Raymond Chabot Grant Thornton
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Adviser alert – *Example Consolidated Financial Statements 2018*

October 2018

Overview

The Grant Thornton International IFRS team has published the 2018 version of *IFRS Example Consolidated Financial Statements 2018* (hereinafter the "*Example consolidated financial statements*").

The *Example consolidated financial statements* have been updated to reflect changes in IFRS that are effective for the year ending December 31, 2018. These include the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*, which both become effective for accounting periods beginning on or after January 1, 2018. No account has been taken of any new developments published after September 30, 2018.

Example consolidated financial statements – summary

The *Example consolidated financial statements* are based on the activities and results of the illustrative corporation and its subsidiaries – a fictional consulting, service and retail entity – which have 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. The Grant Thornton International IFRS team's objective in preparing the *Example consolidated 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 consider 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.

Resource

The publication *IFRS Example Consolidated Financial Statements 2018* follows this *Adviser alert.*

Please note that this publication has not been modified from its original version (English version only).

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IFRS Example Consolidated Financial Statements 2018

with guidance notes

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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 2018

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 2018' ('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 2018. No account has been taken of any new developments after **30 September 2018**.

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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.

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
October 2018

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IFRS Example Consolidated Financial Statements

Illustrative Corporation Group
31 December 2018

Consolidated statement of financial position

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

Reference		Notes	31 Dec 2018	31 Dec 2017
IAS 1.51(c) IAS 1.51(d-e)				
	Assets			
IAS 1.60 IAS 1.66-67	**Non-current**			
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	**185**	160
IAS 1.54(c)	Other long-term financial assets	15.1	**4,051**	3,880
IAS 1.54(o) IAS 1.56	Deferred tax assets	16	**-**	905
	Non-current assets		**62,422**	55,464
IAS 1.60 IAS 1.66	**Current**			
IFRS 5.38 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	**32,720**	24,824
IAS 1.54(d) IAS 1.55	Derivative financial instruments	15.5 15.1	**716**	442
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
	Current assets		**87,627**	58,668
IAS 1.55	**Total assets**		**150,049**	**114,132**

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 adopted IFRS 9 and IFRS 15, however has elected to apply transitional provisions for both these Standards. Accordingly, they have not restated comparatives for previous periods and as a result presentation of a third balance sheet is not required.

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)

		Notes	31 Dec 2018	31 Dec 2017
IAS 1.51(c) IAS 1.51(d-e)				
	Equity and liabilities			
	Equity			
	Equity attributable to owners of the parent			
IAS 1.54(r)	Share capital	21	**13,770**	12,000
IAS 1.78(e)	Share premium		**19,645**	3,050
IAS 1.78(e)	Other components of equity	21	**2,265**	(414)
IAS 1.54(r)	Retained earnings		**50,779**	37,748
	Equity attributable to owners of the parent		**86,459**	**52,384**
IAS 1.54(q)	Non-controlling interest		**713**	592
IAS 1.55	**Total equity**		**87,172**	**52,976**
	Liabilities			
IAS 1.60 IAS 1.69	**Non-current**			
IAS 1.55	Pension and other employee obligations	22.3	**10,386**	13,642
IAS 1.54(m)	Borrowings	15.6	**21,070**	21,265
IAS 1.54(k)	Trade and other payables	24	**4,060**	4,459
IAS 1.54(o) IAS 1.56	Deferred tax liabilities	16	**1,903**	–
IAS 1.55	Other liabilities	25	**2,020**	1,500
	Non-current liabilities		**39,439**	40,866
IAS 1.60 IAS 1.69	**Current**			
IFRS 5.38 IAS 1.54(p)	Liabilities included in disposal group classified as held for sale	20	**-**	449
IAS 1.54(l)	Provisions	23	**1,215**	3,345
IAS 1.55	Pension and other employee obligations	22.3	**1,467**	1,496
IAS 1.54(m)	Borrowings	15	**4,815**	3,379
IAS 1.54(k)	Trade and other payables	24	**9,009**	7,056
IAS 1.54(n)	Current tax liabilities		**4,174**	930
IAS 1.54(m)	Derivative financial instruments	15.5	**-**	160
IAS 1.55	Contract and other liabilities	25	**2,758**	3,475
	Current liabilities		**23,438**	20,290
IAS 1.55	**Total liabilities**		**62,877**	**61,156**
IAS 1.55	**Total equity and liabilities**		**150,049**	**114,132**

Consolidated statement of profit or loss

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

IAS 1.51(c) IAS 1.51(d-e)		Notes	2018	2017
IAS 1.82(a)	Revenue	8, 9	**205,793**	191,228
IAS 1.85	Other income		**299**	708
IAS 1.85	Changes in inventories		**(7,923)**	(6,815)
IAS 1.85	Costs of material		**(42,535)**	(39,420)
IAS 1.85	Employee benefits expense	22	**(113,809)**	(109,515)
IAS 1.85	Change in fair value of investment property	14	**310**	175
IAS 1.85	Depreciation, amortisation and impairment of non-financial assets		**(7,932)**	(6,816)
IAS 1.82(ba)	Impairment gains (losses) of financial assets	34.2	**(164)**	(225)
IAS 1.85	Other expenses		**(12,191)**	(12,437)
	Operating profit		**21,848**	**16,883**
IAS 1.82(c)	Share of profit from equity accounted investments	7	**391**	141
IAS 1.82(b)	Finance costs	27	**(1,701)**	(1,908)
IAS 1.85	Finance income	27	**1,224**	885
IAS 1.85	Other financial items	28	**943**	1,182
	Profit before tax		**22,705**	**17,183**
IAS 1.82(d)	Tax expense	29	**(6,794)**	(4,888)
	Profit for the year from continuing operations		**15,911**	**12,295**
IAS 1.82(ea)	Loss for the year from discontinued operations	20	**(9)**	(325)
IAS 1.81A(a)	**Profit for the year**		**15,902**	**11,970**
	Profit for the year attributable to:			
IAS 1.81B(a)(i)	Non-controlling interest		**121**	116
IAS 1.81B(a)(ii)	Owners of the parent		**15,781**	11,854
			15,902	**11,970**

		Notes	2018	2017
	Earnings per share	30		
IAS 33.67A	**Basic earnings (loss) per share**			
IAS 33.66	– From continuing operations		**1.27**	1.02
IAS 33.68A	– From discontinued operations		**(0.00)**	(0.03)
IAS 33.66	Total		**1.27**	**0.99**
IAS 33.67A	**Diluted earnings (loss) per share**			
IAS 33.66	– From continuing operations		**1.27**	1.02
IAS 33.68A	– From discontinued operations		**(0.00)**	(0.03)
IAS 33.66	Total		**1.27**	**0.99**

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 other comprehensive income. If so, the separate statement of profit or loss shall immediately precede the statement presenting other comprehensive income, which shall begin with profit or loss (IAS 1.10A).

The Example Financial Statements illustrate a statement of profit or loss and other 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	2018	2017
IAS 1.51(c) IAS 1.51(d-e)				
IAS 1.81A(a)	**Profit for the year**		**15,902**	**11,970**
	Other comprehensive income:			
IAS 1.82A(a)(i)	**Items that will not be reclassified subsequently to profit or loss**			
IAS 16.77(f)	Revaluation of land	12	**303**	–
IAS 19.120(c)	Remeasurement of net defined benefit liability	22	**3,830**	(3,541)
IAS 1.90 IAS 1.91(b)	Income tax relating to items not reclassified	21.3	**(1,240)**	1,062
IAS 1.82A(a)(ii)	**Items that will be reclassified subsequently to profit or loss**			
	Cash flow hedging			
IFRS 7.24C(b)(i)	– current year gains (losses)	21.3	**890**	540
IAS 1.92 IFRS 7.24C(b)(iv)	– reclassification to profit or loss	21.3	**(640)**	(712)
	Available-for-sale financial assets			
IFRS 7.20(a)(ii)	– current year gains (losses)	21.3	**-**	(22)
IFRS 7.20(a)(ii) IAS 1.92	– reclassification to profit or loss	21.3	**-**	–
IAS 21.52(b)	Exchange differences on translating foreign operations		**(664)**	(341)
IAS 1.82A(b)	Share of other comprehensive income of equity accounted investments	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	21.3	**176**	95
IAS 1.81A(b)	**Other comprehensive income for the year, net of tax**		**2,657**	**(2,919)**
IAS 1.81A(c)	**Total comprehensive income for the year**		**18,559**	**9,051**
	Total comprehensive income for the year attributable to:			
IAS 1.81B(b)(i)	Non-controlling interest		**121**	116
IAS 1.81B(b)(ii)	Owners of the parent		**18,438**	8,935
			18,559	**9,051**

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)

		Notes	Share capital	Share premium	Other components of equity	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
IAS 1.51(c) IAS 1.51(d-e)									
IAS 1.106(d)	**Balance at 1 January 2018**		**12,000**	**3,050**	**(414)**	**37,748**	**52,384**	**592**	**52,976**
IAS 1.106(b)	Adjustment from the adoption of IFRS 9 and IFRS 15	3.1	–	–	22	(48)	(26)	–	(26)
	Adjusted balance at 1 January 2018		**12,000**	**3,050**	**(392)**	**37,700**	**52,358**	**592**	**52,950**
	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		–	–	–	15,781	15,781	121	15,902
IAS 1.106(d)(ii) IAS 1.106A	Other comprehensive income	21.3	–	–	2,657	–	2,657	–	2,657
IAS 1.106(a)	Total comprehensive income for the year		–	–	2,657	15,781	18,438	121	18,559
	Balance at 31 December 2018		**13,770**	**19,645**	**2,265**	**50,779**	**86,459**	**713**	**87,172**
IAS 1.106(d)	**Balance at 1 January 2017**		**12,000**	**3,050**	**2,505**	**25,428**	**42,983**	**476**	**43,459**
	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		–	–	–	11,854	11,854	116	11,970
IAS 1.106(d)(ii) IAS 1.106A	Other comprehensive income	21.3	–	–	(2,919)	–	(2,919)	–	(2,919)
IAS 1.106(a)	Total comprehensive income for the year		–	–	(2,919)	11,854	8,935	116	9,051
	Balance at 31 December 2017		**12,000**	**3,050**	**(414)**	**37,748**	**52,384**	**592**	**52,976**

The initial application of IFRS 9 and IFRS 15 has led to an adjustment in retained earnings of CU 47 and CU 1 respectively.

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)

		Notes	2018	2017
IAS 1.51(c) IAS 1.51(d-e)				
IAS 7.10	**Operating activities**			
	Profit before tax		**22,705**	17,183
	Non-cash adjustments	31	**7,330**	8,125
	Contributions to defined benefit plans		**(1,186)**	(1,273)
	Net changes in working capital	31	**(9,003)**	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
	Net cash from operating activities		**25,940**	**22,247**
IAS 7.10	**Investing activities**			
	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)
	Net cash used in investing activities		**(14,503)**	**(19,414)**
IAS 7.10	**Financing activities**			
	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)**	–
	Net cash from (used in) financing activities		**12,013**	**(1,644)**
IAS 7.45	**Net change in cash and cash equivalents**		**23,450**	1,189
	Cash and cash equivalents, beginning of year		**11,219**	9,987
IAS 7.28	Exchange differences on cash and cash equivalents		**60**	43
	Cash and cash equivalents, end of year		**34,729**	**11,219**
	Cash and cash equivalents included in disposal group	20	–	(22)
IAS 7.45	**Cash and cash equivalents for continuing operations**	19	**34,729**	**11,197**

Guidance note
IAS 7.18 allows an entity to prepare their cash flow statement using either the direct method or the indirect method. While IAS 7.19 encourages entities to use the direct method, practice varies, and entities might find it easier to apply the indirect method. These Example Financial Statements present a cash flow statement using the indirect method whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. If the direct method was applied, an entity would disclose major classes of gross cash receipt and gross cash payments.

Notes to the IFRS Example Consolidated Financial Statements

Illustrative Corporation Group
For the year ended 31 December
(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 of 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 2018 (including comparatives) were approved and authorised for issue by the board of directors on 1 March 2019 (see Note 38). Under the Security Regulations Act of Euroland, amendments to the financial statements are not permitted after approval.

IFRS 15.C3(b)

In 2018 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 2018 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.

IFRS 9.7.2.15

Further, the Group has adopted new guidance for accounting for financial instruments (see Note 3.1 below). This guidance was applied using the transitional relief allowing the entity not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

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 2018

Guidance note: The below amendments have a significant impact on these financial statements, and therefore detailed disclosures have been made. Entities should assess the impact of IFRS 15 and IFRS 9 on their financial statements based on their own facts and circumstances and make appropriate disclosures.

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. 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 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

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 of 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 0.267.

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 2018, the Group has identified only two loss provisions totalling CU 0.225. These provisions have been remeasured under IAS 37 at CU 0.185.

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.

On the date of initial application of IFRS 15, 1 January 2018, the impact to retained earnings of the Group is as follows:

Impact area	Retained earnings effect
IT service set up costs	0.267
Remeasurement of loss contracts	0.40
Total	**0.667**

IFRS 9 '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 9.7.2.15

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

IFRS 9.7.2.22
IFRS 9.7.2.24

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. The Group applies the new hedge accounting requirements prospectively and all hedges qualify for being regarded as continuing hedging relationships.

IFRS 7.42J

The adoption of IFRS 9 has impacted the following areas:

- the classification and measurement of the Group's financial assets. Management holds financial assets to hold and collect the associated cash flows. The bonds previously classified as held-to-maturity (HTM) investments under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9, refer to Note 4.17
- investments in listed equity securities and the equity investment in XY Limited previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest (SPPI). The Group did not elect to irrevocably designate any of the equity investment at fair value with changes presented in other comprehensive income
- the impairment of financial assets applying the expected credit loss model. This affects the Group's trade receivables and investments in debt-type assets measured at amortised cost. 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. Refer to Note 4.17.

On the date of initial application, 1 January 2018, the financial instruments of the Group were reclassified as follows:

IFRS 7.42I (a),(b)
IAS 8.28(f)

	Measurement category		Carrying amount		
	Original IAS 39 category	**New IFRS 9 category**	**Closing balance 31 December 2017 (IAS 39)**	**Adoption of IFRS 9**	**Opening balance 1 January 2018 (IFRS 9)**
Non-current financial assets					
Other long-term financial assets					
Bonds and debentures	Held to maturity	Amortised cost	3,104	(30)	3,074
Listed equity securities	Available for sale	FVTPL	343	–	343
Investment in XY Ltd	Available for sale	FVTPL	433	27	460
			3,880	**(3)**	**3,877**
Current financial assets					
Derivative instruments (not used for hedge accounting)	FVTPL	FVTPL	212	–	212
Derivatives – hedge accounting applied	Fair value with effective movements included in cash flow hedge reserve	Fair value with effective movements included in cash flow hedge reserve	230	–	230
Trade and other receivables	Amortised cost	Amortised cost	23,441	(22)	23,419
Other short-term financial assets	FVTPL	FVTPL	649	–	649
Cash and cash equivalents	Amortised cost	Amortised cost	11,197	–	11,197
			35,729	**(22)**	**35,707**
Total financial asset balances			**39,609**	**(25)**	**39,584**

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at 1 January 2018:

IFRS 7.42K – 42O

	IAS 39 carrying amount 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount 1 January 2018	Retained earnings effect
Fair value through profit or loss					
FVTPL in IAS 39	861	–	–	861	–
Derivatives at fair value – hedge accounting applied	230	–	–	230	–
From available for sale	–	776	27	803	27
Total change to fair value through profit or loss	**1,091**	**776**	**27**	**1,894**	**27**
Available for sale financial assets	776	(776)	–	–	–
Amortised cost (including held to maturity in IAS 39)	**37,742**	**-**	**(52)**	**37,690**	**(52)**
Total financial asset balances, reclassification and remeasurement at 1 January 2018	**39,609**	**-**	**(25)**	**39,584**	**(25)**

IFRS 7.42J

Available for sale financial assets included equity investments. These are now classified at fair value through profit and loss in IFRS 9. The corporation did not use the designation of fair value through other comprehensive income which is available for equity investments in IFRS 9. The change in carrying amount of the equity investments relates to an investment in XY Limited. In IAS 39 this was previously carried at cost less impairment. This treatment is no longer permitted under IFRS 9, and accordingly the investment has been restated at 1 January 2018 to fair value.

Guidance note: The above disclosures are specifically required by IFRS 9 in the reporting period that includes the date of initial application. While some alternative presentations could be applied, IFRS 7 'Financial Instruments: Disclosures' paragraph 42I specifically requires these quantitative disclosures in a table unless another format is more appropriate.

The disclosures above which reflect IFRS 7.42L to O are only in those cases required by IFRS 7.42K / IFRS 9.7.2.15. These disclosures relate to entities who choose not to restate comparatives.

The above disclosures represent those features relevant to the Example Financial Statements presented. For different circumstances and different types of entities, additional complexities would arise. For instance, if an entity has any financial assets classified at fair value through other comprehensive income, then that would impact the above disclosures. The extent and complexity of the disclosures would for instance typically be higher for a money lender where the classification and impairment related disclosures would typically be more extensive.

For many corporate entities, an important change from IFRS 9 is the clarification that non-substantial modifications should be accounted for by reflecting a gain or loss under IFRS 9.B5.4.6. This is fully retrospective and would impact the carrying amount of financial liabilities which were previously modified. These Example Financial Statements do not reflect this scenario.

Guidance note: Other Standards and amendments that are effective for the first time in 2018 (for entities with a 31 December 2018 year-end) and could be applicable to the Group are:

- Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28)
- Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

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 financials 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. For example, IFRS 17 'Insurance Contracts' will have a major impact on entities issuing insurance contracts, however, it will not affect this Group.

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. None of these Standards, amendments or Interpretations have 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 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. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Group have decided not to early adopt.

Management is in the process of assessing the full impact of the Standard. So far, the Group:

- has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2019, the Group has reassessed these leases and concluded they will be recognised on the statement of financial position as a right-of-use asset
- believes that the most significant impact will be that the Group will need to recognise a right of use asset and a lease liability for the office and production buildings currently treated as operating leases. At 31 December 2018 the future minimum lease payments amounted to CU42,456. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense
- concludes that there will not be a significant impact to the finance leases currently held on the statement of financial position
- is implementing a new IT system that will facilitate to record lease contracts.

The Group is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions the Group need to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The Group are currently assessing the impact of applying these other transitional reliefs.

IFRS 16 has not made any significant changes to the accounting for lessors, and therefore the Group does not expect any changes for leases where they are acting as a lessor.

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 2018. 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

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.

IFRS 3.18

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

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

IAS 28.10

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 and 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)
IAS 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[1] 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.

4.6 Segment reporting

IFRS 8.22(a)
IFRS 8.22(b)

The Group has three operating segments: consulting, service and retail. 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.

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.

[1] Note that the use of average rates is appropriate only if rates do not fluctuate significantly (IAS 21.40).

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

IFRS 15.9-12
IFRS 15.22
IFRS 15.47
IFRS 15.73
IFRS 15.31

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

IFRS 15.46
IFRS 15.74
IFRS 15.47

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. 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
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)
IFRS 15.B40
IFRS 15.74

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.

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.

IFRS 15.119(e)

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.

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 the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under IAS 37.

After-Sales Services

IFRS 15.35(a)
IFRS 15.124(a)

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.

IFRS 15.124(b)
IFRS 15.35(a)
IFRS 15.124(a)

- **Maintenance contracts** – 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.

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 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 its relative stand-alone selling price.

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
IFRS 15.63

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.

IFRS 15.91
IFRS 15.94

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).

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.

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.

4.8 Operating expenses

IAS 37.14

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.

4.9 Borrowing costs

IAS 23.8

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).

4.10 Profit or loss from discontinued operations

IFRS 5 Appendix A
IFRS 5.33(a)

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).

4.11 Goodwill

IFRS 3 Appendix A

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.

4.12 Other intangible assets

Initial recognition of other intangible assets

Brand names and customer lists

IFRS 3.18
IAS 38.27

Brand names and customer lists acquired in a business combination that qualify for separate 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
IAS 38.74
IAS 38.118(a)
IAS 38.118(b)

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, 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
IAS 16.31
IAS 16.39-40
IAS 16.73(a)
IAS 16.58

Land owned is stated at revalued amounts. Revalued amounts are fair values based on appraisals prepared by external professional valuers once every two years or more frequently if market factors indicate a material change in fair value (see Note 35.2). Any revaluation surplus is recognised in 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.

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.

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. These are included in the statement of financial position at their fair values. See Note 35.2.

4.17 Financial instruments

Recognition and derecognition

IFRS 7.21
IFRS 9.3.1.1

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

IFRS 9.3.2.3
IFRS 9.3.3.1

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 initial measurement of financial assets

IFRS 9.5.1.1
IFRS 9.5.1.3

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

IFRS 9.5.2.1

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI.

IFRS 9.4.1.1

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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.

Subsequent measurement of financial assets

Financial assets at amortised cost

IFRS 9.4.1.2

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. 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 as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Financial assets at fair value through profit or loss (FVTPL)

IFRS 9.4.1.4

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. 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).

IFRS 9.4.1.4

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in XY Ltd and listed equity securities at fair value through other comprehensive income (FVOCI). The equity investment in XY Ltd was measured at cost less any impairment charges in the comparative period under IAS 39, as it was determined that its fair value could not be estimated reliably. In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

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.

Guidance note: The reporting entity does not have any assets classified at FVOCI, and so this section would not be required. However, it is produced for those entities where it may be relevant. The policy below refers to debt assets which have solely payment of principal and interest cash flows in a business model which is held to collect and sell. A further potential category exists of equity FVOCI where the policy would not include recycling.

Financial assets at fair value through other comprehensive income (FVOCI)

IFRS 9.4.1.2A

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Financial assets classified as available for sale (AFS) under IAS 39 (comparative periods)

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 (FVTPL or held to maturity and loans and receivables). The Group's AFS financial assets include listed equity securities, debentures, and the equity investment in XY Ltd.

All AFS financial assets except for the investment in XY limited were measured at fair value. Gains and losses were 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 was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends were recognised in profit or loss within finance income.

Impairment of financial assets

IFRS 9.5.5.1

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were 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 was then based on recent historical counterparty default rates for each identified group.

Guidance note: Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it actually expects to receive ('cash shortfalls'). This difference is discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Trade and other receivables and contract assets

IFRS 9.5.5.15
IFRS 9.B5.5.35

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 34.2 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Guidance note: The assessment of impairment for trade receivables can either be individually or collectively and is based on how an entity manages its credit risk. If an entity has a small number of receivables with large value and these receivables are managed on an account basis (ie individually) it may not be appropriate in that case to base the impairment on a provision matrix as such a matrix would unlikely be in line with the expected credit loss of the individual receivable.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

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

IFRS 9.5.1.1
IFRS 9.4.2.2

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

IFRS 9.5.3.1
IFRS 9.4.2.1
IFRS 9.5.3.2

Subsequently, financial liabilities are measured 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).

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

IFRS 9.7.2.22

The Group applies the new hedge accounting requirements in IFRS 9 prospectively. All hedging relationships that were hedging relationships under IAS 39 at the 31 December 2017 reporting date meet the IFRS 9's criteria for hedge accounting at 1 January 2018 and are therefore regarded as continuing hedging relationships.

IFRS 9.6.4.1

Derivative financial instruments are accounted for at fair value through profit and loss (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 all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

IFRS 7.21A

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 foreign currency exchange risk arising from certain highly probable sales transactions 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.

IFRS 9.6.5.11

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.

IFRS 9.6.5.11(d)

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.

IFRS 9.6.5.12

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.

4.18 Inventories

IAS 2.36(a)
IAS 2.9
IAS 2.10-15
IAS 2.25
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.

4.19 Income taxes

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.

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.

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.

4.20 Cash and cash equivalents

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.

4.21 Non-current assets and liabilities classified as held for sale and discontinued operations

IFRS 5.15
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 cash flow hedges** – comprises gains and losses relating to these types of financial instruments (see Note 4.17).

Retained earnings includes 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).

IFRS 2.8
IFRS 2.20
IFRS 2.19

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings[2]. 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.

[2] 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.

IFRS 2.20
IFRS 2.23

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 the number of share options expected to vest differs from previous estimates. Any adjustment to 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.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction 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
IAS 37.45

Provisions are measured at the estimated expenditure required to settle the present obligation, 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.

IAS 37.27–28

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 7, IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 15 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: 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 2018, 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 2018

IFRS 3.B64 (a-d)

On 31 March 2018, 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 financial statements, 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 as follows:

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

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 2018 and 2019 exceed a target level agreed by both parties. The additional consideration will be paid on 1 April 2020. 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%[3]. As at 31 December 2018, there have been no changes in the estimate of the probable cash outflow but the liability has increased to CU 620 due to the change in fair value.

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 2018 to the reporting date, primarily due to integration costs. Revenue for the nine months to 31 December 2018 was CU 24,800.

If Goodtech had been acquired on 1 January 2018, revenue of the Group for 2018 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 2017

IFRS 3.B64 (a-d)

On 30 June 2017, 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.

[3] 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:

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

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 2017 to 31 December 2017. If Good Buy had been acquired on 1 January 2017, revenue of the Group for 2017 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 2017 reporting period cannot be determined reliably.

5.3 Disposal of Highstreet Ltd in 2018

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	
			2018	**2017**
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[4] non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Total comprehensive income allocated to NCI		Accumulated NCI	
	2018	2017	2018	2017	2018	2017
Tech Squad Ltd	20%	20%	121	116	713	592

IFRS 12.B10(a)

No dividends were paid to the NCI during the years 2018 and 2017.

IFRS 12.12(g)
IFRS 12.B10(b)

Summarised financial information for Tech Squad Ltd, before intragroup eliminations, is set out below:

IFRS 12.B10(b)

	2018	2017
Non-current assets	5,019	5,182
Current assets	3,924	3,452
Total assets	**8,943**	**8,634**
Non-current liabilities	(3,806)	(3,402)
Current liabilities	(1,561)	(2,268)
Total liabilities	**(5,367)**	**(5,670)**
Equity attributable to owners of the parent	**2,863**	**2,372**
Non-controlling interests	**713**	**592**

	2018	2017
Revenue	7,658	7,116
Profit for the year attributable to owners of the parent	479	464
Profit for the year attributable to NCI	121	116
Profit for the year	**600**	**580**
Other comprehensive income for the year (all attributable to owners of the parent)	**6**	**4**
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
Total comprehensive income for the year	**606**	**584**

	2018	2017
Net cash from operating activities	957	779
Net cash used in investing activities	(531)	(673)
Net cash from (used in) financing activities	446	(61)
Net cash inflow	**872**	**45**

[4] 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.

6.3 Losing control over a subsidiary during the reporting period

On 30 September 2018, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Ltd (Highstreet). The subsidiary was classified as held for sale in the 2017 financial statements (see Note 20).

IAS 7.40(b)

The consideration was received fully in cash in 2018. 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
Cash and cash equivalents (IAS 7.40(c))	–
Total current assets	1,121
Provisions	(232)
Borrowings	(8)
Trade and other payables	(210)
Total current liabilities	(450)
Total net assets	**3,146**
Total consideration received in cash (IAS 7.40(a))	3,117
Cash and cash equivalents disposed of	–
Net cash received (IAS 7.42)	**3,117**
Loss on disposal (IFRS 10.25)	**(29)**

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	
			2018	**2017**
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:

		2018	2017
IFRS 12.B12(b)(ii)	Non-current assets	838	500
IFRS 12.B12(b)(i)	Current assets (a)	528	380
	Total assets	**1,366**	**880**
IFRS 12.B12(b)(iv)	Non-current liabilities (b)	(240)	(298)
IFRS 12.B12(b)(iii)	Current liabilities (c)	(160)	(138)
	Total liabilities	**(400)**	**(436)**
IFRS 12.B14	**Net assets**	**966**	**444**
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)	–

		2018	2017
IFRS 12.B12(b)(v)	**Revenue**	**1,200**	**730**
IFRS 12.B12(b)(vi) IFRS 12.B12(b)(ix)	**Profit and total comprehensive income for the year**	**522**	**258**
IFRS 12.B13(d)	**Depreciation and amortisation**	**30**	**20**
IFRS 12.B13(g)	**Tax expense**	**68**	**58**

IFRS 12.B14

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

	2018	2017
Total net assets of Halftime	966	444
Proportion of ownership interests held by the Group	50%	50%
Carrying amount of the investment in Halftime	**483**	**222**

IFRS 12.B12(a)

No dividends were received from Halftime during the years 2018 and 2017.

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:

		2018	2017
IFRS 12.B16(a)	Profit from continuing operations	130	12
IFRS 12.B16(c)	Other comprehensive income	2	–
	Total comprehensive income	**132**	**12**
IFRS 12.B16	**Aggregate carrying amount of the Group's interests in these associates**	**377**	**245**

8. Revenue

IFRS 15.116

For 2018, revenue includes CU 2,718 (2017: CU 2,534) included in the contract liability balance at the beginning of the period, and CU 134 (2017: 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.

IFRS 15.115

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

IFRS 15.115

	For the year ended 31 December 2018				
	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
Total	**110,810**	**18,140**	**72,098**	**3,679**	**204,727**

IFRS 15.115

	For the year ended 31 December 2017				
	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
Total	**109,302**	**17,832**	**59,310**	**3,756**	**190,200**

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

IFRS 15.115

	For the year ended 31 December 2018				
	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
Total	**110,810**	**18,140**	**72,098**	**3,679**	**204,727**

IFRS 15.115

	For the year ended 31 December 2017				
	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
Total	**109,302**	**17,832**	**59,310**	**3,756**	**190,200**

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 2018:

	2019	2020	Total
Revenue expected to be recognised	1,575	788	2,363

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

	31 December 2018	31 December 2017
Current		
Deferred customer set-up costs	109	107
Prepayments	297	315
Other current assets	**406**	**422**
Non-current		
Deferred customer set-up costs	185	160
Total	**591**	**582**

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.

Segment information for the reporting period is as follows:

		For the year ended 31 December 2018				
		Consulting	Service	Retail	Other	Total
	Revenue					
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
	Segment revenues	**111,041**	**18,140**	**81,901**	**3,679**	**214,761**
	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	**Segment operating profit**	**16,208**	**2,410**	**9,408**	**(8)**	**28,018**
IFRS 8.23	**Segment assets**	**68,078**	**11,346**	**44,125**	**2,521**	**126,070**

		For the year ended 31 December 2017				
		Consulting	Service	Retail	Other	Total
	Revenue					
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
	Segment revenues	**109,412**	**17,832**	**70,325**	**3,756**	**201,325**
	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	**Segment operating profit**	**16,084**	**2,244**	**5,906**	**278**	**24,512**
IFRS 8.23	**Segment assets**	**51,596**	**8,599**	**33,442**	**1,911**	**95,548**

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 into the following geographic regions:

IFRS 8.33(a)
IFRS 8.33(b)

	31 December 2018	31 December 2017
Euroland (domicile)	45,991	40,170
United Kingdom	5,749	5,021
USA	5,174	4,519
Other countries	575	502
Total	**57,489**	**50,212**

IFRS 8.33(a)

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.

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 2018, CU 24,744 or 12% (2017: 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:

IFRS 8.28(a)

	2018	2017
Revenues		
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)
	204,727	**190,200**
Rental income from investment property	1,066	1,028
Group revenues	**205,793**	**191,228**

IFRS 8.28(b)

	2018	2017
Profit or loss		
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	676	625
Other expenses not allocated	(303)	(286)
Operating profit of discontinued operations	(73)	(106)
Elimination of intersegment profits	(58)	(27)
Group operating profit	**21,848**	**16,883**
Share of profits from equity accounted investments	391	141
Finance costs	(1,701)	(1,908)
Finance income	1,224	885
Other financial items	943	1,182
Group profit before tax	**22,705**	**17,183**

IFRS 8.28(c)

	31 December 2018	31 December 2017
Assets		
Total reportable segment assets	123,549	93,637
Other segment assets	2,521	1,911
Group headquarters	3,925	2,127
Investment property	12,662	12,277
Illustrative Research Lab	5,046	2,735
Other assets	3,364	1,823
Consolidation	(1,018)	(378)
Group assets	**150,049**	**114,132**

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:

	2018	2017
Sale of hardware	47,585	39,145
Sale of software	24,513	20,165
Other	3,679	3,756
Sale of goods	**75,777**	**63,066**
After-sales service and maintenance	18,140	17,832
Consulting	59,837	60,116
Construction contracts for telecommunication systems	50,973	49,186
Rental income (IAS 40.75(f))	1,066	1,028
Rendering of services	**130,016**	**128,162**
Group revenue	**205,793**	**191,228**

10. Goodwill

IFRS 3.B67(d)

The movements in the net carrying amount of goodwill are as follows:

		2018	2017
	Gross carrying amount		
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)	**Balance 31 December**	**6,030**	**3,727**
	Accumulated impairment		
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)	Balance 31 December	(989)	(190)
	Carrying amount at 31 December	**5,041**	**3,537**

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:

IAS 36.134(a)

Goodwill allocated to operating segments	31 December 2018	31 December 2017
Retail	4,796	2,493
Consulting	245	1,044
	5,041	**3,537**

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.

Recoverable amount of each operating segment	2018	2017
Retail	41,835	30,679
Consulting	62,562	48,354

	Growth rates		Discount rates	
	2018	**2017**	**2018**	**2017**
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 2017 for the decline in consulting services related to conventional telecommunication solutions. The market shifted considerably towards inter- and intranet based solutions during 2017 and continued in 2018. 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 2018 to its recoverable amount. See Note 11 for the impairment of other intangible assets.

IAS 38.118(d)

The related goodwill impairment loss of CU 799 in 2018 (2017: 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	**Gross carrying amount**					
IAS 38.118(c)	Balance at 1 January 2018	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)	**Balance at 31 December 2018**	**16,469**	**18,046**	**975**	**1,761**	**37,251**
	Amortisation and impairment					
IAS 38.118(c)	Balance at 1 January 2018	(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)	**Balance at 31 December 2018**	**(7,739)**	**(11,602)**	**(287)**	**(199)**	**(19,827)**
	Carrying amount 31 December 2018	**8,730**	**6,444**	**688**	**1,562**	**17,424**

		Acquired software licenses	Internally developed software	Brand names	Customer lists	Total
IAS 38.118	**Gross carrying amount**					
IAS 38.118(c)	Balance at 1 January 2017	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)	**Balance at 31 December 2017**	**13,608**	**14,794**	**760**	**374**	**29,536**
	Amortisation and impairment					
IAS 38.118(c)	Balance at 1 January 2017	(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)	**Balance at 31 December 2017**	**(6,063)**	**(9,381)**	**(162)**	**(89)**	**(15,695)**
	Carrying amount 31 December 2017	**7,545**	**5,413**	**598**	**285**	**13,841**

IAS 23.8
IAS 38.126

Additions to internally developed software include capitalised borrowing costs of CU 80 (2017: CU 78). In addition, research and development costs of CU 1,690 (2017: CU 1,015) were recognised as other expenses.

IAS 36.130(b)
IAS 36.130(c)(i)
IAS 36.130(c)(ii)
IAS 36.130(a)
IAS 36.130(e)
IAS 36.130(g)

An impairment loss of CU 870 (2017: 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 (2017: CU 970) would be reduced to CU Nil.

IAS 38.118(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 2019. There are no other material contractual commitments at 31 December 2018 (2017: 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
	Gross carrying amount					
IAS 16.73(d)	Balance 1 January 2018	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)	**Balance at 31 December 2018**	**8,709**	**20,177**	**7,806**	**2,645**	**39,337**
	Depreciation and impairment					
IAS 16.73(d)	Balance at 1 January 2018	–	(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)	**Balance 31 December 2018**	**–**	**(13,213)**	**(2,446)**	**(1,479)**	**(17,138)**
	Carrying amount 31 December 2018	**8,709**	**6,964**	**5,360**	**1,166**	**22,199**

Reference		Land	Buildings	IT equipment	Other equipment	Total
IAS 16.78(a)	**Gross carrying amount**					
IAS 16.73(d)	Balance 1 January 2017	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)	**Balance at 31 December 2017**	**7,697**	**19,362**	**5,579**	**2,334**	**34,972**
	Depreciation and impairment					
IAS 16.73(d)	Balance 1 January 2017	–	(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)	**Balance 31 December 2017**	**–**	**(12,159)**	**(1,503)**	**(913)**	**(14,575)**
	Carrying amount 31 December 2017	**7,697**	**7,203**	**4,076**	**1,421**	**20,397**

IAS 36.126(a)

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

IAS 16.74(a)
IFRS 7.14(a)

Land and buildings have been pledged as security for the Group's 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 2019. There were no other material contractual commitments to acquire property, plant and equipment at 31 December 2018 (2017: 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 (2017: CU 6,712). The revalued amounts include a revaluation surplus of CU 1,288 before tax (2017: 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 2018, the net carrying amount of the warehouse and related facilities is CU 3,362 (2017: CU 3,723), included as part of buildings and of the IT equipment is CU 231 (2017: CU 480), 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			
	within 1 year	1 to 5 years	after 5 years	Total
31 December 2018				
Lease payments	727	1,415	3,539	5,681
Finance charges	(215)	(330)	(564)	(1,109)
Net present values	**512**	**1,085**	**2,975**	**4,572**
31 December 2017				
Lease payments	726	1,432	4,072	6,230
Finance charges	(220)	(336)	(709)	(1,265)
Net present values	**506**	**1,096**	**3,363**	**4,965**

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			
	within 1 year	1 to 5 years	after 5 years	Total
31 December 2018	4,211	12,567	25,678	42,456
31 December 2017	3,431	12,100	24,342	39,873

IAS 17.35(c)

Lease expense during the period amounts to CU 3,568 (2017: 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 2010. 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.

Changes to the carrying amounts are as follows:

		2018	2017
	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
	Carrying amount 31 December	**12,662**	**12,277**

IAS 40.75(g) Investment properties valued at CU 8,327 are pledged as security for related borrowings (2017: CU 8,113).

IAS 40.75(f) Most properties are leased out on operating leases. Rental income amounts to CU 1,066 (2017: CU 1,028) included within revenue. Direct operating expenses of CU 213 (2017: CU 206) were reported within other expenses, of which CU 18 (2017: CU 12) was incurred on vacant properties that did not generate rental income.

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

	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
31 December 2018	1,075	5,375	2,090	8,540
31 December 2017	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:

IFRS 7.8

31 December 2018	Amortised cost	FVTPL	Derivatives used for hedging (FV)	Total
Financial assets				
Bonds and debentures	2,878	–	–	2,878
Other investments	–	1,173	–	1,173
Other long-term financial assets	2,878	1,173	–	4,051
Other short-term financial assets	–	655	–	655
Derivative financial instruments	–	115	601	716
Trade and other receivables[a]	30,606	–	–	30,606
Cash and cash equivalents	34,729	–	–	34,729
Total assets	**68,213**	**1,943**	**601**	**70,757**

[a] these amounts only represent trade receivables that are financial assets (see Note 18)

31 December 2018	Other liabilities at FVTPL	Other liabilities (amortised cost)	Total
Financial liabilities			
Non-current borrowings	–	21,070	21,070
Current borrowings	–	4,815	4,815
Trade and other payables	–	13,069	13,069
Derivative financial instruments	620	–	620
Total liabilities	**620**	**38,954**	**39,574**

The financial instrument classifications in the prior period are in accordance with IAS 39 as follows:

31 December 2017	Available for sale (FV)	Held for trading (FVTPL)	Derivatives (FV) used for hedging	Held to maturity (amortised cost)	Loans and receivables (amortised cost)	Total
Financial assets						
Bonds and debentures	–	–	–	3,104	–	3,104
Other investments	776	–	–	–	–	776
Other long-term financial assets	776	–	–	3,104	–	3,880
Other short-term financial assets	–	649	–	–	–	649
Derivative financial instruments	–	212	230	–	–	442
Trade and other receivables[a]	–	–	–	–	23,441	23,441
Cash and cash equivalents	–	–	–	–	11,197	11,197
Total assets	**776**	**861**	**230**	**3,104**	**34,638**	**39,609**

[a] these amounts only represent trade receivables that are financial assets (see Note 18)

31 December 2017	Derivatives (FV) used for hedging	Other liabilities (amortised cost)	Total
Financial liabilities			
Non-current borrowings	–	21,265	21,265
Current borrowings	–	3,379	3,379
Trade and other payables	–	11,515	11,515
Derivative financial instruments	160	–	160
Total liabilities	**160**	**36,159**	**36,319**

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 Financial assets at amortised cost (2017: HTM investments)

IFRS 7.7
IFRS 7.25

Financial assets at amortised cost include publicly traded zero coupon and US straight bonds with fixed interest rates between 5.5% and 6.2%. They mature in 2020 and 2021. The carrying amounts (measured at amortised cost) and fair values of these bonds are as follows:

		31 December 2018	31 December 2017
IFRS 7.8(f)	**Carrying amount at amortised cost:**		
	– Zero coupon bonds	1,077	1,189
	– US straight bonds	1,704	1,803
	– Debentures	97	112
		2,878	**3,104**
IFRS 7.8(a)	**Fair value:**		
	– Zero coupon bonds	1,001	1,186
	– US straight bonds	1,705	1,809
	– Debentures	99	114
		2,805	**3,109**

IFRS 13.93

Fair values of these bonds and debentures 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 Financial assets at fair value through profit or loss (FVTPL)

IFRS 7.8(e)

Financial assets at FVTPL include the equity investment in XY Ltd together with listed equity securities. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for it at FVOCI. The equity investment in XY Ltd was measured at cost less any impairment charges under IAS 39, as it was deemed that its fair value could not be estimated reliably.

	31 December 2018
Investment in XY Ltd	752
Listed equity securities	421
	1,173

15.4 Financial assets classified as available for sale financial assets (2017)

IFRS 7.8(h)
IFRS 7.29(a)

The details and carrying amounts of financial assets at available for sale financial assets in 2017 are as follows:

		31 December 2017
	Listed equity securities	343
	Total AFS financial assets at fair value	**343**
	Investment in XY Ltd (held at cost less impairment)	433
IFRS 7.25	**Total carrying amount of AFS assets**	**776**

15.5 Derivative financial instruments

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

		31 December 2018	31 December 2017
IAS 1.77 IFRS 7.24A(a)	US-dollar forward contracts – cash flow hedge	467	–
IAS 1.77 IFRS 7.24A(a)	GBP forward contracts – cash flow hedge	134	230
IAS 1. 77	Other forward exchange contracts – held-for-trading	115	212
	Derivative financial assets	**716**	**442**
IAS 1.77 IFRS 7.24A(a)	US-dollar forward contracts – cash flow hedge	–	(160)
	Derivative financial liabilities	**–**	**(160)**

IFRS 7.21A

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast sales in US dollars and British pounds (GBP). The Group's policy is to hedge up to 75% of all highly probable forecast non-CU sales in the united states and Great Britain a quarter in advance of the forecast sales transaction. During the year ended 31 December 2018, 75% of the non-CU denominated sales were hedged in respect of foreign currency risk using foreign currency forwards.

IFRS 7.22B

Hedge effectiveness is determined at inception of the hedge relationship and at every reporting period end through the assessment of the hedged items and hedging instrument to determine whether there is still an economic relationship between the two.

The critical terms of the foreign currency forwards entered into exactly match the terms of the terms of the hedged item. As such the economic relationship and hedge effectiveness are based on the qualitative factors and the use of a hypothetical derivative where appropriate.

Hedge ineffectiveness may arise where the critical terms of the forecast transaction no longer meet those of the hedging instrument, for example if there was a change in the timing of the forecast sales transactions from what was initially estimated or if the volume of currency in the hedged item was below expectations leading to over-hedging.

The hedged items and the hedging instrument are denominated in the same currency and as a result the hedging ratio is always one to one.

All US-dollar and GBP forward exchange contracts had been designated as hedging instruments in cash flow hedges under IAS 39. All hedging relationships that were hedging relationships under IAS 39 at the 31 December 2017 reporting date meet the IFRS 9's criteria for hedge accounting at 1 January 2018 and are therefore regarded as continuing hedging relationships.

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.

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.

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.

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.

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

During 2018 a gain of CU 890 (2017: CU 540) was recognised in other comprehensive income.

During 2018 a gain of CU 640 (2017: CU 712) was reclassified from equity into profit or loss.

The cumulative gain recorded in equity is CU 390 (2017: CU 140).

Guidance note: The requirements in IFRS 7 are to provide the hedge accounting disclosure by risk category. We have provided the disclosure below showing the difference the USD and GBP forwards. This is because some required disclosure would not be appropriately disclosed without separating the two forwards. IFRS does not prescribe risk categories. IFRS 7.BC35O says an entity should apply judgement and categories of risks on the basis of how it manages its risks through hedging.

The following movements in cash flow hedge reserve relate to one risk category being hedges relating to cash flows arising from foreign currency sales.

		Cash flow hedge reserve – USD hedges	Cash flow hedge reserve – GBP hedges	Total
IFRS 7.24B(b)(ii)	Opening balance 1 January 2017	196	116	312
IFRS 7.24E(b),(c)	Change in fair value of hedging instrument recognised in other comprehensive income (OCI)	199	341	540
	Reclassified from OCI to profit or loss	(435)	(277)	(712)
IFRS 7.24C(b)(iv)	Deferred tax	–	–	–
	Closing balance 31 December 2017	**(40)**	**180**	**140**
IFRS 7.24B(b)(ii)	Change in fair value of hedging instrument recognised in OCI	385	505	890
IFRS.7.24C(b)(iv)	Reclassified from OCI to profit or loss	(81)	(559)	(640)
	Deferred tax	–	–	–
	Closing balance 31 December 2018	**264**	**126**	**390**

IFRS 7.24C(b)(v)
IFRS 7.24C(b)(ii) and (iii)
IFRS 7.24E

The amounts reclassified to profit and loss have been included in revenue.

No ineffectiveness arose during the period (2017 – nil).

The hedging instrument relates to the forward contracts in their entirety, with hedging on a forward to forward basis.

The effect of hedge accounting on the Group's financial position and performance is as follows, including the outline timing and profile of the hedging instruments:

		31 December 2018	31 December 2017
IFRS.7.24A(a)	Carrying amount		
	– USD forward contracts	467	(160)
	– GBP forward contracts	134	230
IFRS.7.24A(d)	Notional amount		
	– USD forward contracts (in USD)	2,880	2,546
	– GBP forward contracts (in GBP)	2,952	2,526
IFRS 7.22B(c)	Hedge ratio	1:1	1:1
IFRS 7.23B(a)	Maturity date	January to March 2019	January to March 2019
IFRS 7.23B(b)	Average forward rate		
	– USD forward contracts	1.196	1.247
	– GBP forward contracts	1.205	1.382
IFRS 7.24A(c)	Change in the fair value of the currency forward (excluding amounts reclassified)		
	– USD forward contracts	275	(40)
	– GBP forward contracts	115	180
IFRS 7.24B(b)(i)	Change in the fair value of the hedged item used to determine hedge effectiveness		
	– USD highly probable sales	275	(40)
	– GBP highly probable sales	115	180
IFRS 7.24B(b)(ii)	Amounts in the cash flow hedge reserve:		
	– USD foreign exchange hedges over highly probable sales	264	(40)
	– GBP foreign exchange hedges over highly probable sales	126	180
		390	**140**

IFRS 7.23D

The hedge relationships relate to the foreign exchange risk arising from the highly probable sales and the resulting receivable. Reclassification to profit and loss occurs at the time of the associated sale being recognised and then further movements to profit and loss to match the retranslation of the associated receivable. The above movements relating to the hedging instrument and hedged item exclude those elements reclassified by the reporting date.

The potential sources of ineffectiveness include (a) differences between the timing of the cash flows of the hedged item and hedging instrument (b) changes in credit risk of the hedging instrument (c) potential over-hedging should volumes of highly probable sales fall below hedged amounts.

Due to the low interest rate environments, the small differences in timing are not considered to give rise to any significant ineffectiveness. At the current time, no significant ineffectiveness has arisen from credit risk or from over-hedging although this is monitored on an ongoing basis.

15.6 Borrowings

Borrowings include the following financial liabilities:

		Current		Non-current	
		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
IFRS 7.8(g)	**At amortised cost:**				
	US-dollar loans	250	255	7,770	7,965
	Other bank borrowings	4,565	3,124	–	–
	Non-convertible bond	–	–	8,300	8,300
	Subordinated shareholder loan	–	–	5,000	5,000
		4,815	**3,379**	**21,070**	**21,265**
IFRS 7.8(e)	**Fair value:**				
	US-dollar loans	251	256	7,801	7,997
	Other bank borrowings	4,565	3,124	–	–
	Non-convertible bond	–	–	8,259	8,383
	Subordinated shareholder loan	–	–	4,975	5,050
		4,816	**3,380**	**21,035**	**21,430**

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

Borrowings at amortised cost

IFRS 7.31

US-dollar loans are secured over investment properties owned by the Group (see Note 14). The interest rate on the loan is fixed at 3%.

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 % (2017: 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 14 May 2021 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 2018. The fair value 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 2014. 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 2018	Recognised in other comprehensive income	Recognised in business combination	Recognised in profit or loss	31 December 2018
Non-current assets					
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
Current assets					
Trade and other receivables	(168)	–	–	38	(130)
Current liabilities					
Provisions	(1,007)	–	–	639	(368)
Pension and other employee obligations	(4,451)	1,149	–	(188)	(3,490)
Unused tax losses	(75)	–	–	75	–
	(905)	**1,064**	**632**	**1,112**	**1,903**

IAS 12.81(g)

Deferred tax liabilities (assets)	1 January 2017	Recognised in other comprehensive income	Recognised in disposal group	Recognised in business combination	Recognised in profit or loss	31 December 2017
Non-current assets						
Other intangible assets	409	(27)	–	210	255	847
Property, plant and equipment	1,528	(68)	–	225	445	2,130
Other long-term financial assets	–	–	–	–	(95)	(95)
Investment property	1,861	–	–	–	53	1,914
Current assets						
Trade and other receivables	(34)	–	–	–	(134)	(168)
Current liabilities						
Provisions	(1,320)	–	70	–	243	(1,007)
Pension and other employee obligations	(2,996)	(1,062)	–	–	(393)	(4,451)
Unused tax losses	(300)	–	–	–	225	(75)
	(852)	**1,157**	**70**	**435**	**599**	**(905)**

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 income tax relating to these components of other comprehensive income.

IAS 12.81(f)

A deferred tax liability of CU 1 (31 December 2017: 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 2017: CU 7).

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:

		31 December 2018	31 December 2017
IAS 2.36(b)	Raw materials and consumables	7,737	7,907
IAS 2.36(b)	Merchandise	10,561	9,319
		18,298	**17,226**

IAS 2.36(d)
IAS 2.36(e)

In 2018, a total of CU 35,265 (2017: CU 32,907) of inventories was included in profit or loss as an expense. This includes an amount of CU 361 (2017: CU 389) resulting from write-down of inventories.

18. Trade and other receivables

Trade and other receivables consist of the following:

IAS 1.77

IAS 1.78(b)

	31 December 2018	31 December 2017
Trade receivables, gross	31,265	23,889
Allowance for credit losses	(767)	(560)
Trade receivables	**30,498**	**23,329**
Receivable due from ABC Ltd	112	112
Allowance for expected credit losses	(4)	–
Financial assets	**30,606**	**23,441**
Social security and other taxes	740	409
Construction contracts for telecommunication systems	1,374	974
Non-financial assets	**2,114**	**1,383**
Trade and other receivables	**32,720**	**24,824**

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 2015. 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.

All of the Group's trade and other receivables in the comparative periods have been reviewed for indicators of impairment. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

Note 34.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. The above comparative for impairment provisions refers to the IAS 39 measurement basis which applied an incurred loss model, whereas the current year applies IFRS 9 which is an expected loss model.

19. Cash and cash equivalents

IAS 7.45

Cash and cash equivalents consist of the following:

	31 December 2018	31 December 2017
Cash at bank and in hand:		
– CU	24,292	7,827
– GBP	2,087	674
– USD	1,392	449
Short-term deposits (CU)	6,958	2,247
	34,729	**11,197**

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 2018 amounts to CU 500 (31 December 2017: CU Nil). All the restrictions on bank deposits were removed by the time of the approval of the consolidated financial statements on 1 March 2019.

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 2017, 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 2018, 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:

		2018	2017
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)
	Operating profit	**73**	**106**
	Finance costs	(56)	(60)
IFRS 5.33(b)(i)	**Profit from discontinued operations before tax**	**17**	**46**
IFRS 5.33(b)(ii) IAS 12.81(h)	Tax expense	(5)	(14)
	Profit for year	**12**	**32**
	Loss on remeasurement and disposal		
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) IAS 12.81(h)	Tax recovery	8	153
	Total loss on remeasurement and disposal	**(21)**	**(357)**
	Loss for the year from discontinued operations	**(9)**	**(325)**

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 2019.

IFRS 5.38

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

	2018	2017
Non-current assets		
Property, plant and equipment	103	2,578
Deferred tax	–	227
Current assets		
Inventories	–	1,081
Cash and cash equivalents	–	22
Assets classified as held for sale	**103**	**3,908**
Current liabilities		
Provisions	–	(245)
Trade and other payables	–	(190)
Current tax liabilities	–	(14)
Liabilities classified as held for sale	**–**	**(449)**

Cash flows generated by Highstreet for the reporting periods under review until its disposal are as follows:

	2018	2017
Operating activities	(22)	811
Investing activities (Note 6.3)	3,117	–
Cash flows from discontinued operations	**3,095**	**811**

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.

IAS 1.79(a)(iv)
IAS 1.79(a)(ii)
IAS 1.79(a)(i)

	2018	2017
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
Total shares authorised at 31 December	**14,370,000**	**12,600,00**

Additional shares were issued during 2018 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 2018, 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).

21.2 Share premium

Proceeds received in addition to the nominal value of the shares issued during the year have been included in share premium, less registration and other regulatory fees and net of related tax benefits. Costs of new shares charged to equity amounted to CU 70 (2017: CU Nil).

Share premium has also been recorded in respect of the issue of share capital related to employee share-based payment (see Note 22.2).

21.3 Other components of equity

IAS 1.106A

The details of other components of equity are as follows:

Reference		Translation reserve	Revaluation reserve	AFS financial assets	Cash-flow hedges	Net defined benefit liability	Total
	Balance at 1 January 2018	(359)	689	(22)	140	(862)	(414)
	Adjustments due to adoption of IFRS 9	–	–	22	–	–	22
	Balance at 1 January 2018	(359)	689	–	140	(862)	(392)
IAS 19.120(c)	Remeasurement of net defined benefit liability	–	–	–	–	3,830	3,830
	Cash flow hedges						
IFRS 7.24C(b)(ii)	– current year gains	–	–	–	890	–	890
IFRS 7.24C(b)(iv) IAS 1.92	– reclassification to profit or loss	–	–	–	(640)	–	(640)
	Financial assets FVOCI						
IFRS 7.20(a)(viii)	– current year gains	–	–	–	–	–	–
IFRS 7.20(a)(viii) IAS 1.92	– reclassification to profit or loss	–	–	–	–	–	–
IAS 16.77(f)	Revaluation of land	–	303	–	–	–	303
IAS 21.52(b)	Exchange differences on translating foreign operations	(664)	–	–	–	–	(664)
	Equity accounted investments	–	–	–	5	–	5
IAS 1.92	– reclassification to profit or loss	–	–	–	(3)	–	(3)
IAS 1.91(b)	Before tax	(664)	303	–	252	3,830	3,721
IAS 12.81(ab) IAS 1.90	Tax benefit (expense)	176	(91)	–	–	(1,149)	(1,064)
	Net of tax	(488)	212	–	252	2,681	2,657
	Balance at 31 December 2018	**(847)**	**901**	**-**	**392**	**1,819**	**2,265**

		Translation reserve	Revaluation reserve	AFS financial assets	Cash-flow hedges	Net defined benefit liability	Total
	Balance at 1 January 2017	(113)	689	–	312	1,617	2,505
	Other comprehensive income for the year (all attributable to owners of the parent):						
IAS 19.120(c)	Remeasurement of net defined benefit liability	–	–	–	–	(3,541)	(3,541)
	Cash flow hedges						
IFRS 7.24C(b)(ii)	– current year gains	–	–	–	540	–	540
IFRS 7.24C(b)(iv) IAS 1.92	– reclassification to profit or loss	–	–	–	(712)	–	(712)
	AFS Financial assets						
IFRS 7.20(a)(viii)	– current year gains	–	–	(22)	–	–	(22)
IFRS 7.20(a)(viii) IAS 1.92	– reclassification to profit or loss	–	–	–	–	–	–
IAS 16.77(f)	Revaluation of land	–	–	–	–	–	–
IAS 21.52(b)	Exchange differences on translating foreign operations	(341)	–	–	–	–	(341)
IAS 1.91(b)	Before tax	(341)	–	(22)	(172)	(3,541)	(4,076)
IAS 12.81(ab) IAS 1.90	Tax benefit (expense)	95	–	–	–	1,062	1,157
	Net of tax	(246)	–	(22)	(172)	(2,479)	(2,919)
	Balance at 31 December 2017	**(359)**	**689**	**(22)**	**140**	**(862)**	**(414)**

22. Employee remuneration

22.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

		2018	2017
	Wages, salaries	96,483	91,168
	Social security costs	11,229	10,608
IFRS 2.51(a)	Share-based payments	298	466
	Pensions – defined benefit plans	1,308	1,930
IAS 19.53	Pensions – defined contribution plans	4,491	5,343
		113,809	**109,515**

22.2 Share-based employee remuneration

IFRS 2.44
IFRS 2.45(a)

As at 31 December 2018, the Group maintained two share-based payment schemes for employee remuneration, the Star Programme and the Stay Programme. Both programmes will be settled in equity.

IFRS 2.45(a)

The Star Programme is part of the remuneration package of the Group's senior management. Options under this programme will vest if certain conditions, as defined in the programme, are met. It is based on the performance of the Illustrative Corporation's shares compared to other companies in the Greatstocks Stock Exchange within a specified period. In addition, participants in this programme have to be employed until the end of the agreed vesting period. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 20-25% of the market price determined at grant date.

IFRS 2.45(a)

The Stay Programme is part of the remuneration package of the Group's research and development and sales personnel. Options under this programme will vest if the participant remains employed for the agreed vesting period. The maximum term of the options granted under the Stay Programme ends on 31 January 2019. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 15-20% of the market price determined at grant date.

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)	Outstanding at 31 December 2017	300,000	6.24	95,250	5.81
IFRS 2.45(b)(ii)	Granted	–	–	–	–
IFRS 2.45(b)(iii)	Forfeited	(513)	6.24	(1,012)	5.81
IFRS 2.45(b)(iv)	Exercised	–	–	–	–
IFRS 2.45(b)(vi)	**Outstanding at 31 December 2017**	**299,487**	**6.24**	**94,238**	**5.81**
IFRS 2.45(b)(ii)	Granted	100,000	7.81	–	–
IFRS 2.45(b)(iii)	Forfeited	(312)	6.24	(3,489)	5.81
IFRS 2.45(b)(iv)	Exercised	(270,000)	6.24	–	–
IFRS 2.45(b)(vi)	**Outstanding at 31 December 2018**	**129,175**	**7.45**	**90,749**	**5.81**
IFRS 2.45(b)(vii)	Exercisable at 31 December 2017	–	–	–	–
IFRS 2.45(b)(vii)	Exercisable at 31 December 2018	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 2017).

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:

		The Star Programme		The Stay Programme
IFRS 2.47(a)(i)	**Grant date**	**1 Jan 2015**	**1 Feb 2018**	**5 Jan 2014**
	Vesting period ends	31 Dec 2017	31 Jan 2021	31 Jan 2019
	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 2018/ 31 Dec 2019	1 Feb 2021/ 31 Dec 2023	1 Feb 2019/ 4 Jan 2021
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 (2017: 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 2018	31 December 2017
	Non-current:		
IAS 19.131	– Defined benefit liability (net)	10,386	13,642
	Current:		
IAS 19.131	– Defined benefit liability (net)	1,246	1,193
	– Other short term employee obligations	221	303
		1,467	**1,496**

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 2019. 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.
- **Investment risk** – The plan assets at 31 December 2018 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 2019.

IAS 19.131
IAS 19.135(b)

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

		31 December 2018	31 December 2017
	Defined benefit obligation	53,874	47,410
	Fair value of plan assets	(42,242)	(32,575)
IAS 19.131	**Pension liability**	**11,632**	**14,835**
	Classified as:		
	– Non-current liability	10,386	13,642
	– Current liability	1,246	1,193
		11,632	**14,835**

IAS 19.138(a)

The defined benefit obligation and plan assets are composed by geographical locations as follows:

31 December 2018	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)
	5,896	**4,264**	**1,102**	**370**	**11,632**

31 December 2017	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)
	7,471	**5,315**	**1,703**	**346**	**14,835**

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

		2018	2017
IAS 19.140(a)(ii)	Defined benefit obligation 1 January	47,410	38,889
IAS 19.141(a)	Current service cost before deduction of beneficiary contributions	1,966	2,180
IAS 19.141(b)	Interest expense	2,488	2,267
IAS 19.141(c)(ii)	Remeasurement – actuarial losses from changes in demographic assumptions	916	1,091
IAS 19.141(c)(iii)	Remeasurement – actuarial losses from changes in financial assumptions	2,345	2,670
IAS 19.141(g)	Benefits paid	(1,251)	(1,187)
IAS 19.141(d)	Past service cost	–	1,500
IAS 19.140(a)(ii)	**Defined benefit obligation 31 December**	**53,874**	**47,410**
IAS 19.138(e)	Unfunded	–	–
	Partly or wholly funded	**53,874**	**47,410**

Plan assets

		2018	2017
IAS 19.140(a)(i)	Fair value of plan assets 1 January	32,575	28,801
IAS 19.141(b)	Interest income	1,983	1,718
IAS 19.141(c)(i)	Return on plan assets (excluding amounts included in interest)	7,091	220
IAS 19.141(f)	Contributions by the Group	1,186	1,273
IAS 19.141(f)	Contributions by beneficiaries	658	1,750
IAS 19.141(g)	Benefits paid	(1,251)	(1,187)
19.140(a)(i)	**Fair value of plan assets 31 December**	**42,242**	**32,575**

The actual return on plan assets (including interest income) was CU 9,074 in 2018 (2017: CU 1,938).

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

		31 December 2018	31 December 2017
IAS 19.142(a)	**Cash and cash equivalents**	**3,442**	**2,075**
IAS 19.142(b)	**Equity instruments:**		
	– Financial institutions	9,800	7,600
	– Pharmaceuticals	8,100	4,300
	– Oil and gas industry	1,600	1,700
	– Manufacturing industry	1,500	1,200
		21,000	**14,800**
IAS 19.142(c)	**Debt instruments:**		
	– Euroland government bonds	4,800	5,800
	– Corporate bonds (rated AA and above)	3,100	5,600
		7,900	**11,400**
IAS 19.142(d)	**Real estate:**		
	– in Euroland	6,700	2,500
	– in the US	3,200	1,800
		9,900	**4,300**
	Total	**42,242**	**32,575**

Estimates and assumptions

Defined benefit obligation

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[5]:

	31 December 2018	31 December 2017
Discount rate at date shown	5.3%	5.5%
Salary growth rate	3.0%	3.2%
Average life expectancies:		
– Male, 45 years of age at reporting date	84.5	84.5
– Female, 45 years of age at reporting date	87.5	87.5
– Male, 65 years of age at reporting date	82.5	82.5
– Female, 65 years of age at reporting date	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 2018 is 23.3 years (2017: 23.2 years).

Plan assets

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

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

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

		2018	2017
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
	Total expenses recognised in profit or loss	**1,813**	**2,479**

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

[5] 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:

		2018	2017
IAS 19.127(a)	Actuarial losses from changes in demographic assumptions	(916)	(1,091)
IAS 19.127(a)	Actuarial losses from changes in financial assumptions	(2,345)	(2,670)
IAS 19.127(b)	Return on plan assets (excluding amounts included in net interest)	7,091	220
	Total income (expenses) recognised in other comprehensive income	**3,830**	**(3,541)**

IAS 19.122

The income of CU 3,830 (2017: expense of CU 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)

	2018		2017	
Discount rate	**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)	Carrying amount 1 January 2018	2,110	1,235	3,345
IAS 37.84(b)	Additional provisions	–	1,570	1,570
IAS 37.84(c)	Amount utilised	(876)	(2,211)	(3,087)
IAS 37.84(d)	Reversals	(510)	(103)	(613)
IAS 37.84(a)	**Carrying amount 31 December 2018**	**724**	**491**	**1,215**

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 2015 and carried out predominantly in 2017 and 2018. The restructuring provision as at 31 December 2018 was reduced following to the outcome of several lawsuits brought against the Group during 2018 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 2019. 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 2017 related to claims initiated in 2017 that were settled during 2018. 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 2018. 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 2018	31 December 2017
Current:		
– Trade payables	7,843	6,472
– Short-term bank overdrafts	654	78
– Finance lease liabilities	512	506
	9,009	**7,056**
Non-current:		
– Finance lease liabilities	4,060	4,459
	13,069	**11,515**

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 2017: 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 2018	31 December 2017
Advances received for construction contract work	513	427
Deferred service income	2,123	2,291
Other	22	657
Deferred gain	100	100
Other liabilities – current	**2,758**	**3,475**
Contingent consideration for the acquisition of Goodtech	620	–
Deferred gain	1,400	1,500
Other liabilities – non-current	**2,020**	**1,500**

IAS 17.61

The deferred gain relates to a sale and leaseback of an office and production building in 2010. The excess of proceeds received over fair value was deferred and is being amortised over the lease term of 15 years. In 2018, deferred income of CU 100 (2017: 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 2020 and the end of the lease term.

IAS 1.69
IAS 1.61

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 2019. 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 very from 12–36 months in length, however, customers are only required to pay in advance for each successive twelve-month 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 borrowings	Short-term borrowings	Lease liabilities	Total
1 January 2018	**21,265**	**3,379**	**4,965**	**29,609**
Cash-flows:				
– Repayment	(3,478)	(300)	156	(3,622)
– Proceeds	–	1,441	–	1,441
Non-cash:				
– Acquisition	–	30	(549)	(519)
– Fair value	3,548	–	–	3,548
– Reclassification	(265)	265	–	–
31 December 2018	**21,070**	**4,815**	**4,572**	**30,457**

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total
1 January 2017	**21,405**	**3,818**	**5,240**	**30,463**
Cash-flows:				
– Repayment	–	(649)	(77)	(726)
Non-cash:				
– Fair value	–	70	(198)	(128)
– Reclassification	(140)	140	–	–
31 December 2017	**21,265**	**3,379**	**4,965**	**29,609**

27. Finance costs and finance income

Finance costs for the reporting periods consist of the following:

		2018	2017
IFRS 7.20(b)	**Interest expense for borrowings at amortised cost:**		
	– Subordinated shareholder loan	200	200
	– Other borrowings at amortised cost	806	587
		1,006	**787**
	Interest expense for finance lease arrangements	220	230
IFRS 7.20(b)	**Total interest expense**	**1,226**	**1,017**
IAS 23.26(a)	Interest expense capitalised into intangible assets	(80)	(78)
		1,146	**939**
	Net interest expense on defined benefit liability	505	549
	Change in fair value relating to contingent consideration liability	20	–
IFRS 7.20(a)(i)	Loss on foreign currency financial liabilities	30	70
	Impairment of investment in XY Ltd	–	350
		1,701	**1,908**

IAS 23.26(b)

The average capitalisation rate for interest expense included in the cost of intangible assets was 4.4% (2017: 4.5%).

An impairment loss was recognised in 2017 for the investment in XY Ltd, which is carried at FVTPL (see Note 15.3).

Finance income for the reporting periods consists of the following:

		2018	2017
IFRS 7.20(b)	Interest income from cash and cash equivalents	484	357
IFRS 7.20(b)	Interest income on financial assets carried at amortised cost	171	182
IFRS 7.20(b)	Total interest income for financial assets not at FVTPL	655	539
	Dividend income from XY Ltd	40	–
	Change in fair value of equity investments	370	–
	Dividend income from listed equity securities	29	21
IFRS 7.20(a)(i)	Fair value gains on forward exchange contracts held for trading	130	325
		1,224	**885**

28. Other financial items

Other financial items consist of the following:

		2018	2017
IFRS 7.20(a)(i)	Gain from financial assets classified as held for trading (FVTPL)	6	18
IAS 21.52(a) IFRS 7.20(a)(iv)	Gain from exchange differences on loans and receivables	937	1,164
		943	**1,182**

29. Tax expense

IAS 12.79
IAS 12.81(c)

The major components of tax expense[6] and the reconciliation of the expected tax expense based on the domestic effective tax rate of Illustrative Corporation at 29% (2017: 28%) and the reported tax expense in profit or loss are as follows:

		2018	2017
IAS 12.81(c)(i)	Profit before tax	22,705	17,183
IAS 12.85	Domestic tax rate for Illustrative Corporation	29%	28%
	Expected tax expense	**6,584**	**4,811**
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	(24)	(41)
	– Other tax-exempt income	(69)	(21)
	– Gain on disposal of non-financial assets	(33)	–
IAS 12.84	Adjustment for non-deductible expenses:		
	– Relating to goodwill impairment	232	53
	– Impairment of financial assets	48	63
	– Other non-deductible expenses	40	5
	Actual tax expense	**6,794**	**4,888**
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
	Tax expense	**6,794**	**4,888**
	Deferred tax expense (income), recognised directly in other comprehensive income	1,064	(1,157)

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 2017 or 2018.

[6] Examples of major components of tax expense are included in IAS 12.80.

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:	2018	2017
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
Weighted average number of shares used in diluted earnings per share	**12,537**	**12,021**

Dividends

During 2018, Illustrative Corporation paid dividends of CU 3,000 (2017: CU Nil) to its equity shareholders. This represents a payment of CU 0.25 per share (2017: CU Nil per share).

Also during 2018, 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 2018 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

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:	2018	2017
Depreciation, amortisation and impairment of non-financial assets	7,932	6,816
Foreign exchange gains	(937)	(1,164)
Interest and dividend income	(724)	(560)
Fair value gains on financial assets recognised in profit or loss	(186)	(343)
Cash flow hedges reclassified from equity	(640)	(712)
Interest expense	1,166	939
Impairment of financial assets	364	864
Fair value loss on financial liabilities recognised in profit or loss	30	70
Change in fair value of equity investments	(370)	–
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	(600)	(414)
Total adjustments	**7,330**	**8,125**

Net changes in working capital:	2018	2017
Change in inventories	2,454	6,814
Change in trade and other receivables	(5,304)	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)	4,870
Change in provisions	(2,216)	(2,289)
Total changes in working capital	**(9,003)**	**3,914**

IAS 7.43

In 2018, 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 change in fair value of CU 20 (2017: 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 (2017: 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.

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 2018, Equipe provided services valued at CU 568 (2017: CU 590). The outstanding balance of CU 20 (31 December 2017: CU 22) 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 2018, Halftime provided services valued at CU 10 (2017: CU 3). There is no outstanding balance as at 31 December 2018 (31 December 2017: 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:

		2018	2017
IAS 24.17(a)	**Short-term employee benefits:**		
	– Salaries including bonuses	2,420	2,210
	– Social security costs	70	34
	– Company car allowance	220	190
		2,710	**2,434**
IAS 24.17(b)	**Post-employment benefits:**		
	– Defined benefit pension plans	312	299
	– Defined contribution pension plans	25	12
		337	**311**
IAS 24.17(d)	Termination benefits	100	–
IAS 24.17(e)	Share-based payments	103	175
	Total remuneration	**3,250**	**2,920**

IAS 24.18(a)

During 2018, certain key management personnel exercised share options with total exercise price of CU 1,685 (2017: 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 2018, the Group's key management received short term loans totalling CU 40 (2017: CU 38). The outstanding balance of CU 1 (31 December 2017: CU 1) has been included in trade and other receivables.

During 2018, 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 (2017: 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.IG15

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.

The Group enters into derivatives, principally for hedging foreign exchange risk. Associated disclosures relating to hedge accounting are included in Note 15.5.

Guidance note: IFRS 9 amended IFRS 7 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 paragraph IFRS 7.21B requires 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, which has been used to fund the purchase of investment property in the United States.

IFRS 7.33(b)
IFRS 7.IG15
IFRS 7.22A

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. Hedge accounting disclosures are included in Note 15.5.

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**
31 December 2018				
Financial assets	4,518	3,629	308	1,363
Financial liabilities	(710)	(1,658)	–	(7,770)
Total exposure	**3,808**	**1,971**	**308**	**(6,407)**
31 December 2017				
Financial assets	2,920	1,840	233	1,442
Financial liabilities	(586)	(1,368)	–	(7,965)
Total exposure	**2,334**	**472**	**233**	**(6,523)**

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 2018 (2017: 10%). A +/- 5% change is considered for the CU/GBP exchange rate (2017: 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% (2017: 10%) and GBP by 5% (2017: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD	**GBP**	**Total**	**USD**	**GBP**	**Total**
31 December 2018	(97)	(99)	(196)	(47)	(99)	(146)
31 December 2017	(53)	(24)	(77)	(3)	(24)	(27)

If the CU had weakened against the USD by 10% (2017: 10%) and GBP by 5% (2017: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD	GBP	Total	USD	GBP	Total
31 December 2018	97	97	194	37	97	134
31 December 2017	53	20	73	13	20	33

The higher foreign currency exchange rate sensitivity in profit in 2018 compared with 2017 is attributable to an increase in foreign currency denominated debt. Equity is more sensitive in 2018 than in 2017 because of an increase in use of foreign currency forwards.

Interest rate sensitivity

IFRS 7.33(a)
IFRS 7.33(b)
IFRS 7.IG15

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 2018, 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 and debentures 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% (2017: +/- 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 2018	36	(36)	26	(16)
31 December 2017	32	(32)	23	(14)

Other price sensitivity

IFRS 7.33(a)
IFRS 7.33(b)
IFRS 7.IG15
IFRS 7.40(a)
IFRS 7.40(b)

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

For the listed equity securities, an average volatility of 20% has been observed during 2018 (2017: 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, profit or loss and equity would have changed by CU 85 (2017: CU 62).

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.

34.2 Credit risk analysis

IFRS 7.33(a)
IFRS7.33(b)

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

Credit risk management

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The Group continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The group's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Service customers are required to pay the annual amount of the service upfront, mitigating the credit risk.

Trade receivables consist of a large number of customers in various industries and geographical areas.

Security

Trade receivables consist of a large number of customers in various industries and geographical areas. The Group does not hold any security on the trade receivables balance.

In addition, the group does not hold collateral relating to other financial assets (eg derivative assets, cash and cash equivalents held with banks).

Trade receivables

IFRS 7.21

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

IFRS 7.35F(c)

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

IFRS 7.35G

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2018 and 1 January respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

IFRS 7.35F(e)

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 December 2018 and 1 January 2018 was determined as follows:

Guidance note: The credit risk disclosure as illustrated in the financial statements does not include all the required disclosure in IFRS 7 for each class of financial asset, this is because such disclosure was immaterial for that class of financial asset. In practice it is a challenge in determining how much detail to provide to satisfy the requirements of IFRS 7.

Much of the challenge is when determining how much detail to include in the financial statements or how much emphasis to place on different aspects of the requirements and the level of aggregation. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist the users of the financial statements and obscuring important information as a result of too much aggregation.

Detailed credit risk disclosure on the following items has not been included as they were immaterial:

- amounts due from banks (material in value but short term and assumed the omitted disclosures are not material due to their nature. However, this could be challenging in a number of cases, depending on credit worthiness of the banks and also depending on the period the entity is exposed to credit risk)
- listed bonds and other debentures
- derivative financial assets (not subject to the impairment model as carried at fair value).

Particular challenge will apply where there are material long-term financial assets, particularly where these are carried at amortised cost or FVOCI and hence are within the scope of the IFRS 9 impairment model. While many corporate entities will not have these there will be many exceptions to this.

For instance, for this note in particular, in different circumstances entities may have to include:

- enhanced disclosures in areas such as credit risk management practices where IFRS 7.35F-35G has specific requirements relating to various judgements made in applying the IFRS 9 expected credit loss model
- quantitative and qualitative information about amounts arising from expected credit losses in accordance with IFRS 7.35H -35L. These disclosures require quantitative information about changes in the credit loss provisions within the three buckets along with other information relating to changes in the equivalent gross amounts.

IFRS 7.35N
IFRS 7.IG20D

31 December 2018	Trade receivables days past due				
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	1.7%	6.5%	18%	60%	–
Gross carrying amount	29,620	827	671	147	31,265
Lifetime expected credit loss	504	54	121	88	767

IFRS 7.35G(a)
IFRS 7.35G(a)

IFRS 7.35N
IFRS 7.42P

1 January 2018	Trade receivables days past due				
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	1.5%	6%	16%	55%	-
Gross carrying amount	22,032	925	828	104	23,889
Lifetime expected credit loss	331	56	135	57	579

IFRS 7.35G(a)
IFRS 7.35G(a)

IFRS 7.35H(b)(iii)

The closing balance of the of the trade receivables loss allowance as at 31 December 2018 reconciles with the trade receivables loss allowance opening balance as follows:

		2018	2017
IFRS 7.42P	Loss allowance as at 1 January calculated under IAS 39	560	335
	Amounts restated through opening retained earnings	19	–
	Opening loss allowance as at 1 January 2018	579	–
	Loss allowance recognised during the year	198	225
IFRS 7.35I(c)	Receivables written off during the year	–	–
IFRS 7.35I(c)	Loss allowance unused and reversed during the year	(10)	–
	Loss allowance as at 31 December	**767**	**560**

Guidance note: In these Example Financial Statements, the trade receivables have all been assessed collectively for credit risk. There may be situations in practice where it would not be appropriate to assess all the receivables collectively either due to the receivables having different subcategories which do not share the same credit risk or the size of receivable is such that is managed and assessed on an individual basis. As such it is required that an entity disclosure information about how an entity has grouped financial instruments if they are assessed or measured on a collective basis.

The matrix used to disclosure the credit risk exposure for trade receivables above is different from the impairment provision matrix use under IAS 39. The disclosure of credit risk disclosure under IFRS 9 is provided by credit risk grades and in this case the aging is a proxy of the credit risk grades (IFRS 7.35M, 35N). For the reasons expressed above, the entity has not included IFRS 7.35M disclosures relating to other financial assets such as amounts due from banks.

Debt investments

IFRS 7.35F

All the Group's investments in bonds and debentures measured at amortised cost are considered to have low credit risk and the loss allowance recognised is based on the 12 months expected loss. Management consider "low credit risk" for listed bonds and debentures to be those with high quality external credit ratings (investment grade).

Other receivables

IFRS 7.35F

Other financial assets at amortised cost include amounts due from ABC limited.

The closing balance of the of the other receivables and debt investments at amortised costs loss allowance as at 31 December 2018 reconciles with the other receivables and debt investments at amortised cost loss allowance opening balance as follows:

		Other receivables	Debt investments
IFRS 7.42P	Loss allowance as at 31 December calculated under IAS 39	–	–
	Amounts restated through opening retained earnings	3	30
	Opening loss allowance as at 1 January 2018	3	30
	Loss allowance recognised during the year	1	3
IFRS 7.35I(c)	Receivables written of during the year	–	–
	Loss allowance as at 31 December	**4**	**33**

IFRS 7.36

The Group is also exposed to credit risk relating to derivative assets that are measured at fair value through profit or loss. The maximum exposure as at 31 December 2018 is the carrying amount of these instruments (CU 212; 2017: CU 490).

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.B11F

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.B11

As at 31 December 2018, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

31 December 2018	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	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	–	–	–
Total	**13,914**	**852**	**12,064**	**11,754**

IFRS 7.39(a)
IFRS 7.B11

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

31 December 2017	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	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	–	–	–
Total	**10,534**	**860**	**12,516**	**12,580**

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.

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 2018, the contractual cash flows of the Group's derivative financial assets and liabilities are as follows:

31 December 2018	Current	
	within 6 months	6 to 12 months
Gross-settled forward contracts:		
– Cash outflow	(212)	(6,978)
– Cash inflow	300	7,509
Total	**88**	**531**

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 2017	Current	
	within 6 months	6 to 12 months
Gross-settled forward contracts:		
– Cash outflow	(190)	(7,100)
– Cash inflow	203	7,050
Total	**13**	**(50)**

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:

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Listed securities	421	–	–	421
Investment in XY Limited	–	–	752	752
Other short term financial assets	655	–	–	655
US-dollar forward contracts – cash flow hedge	–	467	–	467
GBP forward contracts – cash flow hedge	–	134	–	134
Other forward exchange contracts – held-for-trading	–	115	–	115
Total assets	**1,076**	**716**	**752**	**2,544**
Financial liabilities				
Contingent consideration	–	–	(620)	(620)
Net fair value	**1,076**	**716**	**132**	**1,924**

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Listed securities	343	–	–	343
GBP forward contracts – cash flow hedge	–	230	–	230
Other short term financial assets	649	–	–	649
Other forward exchange contracts – held-for-trading	–	212	–	212
Total assets	**992**	**442**	**–**	**1,434**
Financial liabilities				
Contingent consideration	–	(160)	–	(160)
Net fair value	**992**	**282**	**–**	**1,274**

IFRS 13.93(c)

There were no transfers between Level 1 and Level 2 in 2018 or 2017.

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.

IFRS 13.93(d)
IFRS 13.93(h)

- **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.
- **Investment in XY Limited (Level 3)** – The fair value of this investment was determined based on an appropriate equity pricing model that takes into account the investee's dividends policy and its historical and expected future performance and based on an appropriate growth factor for a similar listed entity and a risk adjusted discount rate.

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

IFRS 13.93(h)

Significant unobservable input	Significant unobservable input	Estimate of the input	Sensitivity of the fair value measurement to input
Contingent consideration	Probability of meeting target	50%	An increase to 60% (decrease to 40%) would increase (decrease) fair value by CU 125.
Investment in XY Limited	Earnings multiple	5%	An increase of the growth factor by 100 basis points and a lower discount rate of 100 basis points would increase the fair value by CU 65,000. Lowering the growth factor by 100 basis points and increasing the discount factor by 100 basis point would decrease fair value by CU 85,000
Investment in XY Limited	Risk adjusted discount rate	15%	

There are no significant interrelationships between the inputs and the unobservable inputs.

Level 3 fair value measurements

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

		Contingent consideration	Investment in XY Limited
	Balance at 1 January 2017	–	433
	Gains recognised in profit or loss	–	–
IFRS 13.93(e)	**Balance at 31 December 2017**	**–**	**433**
IFRS 13.93(e)(iii)	Acquired through business combination	(600)	–
IFRS 13.93(e)(i)	Amount recognised in profit or loss	(20)	292
	IFRS 9 transition adjustment	–	27
	Balance at 31 December 2017	**(620)**	**752**
IFRS 13.93(f)	Total amount included in profit or loss for unrealised losses on Level 3 instruments		
	Finance costs	(20)	–
	Finance income	–	292

Financial instruments measured at amortised cost for which the fair value is disclosed

See Note 15.2.

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 2018	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
– land owned in Euroland	–	–	7,979	7,979
– Goodtech land	–	–	730	730
Investment property:				
– office building in Euroland	–	–	4,552	4,552
– Goodtech investment property	–	–	75	75
– office building in the US	–	–	8,035	8,035

31 December 2017	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
– land owned in Euroland	–	–	7,979	7,979
– Goodtech land	–	–	–	–
Investment property:				
– office building in Euroland	–	–	4,366	4,366
– office building in the US	–	–	7,911	7,911

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 2018, a negative adjustment of 7.5% was incorporated for these factors. The land was revalued on 23 November 2018. The land was previously revalued in November 2015.

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 2018 (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 2018 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 2018, 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)	Balance at 1 January 2018	7,697	4,366	7,911
IFRS 13.93(e)(i)	**Gains recognised in profit or loss:**			
	– increase in fair value of investment property	–	186	124
IFRS 13.93(e)(ii)	**Gains recognised in other comprehensive income:**			
	– revaluation of land	303	–	–
	– exchange differences on translating foreign operations	(21)	–	–
IFRS 13.93(e)(iii)	Acquired in business combination	730	75	–
	Balance at 31 December 2018	**8,709**	**4,627**	**8,035**
IFRS 13.93(f)	Total amount included in profit or loss for unrealised gains on Level 3 assets	–	186	124

		PP&E	Investment properties	
		Land	Euroland	US
IFRS 13.93(e)	Balance at 1 January 2017	7,697	4,293	7,809
IFRS 13.93(e)(i)	**Gains recognised in profit or loss:**			
	– increase in fair value of investment property	–	73	102
IFRS 13.93(e)(ii)	**Gains recognised in other comprehensive income:**			
	– revaluation of land	–	–	–
	– exchange differences on translating foreign operations	–	–	–
	Balance at 31 December 2017	**7,697**	**4,366**	**7,911**
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 2014 (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:

IAS 1.135(b)

	2018	2017
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)
Capital	**56,944**	**46,709**
Total equity	87,140	52,746
Borrowings	25,815	24,644
Overall financing	**112,955**	**77,390**
Capital-to-overall financing ratio	**0.50**	**0.60**

IAS 1.135(d)

The Group has honoured its covenant obligations, including maintaining capital ratios, since the subordinated loan was taken out in 2014. The ratio-reduction during 2018 is primarily a result of financing the acquisition of Goodtech (see Note 5.1).

37. Post-reporting date events

IAS 10.8
IAS 10.21

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

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 2018 (including comparatives) were approved by the board of directors on 1 March 2019.

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 2018

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 9, Note 10 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.

Consolidated statement of profit or loss

		Notes	2018	2017
IAS 1.51(c)				
IAS 1.82(a)	**Revenue**	8, 9	**205,793**	191,228
IAS 1.85	Costs of sales		**(110,526)**	(103,918)
IAS 1.85	**Gross profit**		**95,267**	**87,310**
IAS 1.85	Other income		**299**	708
IAS 1.85	Distribution costs		**(12,014)**	(11,537)
IAS 1.85	Administrative expenses		**(48,054)**	(46,147)
IAS 1.85	Research and development costs		**(1,690)**	(1,015)
IAS 1.85	Change in fair value of investment property	14	**310**	175
IAS 1.85	Other expenses		**(12,270)**	(12,611)
	Operating profit		**21,848**	**16,883**
IAS 1.82(c)	Share of profit from equity accounted investments	8	**391**	141
IAS 1.82(b)	Finance costs	27	**(1,701)**	(1,908)
IAS 1.85	Finance income	27	**1,224**	885
IAS 1.85	Other financial items	28	**943**	1,182
	Profit before tax		**22,705**	17,183
IAS 1.82(d)	Tax expense	29	**(6,794)**	(4,888)
	Profit for the year from continuing operations		**15,911**	**12,295**
IAS 1.82(ea)	Loss for the year from discontinued operations	20	**(9)**	(325)
IAS 1.81A(a)	**Profit for the year**		**15,902**	**11,970**
	Profit for the year attributable to:			
IAS 1.81B(a)(i)	– Non-controlling interest		**121**	116
IAS 1.81B(a)(ii)	– Owners of the parent		**15,781**	11,854
			15,902	**11,970**

	Earnings per share	Notes	2018	2017
IAS 33.67A	**Basic earnings (loss) per share:**			
IAS 33.66	– Earnings from continuing operations		**1.27**	1.02
IAS 33.68A	– Loss from discontinued operations		**(0.00)**	(0.03)
IAS 33.66	**Total**		**1.27**	**0.99**
IAS 33.67A	**Diluted earnings (loss) per share:**			
IAS 33.66	– Earnings from continuing operations		**1.27**	1.02
IAS 33.68A	– Loss from discontinued operations		**(0.00)**	(0.03)
IAS 33.66	**Total**		**1.27**	**0.99**

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	2018	2017
IAS 1.51(c)				
IAS 1.82(a)	**Revenue**	8, 9	**205,793**	191,228
IAS 1.85	Other income		**299**	708
IAS 1.85	Changes in inventories		**(7,923)**	(6,815)
IAS 1.85	Costs of materials		**(42,535)**	(39,420)
IAS 1.85	Employee benefits expense	22	**(113,809)**	(109,515)
IAS 1.85	Change in fair value of investment property	14	**310**	175
IAS 1.85	Depreciation, amortisation and impairment of non-financial assets		**(7,932)**	(6,816)
IAS 1.85	Impairment losses of financial assets	34.2	**(164)**	(225)
IAS 1.85	Other expenses		**(12,191)**	(12,437)
	Operating profit		**21,848**	**16,883**
IAS 1.82(c)	Share of profit from equity accounted investments	7	**391**	141
IAS 1.82(b)	Finance costs	27	**(1,701)**	(1,908)
IAS 1.85	Finance income	27	**1,224**	885
IAS 1.85	Other financial items	28	**943**	1,182
	Profit before tax		**22,705**	**17,183**
IAS 1.82(d)	Tax expense	29	**(6,794)**	(4,888)
	Profit for the year from continuing operations		**15,911**	**12,295**
IAS 1.82(ea)	Loss for the year from discontinued operations	20	**(9)**	(325)
IAS 1.81A(a)	**Profit for the year**		**15,902**	**11,970**

Consolidated statement of comprehensive income

		Notes	2018	2017
	Other comprehensive income:			
IAS 1.82A(a)(i)	**Items that will not be reclassified subsequently to profit or loss**			
IAS 16.77(f)	Revaluation of land	12	**303**	–
IAS 19.120(c)	Remeasurement of net defined benefit liability	22	**3,830**	(3,541)
IAS 1.90 IAS 1.91(b)	Income tax relating to items not reclassified	16	**(1,240)**	1,062
IAS 1.82A(a)(ii)	**Items that will be reclassified subsequently to profit or loss**			
	Cash flow hedging:			
IFRS 7.24C(b)(i)	– current year gains (losses)	21.3	**890**	540
IFRS 7.24C(b)(iv) IAS 1.92	– reclassification to profit or loss	21.3	**(640)**	(712)
	Available-for-sale financial assets:	15		
IFRS 7.20(a)(viii)	– current year gains		**-**	(22)
IFRS 7.20(a)(viii) IAS 1.92	– reclassification to profit or loss		**-**	–
IAS 21.52(b)	Exchange differences on translating foreign operations		**(664)**	(341)
IAS 1.82A(b)	**Share of other comprehensive income of equity accounted investments:**	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)	**Other comprehensive income for the year, net of tax**		**2,657**	**(2,919)**
IAS 1.81A(c)	**Total comprehensive income for the year**		**18,559**	**9,051**
	Profit for the year attributable to:			
IAS 1.81B(a)(i)	Non-controlling interest		**121**	116
IAS 1.81B(a)(ii)	Owners of the parent		**15,781**	11,854
			15,902	**11,970**
	Total comprehensive income attributable to:			
IAS 1.81B(b)(i)	Non-controlling interest		**121**	116
IAS 1.81B(b)(ii)	Owners of the parent		**18,438**	8,935
			18,559	**9,051**

	Earnings per share	Notes	2018	2017
IAS 33.67A	**Basic earnings (loss) per share:**	30		
IAS 33.66	– Earnings from continuing operations		1.27	1.02
IAS 33.68A	– Loss from discontinued operations		(0.00)	(0.03)
IAS 33.66	**Total**		**1.27**	**0.99**
IAS 33.67A	**Diluted earnings (loss) per share:**			
IAS 33.66	– Earnings from continuing operations		1.27	1.02
IAS 33.68A	– Loss from discontinued operations		(0.00)	(0.03)
IAS 33.66	**Total**		**1.27**	**0.99**

Appendix C

Effective dates of new IFRS Standards

Based on IFRS Standards issued at 30 September 2018

Standard	Title of Standard or Interpretation	Effective for annual reporting periods beginning on or after	Considered for preparation of EFS?	Early application?
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	✓	✓*
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January 2018	✓	**
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018	✓	✓
IFRS 1	Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IFRS 1, IFRS 12, and IAS 28)	1 January 2018	✓	no
IAS 28	Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IFRS 1, IFRS 12, and IAS 28)	1 January 2018	✓	✓
IAS 40	Transfers of Investment Property (Amendments to IAS 40)	1 January 2018	✓	✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	✓	✓
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	✓
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019	no	✓
IFRS 3, IFRS 11, IAS 12, IAS 23	Annual Improvements to IFRS Standards 2015–2017 Cycle (IFRS 3, IFRS 11, IAS 12, IAS 23)	1 January 2019	no	✓
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019	no	✓
various	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	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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