in the preparation of those.

\* Extensive transition rules apply.

\*\* A temporary exemption from IFRS 9 is applied for accounting periods on or after 1 January 2018. The overlay approach is applied when entities first apply IFRS 9.

\*\*\* Entities adopting IFRS 16 early have to apply IFRS 15 before or on the same date.

\*\*\*\* Entities adopting IFRS 17 early have to apply IFRS 9 and IFRS 15 before or on the same date.





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